



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

JAN 14 2013

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
DEPUTY CHIEF MANAGEMENT OFFICER  
SERVICE ACQUISITION EXECUTIVES  
COMMANDER, UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Traceability of Contract Execution Expenditures for Services

- References: (a) Defense Procurement and Acquisition Policy Memorandum, "Data Capture in Support of Contingency Planning," January 26, 2012  
(b) Defense Procurement and Acquisition Policy and Deputy Chief Financial Officer Joint Signed Memorandum, "Internal Controls for Procurement Systems," May 25, 2011  
(c) Assistant Secretary of Defense for Acquisition Memorandum, "Publication of a Purchase Request Data Standard," May 18, 2010

As the Department of Defense (DoD) identifies and executes budget reductions critical to support the President's agenda, it is important to be able to trace contract expenditures for services. To improve the Department's ability to track service contract commitments and obligations, all components must update their acquisition and financial procedures and systems to ensure all purchase requests (PR) include a four-digit Product Service Code (PSC) at a line item level of detail. The data standards necessary to implement this requirement are attached. PSCs will be established by requiring activities for each PR line item so that it can be linked at the point of commitment to the Object Class recorded in the accounting system.

The procurement community uses PSCs to track products and services acquired through contracts. In January 2012, the Director for Defense Procurement and Acquisition Policy (DPAP) leveraged this practice to enhance visibility of services for the Joint Staff by requiring PSCs at the contract line item level (reference (a)). Contract compliance using PSCs is high and included in 97 percent of contract line items for CY 2012. The Financial Management community uses Object Classes, as defined by the Office of Management and Budget, as the method for identifying the types of items or services purchased. The Object Class codes distinguish many types of contractual services in the President's Budget submission and in actual execution for all appropriated funding.

Once established by requiring activities in purchase requests, PSCs must then be made available to, and captured in the accounting system at the point of obligation. Capturing PSCs in the accounting system will enable a linkage of contracting with financial data to minimize data

errors and improve electronic commerce. This enables DoD to achieve better accounting of contract line item expenditures and traceability. As part of the funds certification process described in reference (b), electronic updates should be established prior to execution of a contract action. This electronic update must reconfirm accurate contract line item data and assure automated funds validation between the contract writing system and the accounting system.

I have asked the Director, DPAP to complete the following tasks:

- Work with the DoD Comptroller to ensure that PSC is added to the mandatory data elements for the Standard Financial Information Structure, and determine if this can be added to the mandatory list of elements for Treasury Reporting by 2<sup>nd</sup> quarter FY 2013.
- Formalize the reference (c) guidance by establishing requirements for a Purchase Request Data Standard (PRDS) in the Defense Federal Acquisition Regulation Supplement Procedures Guidance and Instructions (PGI) by 3<sup>rd</sup> quarter FY 2013.
- Include PRDS guidance in the Defense Acquisition Guidebook by 4<sup>th</sup> quarter FY 2013.
- Establish and publish a quarterly scorecard to track DoD Component progress with incorporating PRDS as an output data standard requirement in all systems that generate purchase requests by March 2013. The expectation is that all purchase request systems, both legacy and target, will be able to implement this capability by October 1, 2013.
- Ensure in the PGI that the contracting officer is responsible for coordinating any changes to a PSC line item determination with the requiring activity by 3<sup>rd</sup> quarter FY 2013.
- Partner with Deputy Chief Management Officer to:
  - Develop an estimate of implementation cost and impact of this standard; and
  - Coordinate with Service Chief Management Offices to ensure Commercial Off-The-Shelf Software capabilities are leveraged.

Effective immediately, plan for modifications of all information technology systems that issue PRs to provide for the capture of a PSC four-digit code at the line item level prior to the request being delivered to a contracting organization.

My DPAP point of contact for this policy is Ms. LeAntha Sumpter at 703-697-4401 or LeAntha.Sumpter@osd.mil. The Comptroller points of contact are Ms. Marcia Case (Budget) at 703-697-2808 or Marcia.Case@osd.mil and Mr. Drew Morgan (Business Integration) at 571-256-4453 or Andrew.Morgan@osd.mil.



Frank Kendall

Attachment:  
As stated

## **Data Standards**

### Product Service Code (PSC)

PSCs are maintained by the General Services Administration for the Federal Government and are available at <https://www.acquisition.gov/>; the latest update was published on October 1, 2011.

### Object Class Code (OCC)

OCCs are maintained by the Office of Management and Budget and are available at [http://www.whitehouse.gov/sites/default/files/omb/circulars/a11/current\\_year/s83.pdf](http://www.whitehouse.gov/sites/default/files/omb/circulars/a11/current_year/s83.pdf).

### Purchase Request Data Standard (PRDS)

The PRDS standard is available at [http://www.acq.osd.mil/dpap/pdi/eb/prds\\_data\\_standard.html](http://www.acq.osd.mil/dpap/pdi/eb/prds_data_standard.html). PSC at the purchase request line item is carried in the PRDS, required as part of the Business Enterprise Architecture (BEA) 9.0 issued March 15, 2012. To ensure compliance with the BEA, all business systems in the Department of Defense (DoD) that generate purchase requests must develop the ability to produce transactions compliant with the PRDS. A validation service currently exists on the Global Exchange Service (GEX) that can be used to validate these transactions. Further information on the GEX can be found at <https://www.transactionservices.dla.mil/>.

### Standard Financial Information Structure (SFIS)

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD enterprise. The SFIS is published at <http://dcmo.defense.gov/products-and-services/standard-financial-information-structure/>.

### Treasury Reporting

Data standards for Treasury reporting are set forth in the Treasury Financial Manual at <http://www.fms.treas.gov/index.html>.

### PSC to OCC mapping

Recent work by Defense Acquisition University has resulted in a draft crosswalk from the PSCs to the object classes (e.g. 17 PSCs in category T were mapped to Object Class 24.0, Printing and Reproduction). The crosswalk will be made available to the Department for comment in 1<sup>st</sup> Quarter FY 2013. The goal is to reconcile mapping and post this for operational use by 2<sup>nd</sup> quarter FY 2013.