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IN REPLY REFER TO PROCLTR 03- 16

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MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: The Importance of Accurate Contract Reporting within the Defense Logistics Agency (DLA) Contract Reporting System (DCARS)

The purpose of this PROCLTR is to encourage careful, consistent, and timely data input by all those entrusted with this functional responsibility. As will be discussed more fully below, the accurate reporting of contract data has a very real impact on both the reputation and the relatively independent functioning of any Government agency.

Contract reporting is not simply a clerical function or the creation of a historical record; it is how we measure and demonstrate our progress toward various strategic and managerial goals. The first of these pertains to fulfillment of our socioeconomic commitments. Contract reporting provides evidence to the small business community, to Congress, and to the general public that we take these commitments seriously. We have seen that small differences in the percentages reported can have large consequences. For instance, between August and September 2002, we experienced a cumulative increase of 1.5 percent in our total small business dollars awarded above the base year percentage. Consequently, DLA achieved a letter grade of "A" for overall small business participation under the Under Secretary of Defense, Acquisition, Technology and Logistics' small business "report card" grading system. Had our numbers remained below the base year percentage during the relevant period, we would not have attained this exceptional grade. Since DLA is often challenged on the support we give to small business, the accuracy of these records, and the grades resulting from them, are of considerable importance.

Proper contract reporting also provides the record of our progress toward achieving other significant public-policy objectives, such as the requirement imposed upon Defense components by the Office of the Secretary of Defense (OSD) to performance-base at least 50 percent of our service acquisitions by 2005. With the advent of performance-based budgeting, data derived from the DD Forms 350, Individual Contracting Action Report, could soon have an impact on resourcing for the Agency. The DCARS system is a valuable tool used by Procurement Management Review (PMR) teams in their assessment of the state of contracting at each DLA activity. It also provides the objective, quantified record of our business volume and is one measure of the extent of our contribution to the Defense mission. The DCARS feeds DOD's Defense Contract Action Data System (DCADS), which in turn, is part of the Federal Procurement Data System (FPDS). These larger systems complete the record of the business of Government; any weaknesses in the component systems affect the accuracy of the "big picture." Regarding the consequences of inaccuracy, the Director of Defense Procurement and Acquisition Policy has noted:

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> Mistakes in coding can provide a distorted picture of how the Department is doing business. Conclusions drawn from our DCADS data have even led to legislative proposals designed to address problems that we feel were based on mistaken impressions created by our own DD Form 350 data.

Miscoding not only invites Congressional attention. External activities such as the General Accounting Office and the DOD Inspector General (DOD IG) begin their reviews of DLA pricing and awards performance by examining the data contained in line C11 (Cost or Pricing Data). In fact, accuracy of this data has itself been the subject of at least two DOD IG audits, and has led to efforts by OSD to reduce inaccuracies across the Department.

We realize that the mechanics of reporting are very challenging. Every year, data elements are added or changed – but seldom removed – from the list; each time a change occurs, the automated system must be reprogrammed. There is obviously potential for error throughout the system, from the programming required to update the form to the actual data input by the buyer or procurement clerk. Data input requires sound judgment and specific information on the part of the person performing the function. For example, the data reporter must know that a service acquisition may be considered performance-based if at least 80 percent of its value is for work covered by performance parameters; it is not necessary for the entire value of the contract or order to be performance-based in order for line B1E of the DD Form 350 to be coded "Y."

Timeliness of the reporting is also an issue. The Defense Logistics Acquisition Directive (DLAD) calls for input of records within 3 workdays of the action date, and for any required corrections to be made within 3 days of the date the record appears on the error file. If an entry is rejected by the automated system because local edits identify an error, it is essential for you to investigate and correct it quickly, rather than accumulate a number of problems to work on at some later date. These timeframes permit closeout for the reporting period to be accomplished on the 10th workday following the last day of the month; see DLAD 4.670-3(a)(2)(iv). Any deviation from these dates affects the validity of the performance record reported to OSD and the FPDS.

Because of the high potential for error, and because accurate and complete reporting is so essential for the socioeconomic and other reasons previously described, I urge everyone involved in the reporting function to pursue training in this area, and to exercise due care in inputting data to the system. The attachment contains a list of elements that are of critical importance in the fulfillment of those purposes mentioned above. It gives a little background regarding the selection of each as an element meriting increased attention (including special emphasis in your desk guides and in annual training). These should also be addressed at the start of each fiscal year, when new data elements are introduced into the system. Additionally, you may consider this PROCLTR one form of training in the contract reporting process.

Questions regarding this material may be directed to Ms. Mary Massaro or Ms. Judy Lee, J-3311, who can be reached, respectively, at (703) 767-1366 or -1376 (DSN 427), or via e-mail addressed to Mary.Massaro@dla.mil or Judy.Lee@dla.mil.

CLAUDIA S. KNOTT
Senior Procurement Executive

Attachment

ATTACHMENT – SPECIAL-EMPHASIS DATA ELEMENTS
(KEYED TO LINES ON THE DD FORM 350)

I. Bundling

Line BIC, Bundled Contract – Contract bundling is a sensitive issue, and it is very important to code this element correctly. Although bundling can occur at lower dollar values, you should only code a contract action as bundled on the DD Form 350 if its value exceeds $5 million.

Line B1D, Bundled Contract Exception – Contract bundling should be the exception, rather than the rule; it requires substantial justification. Therefore, any contract coded as bundled on line B1C requires at least some limited form of explanation; it should be provided on this line.

II. Socioeconomic Program Representations/Types of Business

Line D1A, Type of Entity – Because Government components are goaled not just on the extent of their business dealings with small business generally, but with specific categories of small businesses, and because there are consequences to our failure to fulfill those categorical goals, it is vital to complete this and the following lines correctly. Do not code DIA with a "B" or a "C" unless none of the other categories applies.

Line D1B, Women-Owned Business – Self-explanatory.

Line D1C, HUBZone Representation – As we work towards fulfilling the DLA HUBZone goal, it is important that we are actually credited with each such award that is made.

Line D1E, Veteran-Owned Small Business – Because of new goal requirements, you must take care to differentiate between awards to veterans generally, and awards to service-disabled veterans.

Line D4A, Type of Set-Aside – Self-explanatory; provides assurance that DLA is doing everything it can to provide contracting opportunities for small businesses.

III. Service Contracting

Line B1E, Performance-Based Service Contract – As noted in the cover letter and in DLAD 37.601(90), we are expected to acquire half of our service contracts (in dollars and actions) on a performance basis by 2005. Please ensure that every single performance-based contract or order is accounted for on this line. Note that only 80 percent of the contract value must have been for work that is performance-based in order for it to be reported as a performance-based service contract.

Line B13E, Multiple Award Contract Fair Opportunity – There have been recent statutory changes to the determination of what constitutes a "fair opportunity to submit an offer, and to have that offer fairly considered," with regard to orders for services valued at more than $100,000; see DFARS 216.505-70. These changes may affect your coding of this line.

IV. Financial Data

Line B8, Obligated or Deobligated Dollars – This is a line that often contains careless mistakes. The amount reported in DCARS should match that action's obligation noted in financial records. Please ensure that all amounts are in whole dollars, and that you enter zero, if appropriate.

V. Truth in Negotiations Act (TINA) Data

Line C11, Cost and Pricing Data – Routine, statutory *exceptions* to the requirement for cost and pricing data (described at FAR 15.403-1(c)(1) through (3)) are often miscoded on this line as *waivers* granted by the head of the contracting activity (criteria provided at FAR 15.403-1(c)(4)). Thanks to increased attention recently paid to this line, though, including seven systems edits promulgated by DLA, there has been about a 47 percent reduction in this type of coding error so far this fiscal year. Additionally, there has been a reduction of approximately 76 percent (principally involving values at or below the $550,000 TINA threshold) in instances where cost or pricing data was mistakenly reported as having been obtained. Despite these significant improvements, mistakes continue to be made on line C11, whose accuracy has already been the subject of at least two Department-wide DOD IG audits. If you have any question about the proper coding of this line, including the applicability of TINA criteria to the acquisition, you should consult with a cost and price analyst.

VI. Other

Line C3, Extent Competed – Errors are sometimes made when entering "A" (competed action) in Block C3 (Extent Competed), while also entering "1" in Block C7 (Number of Offers Received), to reflect a competitive procurement where only one offer was received. This combination should only be used when FAR 15.403-1(c) (1)(ii) guidance is applicable. Do not use this combination if it is later determined that only one offer was received because there was not a realistic expectation of competition. Even when competitive procedures were initially used, Block C3 should be coded as "D" (not competed) if it is later determined that only one contractor was in a position to submit an offer.