



DEFENSE FINANCE AND ACCOUNTING SERVICE
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DFAS-CO-JAL

Subject: Frequently Asked Questions Regarding DFAS MOCAS Policy “Discontinuation of Partial Quantity Disbursements

On June 12, 2019, DFAS Columbus issued policy communicating the intent to enforce provisions outlined in Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance and Information (PGI) 204.7103 as follows:

Effective October 1, 2019, the Defense Finance and Accounting Service (DFAS) Mechanization of Contract Administration Services (MOCAS) payment office has discontinued disbursement of invoices partially billing against Firm Fixed Priced contract line items with a quantity of “1”. This is most often presented contractually as a quantity of “one” with a “LOT” unit of measure. This policy change will apply to FY20 and future contracts. The DFAS policy is also in concert with policy issued by Defense Procurement and Acquisition Policy (now Defense Pricing and Contracting) in November 2014. The attached policy provided guidance relative to proper line item structure for FY2015 and later contracts.



LOT Policy Letter -
USA006679-14_DPAP.1

The purpose of this document is to respond to frequently asked questions related to the subject policy.

Frequently Asked Questions

1. Does this policy apply to all DFAS payment offices?

To assist with the Department’s audit goals **all** contracts should be issued in full compliance with acquisition regulations, however the enforcement is limited to MOCAS (HQ0337, HQ0338 and HQ0339) paid contracts at this time.

2. Now that we cannot use a “LOT” unit of measure what should we use?

The use of “LOT”, along with “JOB” and “KIT” are acceptable units of measure. The problem is the use of the quantity of “1” with these units of measure when more than one delivery is anticipated on Firm Fixed Price (FFP) contract/Contract Line Item Number (CLIN) arrangements.

Specifically, subparagraph (d) of DFARS 204.7103 provides the following:

“(d) In structuring line items, especially on fixed-price contracts, due consideration shall be given to the effect of the chosen units of measure on administration and payment. No contract line item shall contain a quantity less than the number of deliveries anticipated on the line item. Contracting officers shall consider the need for periodic deliveries and payments in selecting a unit of measure. Included in this analysis shall be the impact of any financing arrangements under Federal Acquisition Regulation (FAR) part 32.

(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”.

https://www.acq.osd.mil/dpap/dars/pgi/frameset.htm?dfarsno=204_71&pgino=PGI204_71&dfar_anchor=204.7103&pgianchor=204.7103

Note: It is recommended that contracts and/or CLINs billing for services use the Wide Area Work Flow (WAWF) services 2n1 invoice option for invoice submissions.

<https://wawftraining.eb.mil/wbt/xhtml/wbt/wawf/overview/OverviewDocumentTypesIndex.xhtml>

3. What CLIN structure or quantity do you recommend we use in our contracts vs. 1 “Lot”?

DFARS PGI 204.7103 subparagraph (e) through 204.7105 provides broad guidance on appropriate CLIN structure which should fit any contract arrangement.

https://www.acq.osd.mil/dpap/dars/pgi/frameset.htm?dfarsno=204_71&pgino=PGI204_71&dfar_anchor=204.7103&pgianchor=204.7103

4. How will this policy enforcement impact options exercised on contracts issued prior to FY20?

The line of demarcation for enforcement is the year “20” in the contract or Delivery Order. Therefore, from a DFAS perspective options exercised on FY19 or prior contracts will not be impacted by the new policy.

5. Does the policy impact Delivery Orders issued against Basic Ordering Agreements and Indefinite Delivery, Indefinite Quantity (IDIQ) contracts?

Yes, as stated above the line of demarcation is the year “20”. Since performance will be against a Procurement Instrument Identifier (PIID) Order issued in FY20 it must be compliant with the DFARS **204.7103** quantity and unit of measure rules.

6. What is the impact of the noted DFARS enforcement on Cost, Cost Reimbursable, Cost plus Fixed Fee, Time and Material, Labor Hour contracts/Contract Line Item Numbers (CLINs)?

The provisions related to firm-fixed price items outlined in 204.7103 do not impact Cost, Time and Material or Labor Hour contracts/CLINs. These contract/CLIN types are governed by FAR 16/DFARS 216 regulatory provisions. Care should be used to ensure these type contracts/CLINs are structured in accordance with provisions outlined in these parts of the acquisition regulations.

<https://www.acquisition.gov/content/part-16-types-contracts#i1105189>

Note: It is important to use the appropriate WAWF invoice mechanism for Cost/Time & Material/Labor Hour contracts/CLINs. These contract/CLIN types are typically billed using a Cost Voucher/Public Voucher in WAWF. It may also be appropriate to use a WAWF 2n1 invoice to bill for Labor Hour CLINs. The following links provide helpful invoicing information.

<https://wawftraining.eb.mil/wbt/xhtml/wbt/wawf/overview/OverviewDocumentTypesIndex.xhtml>

<https://wawftraining.eb.mil/wbt/xhtml/wbt/wawf/roles/VendorIndex.xhtml>

7. How does this policy impact mixed requirements, for example, FFP and Cost type contract arrangements?

Proper CLIN structure, payment and invoicing instructions are key to the success of these contract arrangements. The FFP portion of the contract should follow the appropriate quantity assignment rules outlined in DFARS 204.7103, while the Cost CLINs are governed by the rules stipulated in DFARS 216. Review of the invoicing information noted above and application of PGI Special Payment Instructions noted in DFARS PGI 204.7108 will assist with the proper structure of these contract instruments.

8. How do I apply this policy enforcement to contract financing such as Progress Payments, Performance Based Payments and Commercial Item Financing arrangement?

Contract financing payments are not considered delivery payments and therefore are not impacted by the quantity and unit of measure rules outlined in DFARS PGI 204.7103. Contract financing payments are governed by provisions outlined in FAR 32/DFARS 232.

<https://www.acquisition.gov/dfars/part-232-contract-financing#232.001>

Note: Contract financing submissions should be billed using the authorized invoicing mechanism identified in WAWF.

9. How does the policy change impact Fixed-Priced Construction Progress Payments?

Similar to the above, these payment types are not considered delivery payments and are not impacted by the quantity and unit of measure rules outlined in DFARS PGI 204.7103. Construction progress payments are governed by provisions outlined in FAR 52.232-5.

<https://www.acquisition.gov/content/52232-5-payments-under-fixed-price-construction-contracts#i1049425>

10. How are Non-Procurement Instruments - Grants, Cooperative Agreements and Other Transaction Authority arrangements impacted by this policy change?

Non-procurement instruments are used to reflect binding relationships between the United States Government and recipients. Non-Procurement instruments are not governed by FAR or DFARS. Therefore, they are not impacted by the DFAS policy enforcement of DFARS PGI 204.7103. However, care should be used to ensure that administration, billing and payment instructions are in accordance with Department of Defense Financial Management Regulation (DODFMR) Volume 10, Chapter 19. Further, Wide Area Work Flow (WAWF) has electronic billing options to assist with administration and payment.

<https://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodd/321006p.pdf>

<https://aaf.dau.edu/ot-guide/history/>

https://comptroller.defense.gov/Portals/45/documents/fmr/current/10/10_19.pdf

11. How does this policy impact the accounting and/or obligation process in the accounting system?

The policy and regulatory references cited do not speak to how an obligation is recorded in an accounting system. The process to record obligations in the accounting system should be performed in accordance with service specific policies.

Questions related to this document should be directed to Ms. Cassandra McDuff, Director Accounts Payable MOCAS at cassandra.a.mcduff.civ@mail.mil or 614-701-4452.

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