



ACQUISITION,  
TECHNOLOGY AND  
LOGISTICS

**THE UNDER SECRETARY OF DEFENSE**

**3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010**



MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY  
(RESEARCH, DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)  
DIRECTORS, DEFENSE AGENCIES

14 JUL 2004

SUBJECT: Acquisition Domain Transition Planning

To begin the Acquisition Domain's transition planning process, the Interim State Procurement Enterprise Systems have been defined as previously briefed to the Acquisition Governance Board (AGB) and the Business Management Modernization Program (BMMP) Steering Committee. The Interim State defines the Federal and DoD systems that provide procurement and procurement-related capabilities to the DoD Military Departments and Defense Agencies. Since the Interim State is procurement-focused, it will expand to include the entire acquisition process as the inventory of acquisition enterprise business systems expands. As the Domain manages the investment in duplicative solutions, this Interim State defines the solution set that each Military Department and Defense Agency will use to procure goods and services and conduct other procurement-related activities.

Each Military Department and Defense Agency will transition to these solutions no later than October 31, 2005. Systems providing duplicative capabilities to the Interim State systems without an Acquisition Domain approved compliance package will not receive Acquisition Domain endorsement to the Office of Secretary of Defense, Comptroller (OSD(C)) for obligation authority, required per the 2004 DoD Authorization Act. The Interim State is also documented in several architecture products that can be found at the Acquisition Domain portal, <https://portal.acq.osd.mil/portal/server.pt>. I have detailed specific deployment goals for the Standard Procurement System (SPS) Version 4.2.2 and Version 4.2.3 in a separate memorandum.

Your endorsed plan for incorporating the Domain Interim State systems to the business processes and systems architecture within your Military Department or Defense Agency is due August 31, 2004. This plan should incorporate technical integration, process re-engineering, deployment timeline and retirement plans for duplicative systems. Transition planning guidance is available through the Acquisition Domain. Please ensure your Military Department and Defense Agency plans are provided, as requested, to Ms. Diane Morrison, [diane.morrison@osd.mil](mailto:diane.morrison@osd.mil), 703-614-3883, my action officer for this effort.

  
Michael W. Wynne  
Acting





**THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010**

14 JUL 2004

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY  
(RESEARCH, DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)  
DIRECTORS, DEFENSE AGENCIES

SUBJECT: Standard Procurement System Deployment

The deployment of the Standard Procurement System (SPS) Procurement Desktop-Defense (PD2) application continues to be a key initiative of the Department. However, numerous other contract writing systems continue to be utilized by the Military Departments and Defense Agencies, contrary to previous direction. Please be advised again that SPS/PD2 is the interim state solution for contract writing capabilities within the Acquisition Domain.

Formidable upgrades are currently in the process for SPS/PD2. Version 4.2.2 is the most current deployed version. Combined with the SPS Adapter, Version 4.2.2 is now more flexible and responsive to the integration needs of the Military Departments and Defense Agencies. Additionally, representatives from all Military Departments and Defense Agencies are supporting the SPS Joint Requirements Board to outline and review the requirements for Version 4.2.3, due for delivery to the government in Q1FY06. This release will be web-based and more easily accessible and manageable to the contracting community. Both versions also fulfill key requirements of the Department's Business Management Modernization Program (BMMP) including the ability to obtain a clean audit opinion.

All Military Departments and Defense Agencies should plan for the deployment of each of these versions of SPS/PD2. Upgrades of the current SPS/PD2 user base to Version 4.2.2, as well as the Defense Contract Management Agency (DCMA)'s planned initial deployment, shall be completed by April 30, 2005. Military Departments and Defense Agencies should also deploy Version 4.2.2 to new user bases in order to retire legacy contract writing systems. Given Version 4.2.3's development and delivery schedule, each Military Department and Defense Agency should also plan to upgrade its user base and deploy to all remaining procurement users by October 1, 2006, retiring all remaining legacy contract writing systems.

Please provide or update your Military Department's or Defense Agency's deployment plans for SPS/PD2 with the SPS Joint Program Management Office (JPMO) to account for these dates by August 31, 2004. Deployment plans should indicate if an Acquisition Domain-endorsed application other than SPS will be used for contract writing capabilities. Ms. Debbie O'Rourke, [deborah.orourke@eis.army.mil](mailto:deborah.orourke@eis.army.mil), (703) 460-1290, is the point of contact for the SPS JPMO. My action officer for SPS is Ms. Lisa Romney, [lisa.romney@osd.mil](mailto:lisa.romney@osd.mil), (703) 614-3883. Additionally, please ensure your deployment plans are captured in your Component Transition Strategies, directed by separate memorandum, to be provided to the Acquisition Domain.

  
Michael W. Wynne  
Acting





ACQUISITION,  
TECHNOLOGY AND  
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THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010

21 JUL 2004

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND  
DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Insensitive Munitions (IM) Strategic Planning

This memorandum establishes Department of Defense policy for the annual submission of Insensitive Munitions Strategic Plans to the Joint Requirements Oversight Council (JROC) and the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) (OUSD(AT&L)). The first submission is due February 15, 2005.

Section 2389 of Title 10, United States Code, requires the Secretary of Defense to “ensure, to the extent practicable, that insensitive munitions under development or procurement are safe throughout development and fielding when subjected to unplanned stimuli.” The JROC monitors and keeps me informed with respect to compliance with IM requirements policy through the established waiver process; however, this process is sub-optimized, limiting the JROC’s view to individual munition programs without insight or recognition of other/related IM efforts or investment priorities. This new policy will serve to increase our visibility into the total Program Executive Office (PEO) munitions portfolio and enable decisions to be made in a broader context. The transition towards a totally IM-compliant munitions inventory becomes more clearly defined by this perspective. To this end the Secretaries of the Military Departments, Director, Missile Defense Agency, and Commander, Special Operations Command will ensure that PEOs with weapon responsibilities develop and submit annual IM Strategic Plans to the JROC and OUSD(AT&L). The Plans will be co-signed by the appropriate Acquisition Executive and Comptroller (or Resource Sponsor), thus conveying a commitment to execution and funding.

Starting in February 2005, annual IM Strategic Plans will be the vehicle to submit and consolidate IM waiver requests. However, addressees will retain the flexibility to submit individual waiver requests, in the unusual case where such a request is needed, to meet specific urgent program milestones in a timely manner. All out-of-cycle requests shall be reported in the next annual plan submission. All other aspects of the current IM waiver request review and approval process remain unchanged.

The OSD point of contact for additional information on IM Strategic Planning policy and development is Mr. Tony Melita, (703) 695-1382, [Anthony.Melita@osd.mil](mailto:Anthony.Melita@osd.mil). The JROC point of contact is: Division Chief, J8 Capabilities and Acquisition Division, (703) 614-3682.

Michael W. Wynne  
Acting

cc:  
Director, Defense Research and Engineering





ACQUISITION,  
TECHNOLOGY AND  
LOGISTICS

**THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010**

July 30, 2004

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Radio Frequency Identification (RFID) Policy

In my capacity as the Defense Logistics Executive (DLE), this memorandum issues the policy for implementing Radio Frequency Identification (RFID) across the Department of Defense (DoD). This policy finalizes the business rules for the use of high data capacity active RFID (Attachment 1) and finalizes the business rules for the implementation of passive RFID and the use of Electronic Product Code™ (EPC) interoperable tags and equipment (EPC Technology) within the DoD supply chain (Attachment 2). Attachment 3 prescribes the implementation approach for DoD suppliers/vendors to apply passive RFID tags. This policy memorandum applies to the Office of the Secretary of Defense (OSD); the Military Departments, the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the Department of Defense; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as the "DoD Components"). An internal implementation strategy for DoD Components to read and apply passive RFID tags will be issued in a separate Defense Logistics Executive (DLE) decision memorandum. This policy supersedes two previous issuances of policy dated October 23, 2003, and February 20, 2004.

DoD Components will immediately resource and implement the use of high data capacity active RFID in the DoD operational environment. Attachment 1 outlines the detailed guidance on active tagging. DoD Components must ensure that all consolidated shipments moving to, from, or between overseas locations are tagged, including retrograde, and must expand the active RFID infrastructure to provide global intransit visibility. In order to take advantage of global RFID infrastructure not within DoD's control, the DoD Logistics Automatic Identification Technology Office will assess the ability to leverage any compatible active RFID commercial infrastructure that commercial entities may establish. This should not be viewed as direction to commercial carriers and port operators to establish an active RFID infrastructure.

Attachment 2 contains the detailed guidance on implementation of passive RFID capability within the DoD supply chain as well as the data constructs for the tags. DoD will use and require its suppliers to use EPC Class 0 and Class 1 tags, readers and complementary devices. DoD will migrate to the next generation tag (UHF Gen 2) and supporting technology. When the specification for UHF Gen 2 is finalized, the Department will announce a transition plan to this technology, but we expect use of EPC Class 0 and Class 1 technology for approximately two years.

Radio Frequency Identification will be a mandatory DoD requirement on solicitations issued on or after October 1, 2004, for delivery of materiel on or after January 1, 2005, in accordance with the supplier implementation plan at Attachment 3. Contracts with DoD shall require that passive RFID tags be applied to the case, pallet and item packaging for unique identification (UID) items in accordance with Attachment 3. The Defense Logistics Board (DLB) will review the internal implementation plan, benefits, compliance requirements, and requisite budget requirements annually based on an assessment of the implementation to date. This review will include an updated analysis of implementation success as well as provide guidance for expansion of RFID capabilities into additional applications and supply chain functional processes. A DLE decision memorandum will provide funding guidance for DoD Component implementation.

## POLICY & LEGISLATION

In order for the DoD Components to meet the requirements of this policy, we have developed a Department-wide RFID Concept of Operations (CONOPS) to outline the transformational role of RFID technology in DoD logistics and to articulate the specific uses of both active and passive RFID throughout the DoD supply chain. Components will prepare a supporting RFID implementation plan that encompasses both active and passive RFID technology in a cohesive environment to support the DoD vision. Active RFID implementation plans are already due and an update to include passive RFID implementations is due to the ADUSD(SCI) by October 29, 2004, to ensure total interoperability and standardized implementation throughout the Department.

To support the purchase of passive RFID technology and leverage the purchasing power of the Department, the Army's Program Executive Office Enterprise Information Systems (PEO EIS) continues development of a multi-vendor contract mechanism to procure EPC technology. This contract will include competitive vendors providing RFID equipment/infrastructure in accordance with current published EPC specifications (Class 0 and Class 1) and, when published, specifications for UHF Gen 2.

To institutionalize RFID as a standard way of doing business, this policy will be incorporated into the next update of the DoD Supply Chain Materiel Management Regulation (DoD 4140.1-R), the Defense Transportation Regulation (DoD 4500.9-R) and the Military Standard 129. Likewise, DoD Components will incorporate this policy into Service/Agency-level publications as well as Component strategies to achieve compliance with the DoD Business Enterprise Architecture—Logistics (BEA-LOG).

The following policy also applies to take full advantage of the inherent life cycle management efficiencies of this technology: Beginning in FY 2007 and beyond—only RFID-capable AIT peripherals (e.g., optical scanners, printers used for shipping labels) will be acquired when these peripherals support RFID-capable business processes. Beginning in FY 2007 and beyond—logistics automated information systems (AIS) involved in receiving, shipping and inventory management will use RFID to perform business transactions, where appropriate, and AIS funding will hinge on compliance with this policy. Managers of all major logistics systems modernization programs will update appropriate program documentation to include the requirement for RFID capabilities as part of the system operational deployment in conformance with the business rules and initial timeline set forth in this policy. Managers of major acquisition programs will update programs as required to include the requirement for RFID capabilities where applicable. The DLB will review these requirements prior to FY 2007 implementation.

We will continue to partner with your staffs as well as our suppliers on this critical initiative. RFID remains part of the larger suite of AIT technologies and the Department will leverage all of these technologies, where appropriate in the supply chain, to improve our ability to support the warfighter. However, an RFID-capable DoD supply chain is a critical element of Defense Transformation and will provide a key enabler for the asset visibility support down to the last tactical mile that is needed by our warfighters. Your continued efforts are vital to our success in meeting this requirement. For further information, please refer to our website at <http://www.dodrfid.org>.



Michael W. Wynne  
Acting

Attachments:  
As stated

**Editor's note:** To view the distribution and attachments to this memorandum, go to [http://www.acq.osd.mil/log/logistics\\_materiel\\_readiness/organizations/sci/rfid/assets/Policy/RFID%20POLICY.PDF](http://www.acq.osd.mil/log/logistics_materiel_readiness/organizations/sci/rfid/assets/Policy/RFID%20POLICY.PDF).



THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
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AUG 16 2004

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS

SUBJECT: Performance Based Logistics: Purchasing Using Performance Based Criteria

The Deputy Secretary of Defense memorandum of February 4, 2004, "Implementation of the Defense Business Practice Implementation Board (DBB) Recommendation to the Senior Executive Council (SEC) on Continued Progress on Performance Based Logistics," directed that my office issue clear guidance on purchasing weapon system logistics support using performance-based criteria. That guidance follows.

DoD 5000.1, the Defense Acquisition System, requires program managers to develop and implement performance based logistics (PBL) strategies that optimize total system availability while minimizing cost and logistics footprint. PBL strategies may be applied at the system, subsystem, or major assembly level depending upon program unique circumstances and appropriate business case analysis. PBL arrangements will be constructed to truly purchase performance, as detailed in this memorandum.

Those purchasing PBL should follow Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) guidance, as appropriate, for the acquisition of logistics services and support and should seek to utilize FAR Part 12--"Acquisition of Commercial Items" to acquire PBL as a commercial item. Additional information regarding PBL implementation is included in the DoD Interim Defense Acquisition Guidebook.

For PBL, "performance" is defined in terms of military objectives, using the following criteria:

- (1) Operational Availability. The percent of time that a weapon system is available for a mission or ability to sustain operations tempo.
- (2) Operational Reliability. The measure of a weapon system in meeting mission success objectives (percent of objectives met, by weapon system). Depending on the weapon system, a mission objective would be a sortie, tour, launch, destination reached, capability, etc.
- (3) Cost Per Unit Usage. The total operating costs divided by the appropriate unit of measurement for a given weapon system. Depending on weapon system, the measurement unit could be flight hour, steaming hour, launch, mile driven, etc.
- (4) Logistics Footprint. The government/contractor size or "presence" of logistics support required to deploy, sustain, and move a weapon system. Measurable elements include inventory/equipment, personnel, facilities, transportation assets, and real estate.
- (5) Logistics Response Time. This is the period of time from logistics demand signal sent to satisfaction of that logistics demand. "Logistics Demand" refers to systems, components, or resources, including labor, required for weapon system logistics support.



PBL metrics should support these desired outcomes. Performance measures will be tailored by the Military Departments to reflect specific Service definitions and the unique circumstances of the PBL arrangements.

The preferred PBL contracting approach is the use of long-term contracts with incentives tied to performance. Award term contracts should be used where possible to incentivize optimal industry support. Incentives should be tied to metrics tailored by the Military Departments to reflect their specific definitions and reporting processes. Award and incentive contracts shall include tailored cost reporting to enable appropriate contract management and to facilitate future cost estimating and price analysis. PBL contracts must include a definition of metrics and should be constructed to provide industry with a firm period of performance. Wherever possible, PBL contracts should be fixed price (e.g., fixed price per operating or system operating hour). Lack of data on systems performance or maintenance costs, or other pricing risk factors may necessitate cost-type contracts for some early stage PBLs. Full access to DoD demand data will be incorporated into all PBL contracts. PBL contracts should be competitively sourced wherever possible and should make maximum use of small and disadvantaged sources. PBL contractors should be encouraged to use small and disadvantaged businesses as subcontractors, and may be incentivized to do so through PBL contractual incentives tied to small and disadvantaged business subcontracting goals.

The Defense Acquisition University (DAU) website ([www.dau.mil](http://www.dau.mil)) provides courses in performance based service acquisition and PBL as well as PBL “lessons learned.” Maximizing use of these DAU resources will increase our ability to support the warfighter.

This guidance is effective immediately and will be incorporated into the Defense Acquisition Guidebook.



Michael W. Wynne  
Acting



ACQUISITION,  
TECHNOLOGY AND  
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OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301 - 3000



JUL 07, 2004

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Instructions for Modular Open Systems Approach (MOSA) Implementation

A Modular Open Systems Approach (MOSA) is a means to assess and implement, when feasible, widely supported commercial interface standards in developing systems using modular design concepts. It is an integral part of the toolset that will help DoD achieve its goal of providing the joint combat capabilities required in the 21st century, including supporting and evolving these capabilities over their total life cycle. The USD(AT&L) memorandum, dated April 5, 2004, states: "commencing 1 Oct 04 all programs subject to milestone review shall brief their program's MOSA implementation status to the Milestone Decision Authority (MDA) for compliance." The purpose of this memorandum is to describe how this requirement will be addressed for systems and systems-of-systems in the formal acquisition process.

Given the enabling relationship of a modular open systems approach to evolutionary acquisition, DoD acquisition programs should address Modular Open Systems Approach (MOSA) early in their program and acquisition planning, and should discuss MOSA implementation in the context of their overall Acquisition Strategy and to the extent feasible in the Technology Development Strategy. MOSA implementation issues should be identified and addressed via the IPT process and presented as issues to the MDA only when unresolved at a lower level.

The Open Systems Joint Task Force (OSJTF) is my lead for MOSA and has developed the Program Assessment and Rating Tool (PART) for your use in conducting your internal MOSA implementation assessments. Program Managers should either use the PART, or an equivalent method of assessment, to generate objective data on the success of their MOSA implementation. The OSJTF Program Managers MOSA guide and PART are available at [http://www.acq.osd.mil/osjtf/html/mosa\\_assessment.html](http://www.acq.osd.mil/osjtf/html/mosa_assessment.html). Additionally, pertinent MOSA and PART information will be provided in the next update to the DoD Acquisition Guidebook.

The OSJTF is responsible for the development and oversight of MOSA policy to include emerging system-of-systems policy to develop open integrated architectures for capability areas. If you have any questions or need further guidance on required reporting, my point of contact is COL Ken Flowers, Director, OSJTF. He can be contacted at 703-602-0851 x116, or via e-mail at [Kenneth.flowers@osd.mil](mailto:Kenneth.flowers@osd.mil).

Glenn F. Lamartin  
Director  
Defense Systems

cc:  
Defense Systems Warfare Offices  
Defense Systems Systems Engineering  
As stated

**Editor's note:** To view the distribution and an associated action memorandum, go to [http://akss.dau.mil/docs/Dr%20Lamartin%20MOSA%20Memo%20\(signed%2007%20July%202004\).pdf](http://akss.dau.mil/docs/Dr%20Lamartin%20MOSA%20Memo%20(signed%2007%20July%202004).pdf) >.



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**OFFICE OF THE UNDER SECRETARY OF DEFENSE  
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WASHINGTON, D.C. 20301 - 3000**

JUL 08 2004



DPAP/EB

MEMORANDUM FOR DIRECTORS OF THE DEFENSE AGENCIES  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(POLICY AND PROCUREMENT), ASA(ALT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION MANAGEMENT), ASN(RDA)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY  
DEPUTY DIRECTOR FOR LOGISTICS OPERATIONS (DLA)  
DIRECTOR, ARMY CONTRACTING AGENCY

SUBJECT: Transition to the Federal Procurement Data System—Next Generation

The Department of Defense (DoD) fully supports the move to the real-time, validated contract reporting environment that will be available with the full implementation of the Federal Procurement Data System—Next Generation (FPDS-NG). FPDS-NG replaces the legacy FPDS with a web-based application, and is a part of the eGov Integrated Acquisition Environment (IAE) initiative. DoD is aggressively working toward ensuring that our contract writing systems are able to successfully transition to the new reporting environment when work on FPDS-NG is finished. However, since there is still programming work on FPDS-NG to be completed and validated, I determine that it is impractical to require full transition to the new reporting environment by our original goal, October 1, 2004. Despite this change in schedule, DoD is committed to implementing direct, machine-to-machine interfaces between our contract writing systems and FPDS-NG as expeditiously as possible, with a revised goal date for the entire Department of February 1, 2005. Everyone's diligence and focus on this important initiative is requested.

DoD is planning a phased-in implementation schedule during FY05, where we transition one contract writing system at a time to the new, machine-to-machine reporting environment. To ensure an orderly transition, we require updated, detailed implementation schedules from each of the Components to address both contract writing systems used by the Components and plans for any manual contract reporting locations. Each Component should provide their implementation schedule to my action officer, Lisa Romney, 703-614-3883, [lisa.romney@osd.mil](mailto:lisa.romney@osd.mil), by July 26, 2004.

For your planning purposes, DoD will submit FY04 award data to FPDS-NG via frequent data file submissions from the existing Defense Contract Action Data System (DCADS) and feeder system process that use the DD350 and DD1057 forms. From this time forward, the Information Technology Management Directorate (ITMD) (formerly the Directorate for Information Operations and Reports (DIOR)) and those



responsible for providing ITMD with contracting data need to be prepared to compile, validate, and provide FY04 data submissions to FPDS-NG on a semi-monthly basis through September 15, 2004, and then more frequently as necessary through the end of the FY04 reporting period. In order to effectively close FY04 reporting, DoD will adhere to the following year-end schedule: (1) submission of FY04 reports to ITMD will be completed not later than October 22, 2004; (2) corrections may be submitted until November 8, 2004; and (3) DUNS number corrections may be submitted until November 19, 2004.

We intend to submit FY05 data via a similar process until each contract writing system completes its transition to the machine-to-machine environment. This approach includes several key requirements: (1) as of October 1, 2004, all FY05 reportable contract actions must be submitted via a DD350; summary reporting DD1057s will not be accepted for FY05 actions; (2) full use of DoDAACs, as required by the Defense Federal Acquisition Regulation Supplement (DFARS), is mandated beginning October 1, 2004; and (3) Components must either program their contract writing systems for very limited FY05 edits (which will be provided from ITMD by July 16, 2004) or must establish another method to collect and report the data required by the FY05 edits to FPDS-NG in conjunction with ITMD. Please note for planning purposes that the Procurement Desktop-Defense (PD2) application will not be programming these FY05 edits, as the development for FPDS-NG machine-to-machine interface is expected to be delivered to the government in Q1FY05.

As DoD completes this challenging transition to full FPDS-NG implementation, it is essential that everyone is aware of the responsibilities we all share in making this undertaking a success. In the real-time, machine-to-machine reporting environment, inaccurate reporting of contract actions is magnified. Without the historic layers of review, the contracting officer is now the sole individual responsible and accountable for ensuring the accuracy of all socio-economic and other reportable information for each contract action at the time of award. In the FPDS-NG reporting environment, data initially submitted by our contracting professionals is the same data that will be immediately relied upon by Congress, the Office of Management and Budget, the Department, and the Small Business Administration for evaluating DoD contracting and socio-economic performance.

Once FPDS-NG programming and testing is complete, training materials for work in the new reporting environment will be provided. Until then, a computer-based training module is available at <http://beta.fpdsng.com/>, under Award CBT and IDV CBT. Additionally, we are developing a policy case that captures associated policy and process changes, which will be published in the new **Policy, Guidelines and Information (PG&I)** manual to accompany the DFARS.

The move to FPDS-NG is a dramatic, federal-wide transition, enabling us to more efficiently and effectively manage our activities. I thank you all for your cooperation and support. Again, my action officer for FPDS-NG is Lisa Romney, [lisa.romney@osd.mil](mailto:lisa.romney@osd.mil), 703-614-3883. Joyce Allen, [joyce.allen@eis.army.mil](mailto:joyce.allen@eis.army.mil), 703-460-1507, is the Standard Procurement System (SPS) point of contact for the PD2 application. Additionally, please contact your designated DoD FPDS-NG Transition Team representative identified below for specific Component information:

- Army and Other Defense Agencies: Brian Davidson, [brian.davidson@hqda.army.mil](mailto:brian.davidson@hqda.army.mil), 703-681-9781
- Navy: Patricia Coffey, [patricia.coffey@navy.mil](mailto:patricia.coffey@navy.mil), 202-685-1279
- Air Force: Kathryn Ekberg, [kathryn.ekberg@pentagon.af.mil](mailto:kathryn.ekberg@pentagon.af.mil), 703-588-7033
- Defense Logistics Agency: Judy Lee, [judy.lee@dla.mil](mailto:judy.lee@dla.mil), 703-767-1376
- Defense Contract Management Agency: Barbara Roberson, [barbara.roberson@dcma.mil](mailto:barbara.roberson@dcma.mil), 703-428-0856



Deidre A. Lee  
Director, Defense Procurement  
and Acquisition Policy



ACQUISITION,  
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JUL 9 2004

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT  
AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Contract Pricing and Cost Accounting—Compliance with DFARS 252.211-7003, “Item Identification and Valuation”

The Department of Defense is pursuing the implementation of unique item identification to assure that we reap the significant benefits offered by this initiative. As part of this initiative, an interim rule was issued on December 30, 2003. This interim rule included an implementing contract clause at DFARS 252.211-7003.

Questions have been raised concerning the pricing and accounting for costs necessary to comply with DFARS 252.211-7003. The attached guidance should be used by all DoD contracting personnel in pricing and accounting for DoD contracts subject to the provisions of FAR Part 31 and the applicable Cost Accounting Standards.

If you have any questions regarding this memorandum, please contact Mr. David J. Capitano, Senior Procurement Analyst, at (703) 847-7486, or via e-mail at [david.capitano@osd.mil](mailto:david.capitano@osd.mil).

Deidre A. Lee  
Director, Defense Procurement  
and Acquisition Policy

Attachment:  
As stated

**Editor's note:** To view the attachment, go to the Director, Defense Procurement and Acquisition Policy Web site at <http://www.acq.osd.mil/dpap/policy/policydocs.htm>.



**DEFENSE FAR SUPPLEMENT (DFARS)  
CHANGE NOTICE 20040608**

**D**oD published the following interim, final, and proposed DFARS rules in the *Federal Register* on June 8, 2004:

**Interim Rules**

**WRITTEN ASSURANCE OF TECHNICAL  
DATA CONFORMITY (DFARS CASE 2003-D104)**

Applies to contracts that require the contractor to deliver technical data to the government. Eliminates the requirement for the contractor to provide a written statement that the delivered technical data are complete, accurate, and comply with all requirements of the contract. The change will reduce paperwork for contractors but will not diminish the contractors' obligation to provide complete and accurate technical data that satisfy contract requirements. Implements Section 844 of the National Defense Authorization Act for Fiscal Year 2004. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d104i.txt>>.

**CONTRACTING FOR ARCHITECT-ENGINEER  
SERVICES (DFARS CASE 2003-D105)**

Applies to contracts for architect-engineer services for military construction or family housing projects. Increases, from \$85,000 to \$300,000, the threshold below which acquisitions for these services must be set aside for small business concerns. Implements Section 1427 of the National Defense Authorization Act for Fiscal Year 2004. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d105i.txt>>.

**Final Rules**

**FISH, SHELLFISH, AND SEAFOOD PRODUCTS  
(DFARS CASE 2002-D034)**

Applies to contracts for fish, shellfish, and seafood products. Revises the interim rule published on Feb. 14, 2003 (DFARS Change Notice 20030214), that requires the acquisition of domestic fish, shellfish, and seafood, including fish, shellfish, and seafood manufactured or processed or contained in foods manufactured or processed in the United States. Clarifies that fish, shellfish, and seafood delivered under a DoD contract must be taken from the sea by U.S.-flag vessels or obtained from fishing in the United States. Implements Section 8136 of the DoD Appropriations Act for Fiscal Year 2003 and Section 8118 of the DoD Appropriations Act for Fiscal Year 2004. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2002d034f.txt>>.

**FOLLOW-ON PRODUCTION CONTRACTS FOR  
PRODUCTS DEVELOPED PURSUANT TO  
PROTOTYPE PROJECTS  
(DFARS CASE 2002-D023)**

Applies to production contracts for DoD weapons and weapon systems. Authorizes the contracting officer to award a follow-on production contract without competition, if the "other transaction" agreement for the prototype project provides for a follow-on production contract and meets certain other statutory requirements. The contracting officer may continue with the existing contractor or may determine that further competition is appropriate. Implements Section 822 of the National Defense Authorization Act for Fiscal Year 2002. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2002d023f.txt>>.

**PRODUCTION SURVEILLANCE AND  
REPORTING (DFARS CASE 2002-D015)**

Eliminates requirements for a contract administration office to perform production surveillance on contractors that have only Criticality Designator C (low-urgency) contracts, and for monitoring of progress on any Criticality Designator C contract, unless production surveillance or contracting monitoring is specifically requested by the contracting officer. The change will permit proper allocation of contract administration resources to critical and high-risk contracts. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2002d015f.txt>>.

**Proposed Rules**

The following proposed rules are a result of DFARS Transformation, which is a major DoD initiative to dramatically change the purpose and content of the DFARS. The transformed DFARS will contain requirements of law, DoD-wide policies, delegations of FAR authorities, deviations from FAR requirements, and policies/procedures that have a significant effect on the public. Additional information on the DFARS Transformation initiative is available at <<http://www.acq.osd.mil/dpap/dfars/transf.htm>>.

**REPORTING CONTRACT PERFORMANCE  
OUTSIDE THE UNITED STATES (DFARS CASE  
2004-D001)**

Proposed change applies to solicitations and contracts with a value exceeding \$500,000. Clarifies requirements for contractor reporting of contract performance outside the United States and establishes two separate clauses to eliminate confusion between two reporting requirements presently contained in one clause. Relocates text pertaining to contracting officer distribution of reports to the new DFARS companion resource, *Procedures, Guid-*

ance, and Information (PGI). A proposed rule describing the purpose and structure of PGI was published on Feb. 23, 2004 (DFARS Change Notice 20040223). The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2004d001.txt>>.

**ACQUISITION OF COMMERCIAL ITEMS  
(DFARS CASE 2003-D074)**

Proposed change applies to contracts for the acquisition of commercial items. Deletes unnecessary text pertaining to structuring of contracts; and updates a FAR reference. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d074p.txt>>.

**DEFENSE FAR SUPPLEMENT (DFARS)  
CHANGE NOTICE 20040625**

**D**oD published the following interim, final, and proposed DFARS rules in the *Federal Register* on June 25, 2004:

**Interim Rule**

**FIREFIGHTING SERVICES CONTRACTS  
(DFARS CASE 2003-D107)**

Permits the award of contracts for firefighting functions at military installations or facilities for periods of one year or less if the functions would otherwise have to be performed by members of the armed forces who are not readily available due to a deployment. Implements Section 331 of the National Defense Authorization Act for Fiscal Year 2004. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d107i.txt>>.

**Final Rules**

**DESIGNATED COUNTRIES—NEW EUROPEAN  
UNION MEMBERS (DFARS CASE 2004-D006)**

Applies to acquisitions subject to the Trade Agreements Act. Adds 10 new European Union member states to the list of countries whose products contracting officers can acquire without application of the Buy American Act evaluation factor. The new member states are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia. The change implements a determination of the U.S. Trade Representative that suppliers of eligible products from these countries may participate in U.S. government procurements without discriminatory treatment. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2004d006f.txt>>.

**INFORMATION ASSURANCE  
(DFARS CASE 2002-D020)**

Applies to contracts involving the acquisition or use of information technology. Updates requirements for the protection of information that is entered, processed, stored, displayed, or transmitted through computer systems. Implements policy issued by the National Security Telecommunications and Information Systems Security Committee. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2002d020f.txt>>.

**USE OF FAR PART 12 FOR PERFORMANCE-  
BASED CONTRACTING FOR SERVICES  
(DFARS CASE 2003-D111)**

Deletes obsolete text on the use of FAR Part 12 (Acquisition of Commercial Items) procedures for performance-based contracting for services. The statutory authority upon which this text was based has been superseded by broader, governmentwide authority provided in Section 1431 of the National Defense Authorization Act for Fiscal Year 2004. Interim FAR changes implementing Section 1431 were published in Item I of Federal Acquisition Circular 2001-24 on June 18, 2004. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d111f.txt>>.

**Proposed Rule**

**POLYACRYLONITRILE (PAN) CARBON FIBER –  
RESTRICTION TO DOMESTIC SOURCES  
(DFARS CASE 2004-D002)**

Proposed change applies to acquisitions for major systems that are not yet in development and demonstration (Milestone B as defined in DoD Instruction 5000.2). Extends the ending date, from May 31, 2005, to May 31, 2006, for inclusion of PAN carbon fiber domestic source requirements in solicitations and contracts. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2004d002p.txt>>.

**PAYMENT AND BILLING INSTRUCTIONS  
(DFARS CASE 2003-D009)**

Proposed change improves contract payment and billing instructions. The changes include: (1) addition of a clause addressing contract line item information needed in financing and interim payment requests; (2) amendment of Material Inspection and Receiving Report instructions to address electronic submissions; and (3) relocation of text addressing distribution of contracts and numbering of contract line items to the new DFARS companion resource, *Procedures, Guidance, and Information (PGI)*. In addition, to eliminate the need for non-standard local payment clauses, PGI will contain a menu of standard

payment instructions from which the contracting officer will make a selection for inclusion in Section G of the contract. A proposed rule describing the purpose and structure of PGI was published on Feb. 23, 2004 (DFARS Change Notice 20040223). The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d009.txt>>.

**ARCHITECT-ENGINEER SERVICES  
(DFARS CASE 2003-D035)**

Proposed change applies to contracts for architect-engineer services. The changes include: (1) deletion of unnecessary text on preselection boards and selection authorities; (2) replacement of references to Standard Form 254, Architect-Engineer and Related Services Questionnaire, with references to the replacement Standard Form 330, Architect-Engineer Qualifications; and (3) relocation of text on the establishment of selection criteria to the new DFARS companion resource, *Procedures, Guidance, and Information (PGI)*. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d035.txt>>.

**SMALL BUSINESS COMPETITIVENESS  
DEMONSTRATION PROGRAM  
(DFARS CASE 2003-D063)**

Proposed change applies to contracts awarded under the Small Business Competitiveness Demonstration Program. The FAR presently requires a statement on the face page of contracts to identify awards under the program. To accommodate the use of automated systems, the proposed DFARS change specifies that when it is not practical to mark the face page, alternate means may be used to identify a contract as an award under the program. The *Federal Register* notice for this rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d063.txt>>.

**DEFENSE FAR SUPPLEMENT (DFARS)  
CHANGE NOTICE 20040802**

**O**n Aug. 2, 2004, DoD published the following proposed rule resulting from the DFARS Transformation Initiative. Additional information on the DFARS Transformation Initiative is available at <<http://www.acq.osd.mil/dpap/dfars/transf.htm>>.

**Proposed Rule**

**TAX PROCEDURES FOR OVERSEAS  
CONTRACTS (DFARS CASE 2003-D031)**

Proposed change relocates DFARS text to the new DFARS companion resource, *Procedures, Guidance, and Information (PGI)*. A proposed rule describing the purpose and structure of PGI was published on Feb. 23, 2004 (DFARS

Change Notice 20040223). The relocated text contains procedures for contracting officer use in obtaining tax relief and duty-free import privileges for acquisitions conducted in Spain and the United Kingdom. No substantive change has been made to the relocated text.

The *Federal Register* notice for this proposed rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003d031p.txt>>.

**DEFENSE FAR SUPPLEMENT (DFARS)  
CHANGE NOTICE 20040810**

**O**n August 10, 2004, DoD published the following proposed rules resulting from the DFARS Transformation Initiative. Additional information on the DFARS Transformation Initiative is available at <<http://www.acq.osd.mil/dpap/dfars/transf.htm>>.

**Proposed Rules**

**RESOLVING TAX PROBLEMS  
(DFARS CASE 2003-D032)**

Proposed change relocates DFARS text to the new DFARS companion resource, *Procedures, Guidance, and Information*. A proposed rule describing the purpose and structure of PGI was published on Feb. 23, 2004 (DFARS Change Notice 20040223). The relocated text contains guidance on resolution of tax issues and information on tax relief agreements between the United States and foreign governments. The *Federal Register* notice for this proposed rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003-D032p.txt>>.

**BONDS (DFARS CASE 2003-D033)**

Proposed change updates DFARS text on the use of bonds for financial protection against losses under DoD contracts. The change clarifies that fidelity and forgery bonds are authorized for use when necessary for protection of the government or the contractor or when the investigative and claims services of a surety company are desired. The *Federal Register* notice for this proposed rule is available at <<http://www.acq.osd.mil/dpap/dars/dars/fedregs/2003-d033p.txt>>.

**DEPARTMENT OF DEFENSE NEWS  
RELEASE (SEPT. 1, 2004)  
DOD ISSUES GREEN PROCUREMENT  
POLICY**

**T**he Department of Defense today announced an important step forward in its efforts to align mission and environmental stewardship by issuing a new "green procurement" policy. The policy affirms a goal of 100 percent compliance with federal laws and executive orders requiring purchase of environmentally

friendly, or "green," products and services. The policy also outlines a strategy for meeting those requirements along with metrics for measuring progress.

In taking this step, DoD is reemphasizing its commitment to the environment and its position that simply complying with environmental laws and regulations is not enough. "Employing the department's purchasing power to conserve energy and natural resources can have a substantial positive impact on the long-term sustainability of the DoD mission and its facilities, as well as our nation as a whole," said Ray DuBois, deputy under secretary of defense for installations and environment.

Key to the policy's issuance and ultimate success is the close partnership between the environmental and procurement communities across DoD. Deidre Lee, director of defense procurement and acquisition policy, said, "The green procurement program is designed to enhance and sustain mission readiness through cost-effective acquisition that not only meets regulatory requirements, but also reduces resource consumption and waste generation. Our new policy calls for procurement and environmental organizations across the department to assist purchasers in making the right decisions that result in cost-effective, mission-enabling and environmentally sound purchases."

The new policy also has been well received outside of DoD. Edwin Pinero, the administration's acting federal environmental executive, said, "We have been recommending that agencies take a holistic approach that addresses all components of federal green purchasing. DoD is the first to fully embrace this approach. As the new model for the federal government, it holds great potential for sustainable environmental stewardship in DoD and other federal agencies."

The department and the Environmental Protection Agency view the policy as an example of the increasing alignment of the national security and environmental stewardship missions. "We laud DoD's environmental stewardship, initiative and leadership in issuing a comprehensive green procurement policy," said Steve Johnson, EPA deputy administrator. "We look forward to continuing to work closely with DoD on our mutual efforts to improve our nation's environmental quality."

**GENERAL ACCOUNTING OFFICE (GAO) REPORTS**

The GAO Reports listed below can be downloaded from the General Accounting Office Web site at <<http://www.gao.gov>>.

**Defense Acquisitions:** Challenges Facing the DD(X) Destroyer Program, GAO-04-973, Sept. 3, 2004

**Defense Management:** Opportunities to Enhance the Implementation of Performance-Based Logistics, GAO-04-715, Aug. 16, 2004

**Defense Inventory:** Analysis of Consumption of Inventory Exceeding Current Operating Requirements Since Sept. 30, 2001, GAO-04-689, Aug. 2, 2004

**Contract Management:** Guidance Needed to Promote Competition for Defense Task Orders, GAO-04-874, July 30, 2004

**Information Technology:** DoD's Acquisition Policies and Guidance Need to Incorporate Additional Best Practices and Controls, GAO-04-722, July 30, 2004

**Military Education:** DoD Needs to Develop Performance Goals and Metrics for Advanced Distributed Learning in Professional Military Education, GAO-04-873, July 30, 2004

**Defense Acquisitions:** The Global Information Grid and Challenges Facing Its Implementation, GAO-04-858, July 28, 2004

**Defense Inventory:** Navy Needs to Improve the Management Over Government-Furnished Material Shipped to Its Repair Contractors, GAO-04-779, July 23, 2004

**Military Operations:** Fiscal Year 2004 Costs for the Global War on Terrorism Will Exceed Supplemental, Requiring DoD to Shift Funds from Other Uses, GAO-04-915, July 21, 2004

**Defense Acquisitions:** Space-Based Radar Effort Needs Additional Knowledge before Starting Development, GAO-04-759, July 19, 2004

**Military Operations:** DoD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight, GAO-04-854, July 19, 2004

**Military Operations:** Recent Campaigns Benefited from Improved Communications and Technology, but Barriers to Continued Progress Remain, GAO-04-547, June 28, 2004