

June



**DEFENSE FINANCE AND ACCOUNTING SERVICE
COLUMBUS CENTER**

P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

NOV 17 1994

REPLY
REFER TO DFAS-CO-F

MEMORANDUM FOR PROCUREMENT CONTRACTING OFFICERS

SUBJECT: Expansion of Electronic Funds Transfer (EFT) Payments

We are encouraging contractors to use Electronic Funds Transfer (EFT) for contract payments made by the Defense Finance and Accounting Service - Columbus Center (DFAS-CO). Our immediate goal to increase EFT use is to convert those contractors paid by EFT on a limited basis to use EFT for all contract payments, current and future.

To support this goal, a new systems change was installed to the Mechanization of Contract Administration Services (MOCAS) system to permit contractor enrollment in EFT for the contractor's Cage Code. This level of enrollment affects all contract payments linked to that contractor's Cage Code. After initial sign-up and once a master EFT file is established, all contract payments and/or delivery orders would be paid via EFT. Prior to this change, the only option for EFT was limited to each individual contract. This required a written notification to DFAS-CO every time a new contract and/or delivery was to be paid by EFT. This new system enhancement eliminates the requirement to notify DFAS-CO and streamlines the enrollment process by converting all payments, current and future, to EFT with one sign-up process.

Contractor enrollment at the Cage Code level requires a written request from the contractor and a completed SF 3881, Payment Information Form. DFAS-CO will instruct the contractor to submit these two documents to the contracting officer, who will ensure the required FAR Clause 52.232.28, Electronic Funds Transfer Payment Method, is included in all contracts. If there are contracts that do not contain the necessary FAR clause, a modification should be issued to include this clause. This clause is required to be in all contracts paid by DFAS-CO as stated in the March 11, 1994, memorandum signed by Eleanor R. Spector, Director of Defense Procurement (Attachment 1). Once this step is complete, the entire package should be forwarded to DFAS-CO for setup of the master EFT file.

Atch 95-3G (FAR 32) Post to FAR 32.908(d) by circling the reference and noting in the margin: "70-41, atch 95-3G." Also post to FAR 52.232-28 by circling the FAR reference and noting in the margin: "70-41, atch 95-3G" filed at FAR 32." Then file this atch behind the sups to FAR 32.

Upon receipt of this package, we will initiate the EFT payment process. The entire process takes from two to three weeks. Each contractor will be notified when EFT has been activated. If a contractor, during the course of a contract, changes his banking information, notification should be provided in writing to the EFT office at DFAS-CO 30 days prior to the date this change is to become effective.

Currently, only 12 percent of MOCAS contractors are enrolled on a contract basis. DFAS-CO has a projected goal of 60 percent contractor participation for EFT payments. The key to converting contractor payments to EFT will be the systems change discussed above. This enhancement will be the central theme in all promotional letters. The DFAS-CO plan for promotion is as follows:

a. Phase I (1st Quarter, FY 95). Mass mail promotion letters targeting those 12 percent of MOCAS contractors (2,700) who currently use EFT on a contract basis. This letter will invite those contractors to convert to the new Cage Code level enrollment for EFT (see Attachment 2). An SF 3881 will be enclosed with this letter.

b. Phase II (2nd Quarter, FY 95). Mass mail promotion letters targeting the 23,000 MOCAS contractors not enrolled in EFT. This letter will highlight the benefits of contract payments by EFT at the Cage Code level. An SF 3881 will be enclosed with this letter.

Please support this program by informing the activities under your Command of our effort to increase the percentage of contractor payments by EFT. We request that copies of this memorandum be furnished to all contracting officials at your Command.

If you have any concerns, the program manager at DFAS-CO is Ms. Regina Shrigley, Financial Specialist, Financial Quality Entitlement Branch, DFAS-CO-FQES, on DSN 869-6829 or 614 693-6829. Please refer contractor inquiries to the EFT staff on 1-800-342-0375.


Charles R. Coffee
Director

Attachments

1. DF/CPF Ltr, 3/11/94
2. DFAS-CO-F Ltr to Govt Contractors,
w/enclosed SF 3881

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

MAR 1 1 1994

DP/CPF

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
 DEPUTY FOR ACQUISITION POLICY, INTEGRITY, &
 ACCOUNTABILITY, ASN(RD&A)/API&A
 DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
 (CONTRACTING), SAF/AQC
 DIRECTOR, PROCUREMENT POLICY, ASA(RD&A)/SARD-PP
 DEPUTY DIRECTOR (ACQUISITION), DLA-AQ

SUBJECT: Contract Simplification and Process Improvement

The Defense Finance and Accounting Service (DFAS) recently provided a list of deficiencies in the way contracts are written that are impairing timely contract payments. Included were frequently encountered mistakes and oversights that arise from inadequate contract preparation and review. The following list of process improvements and changes addresses the need to ensure a high standard of contract preparation and review, as well as the prompt correction of deficiencies noted by DFAS.

Many of these procedures reflect standard practice already in place at some contracting activities. They are discussed individually, as follows:

1) DFAS has indicated that many contracts have financial and accounting information dispersed throughout the contract and subsequent modifications, thus impairing DFAS data input. While long term solutions envision input of financial data at the contracting activity, in the short term, existing contract writing systems should be reviewed to ensure that they produce contracts that set forth all financial and accounting data in a single, easily identifiable location. This data should reflect a delineation of contract line item numbers (CLIN) and subline item numbers (SUBCLIN), the accounting classification reference number (ACRN) and long line accounting and appropriation data associated with each ACRN, and obligated monetary amounts, including additions or subtractions to those amounts when appropriate.

This direction should not generate costly revisions to existing contract writing systems. An activity that cannot comply with the



going should propose alternative measures designed to address the entry problems noted by DFAS. Because this is a pressing matter, proposed alternatives should be forwarded to me through your office no later than sixty days from the date of this letter.

2) All options for additional quantities and components should have a separate CLIN from the basic requirements, even if the option is for additional quantities of the same item at the same unit price as the basic requirement. The price of contract changes or other enhancements (e.g., incorporation of engineering change proposals) may be reflected as a change to the price of applicable contract line items, provided the net effect of the price change is clearly identifiable as a revision to the financial accounting and appropriation data for that line item. However, if the contract change or enhancement is to be separately priced and separately billed, it must have a separate CLIN or SUBCLIN.

3) All special provisions or clauses must be included in Section H of the contract. Incorporation of special provisions as part of the contract specifications or statement of work, or in a contract work breakdown structure, is not permitted.

* 4) All contracts that provide for payment by the DFAS-Columbus, payment office shall include the clause at FAR 52.232-28, which provides for electronic funds transfer as the mode of payment. This requirement will be incorporated into DFARS Part 232 in a forthcoming Defense Acquisition Circular.

5) DFAS has noted increasing use of pen and ink changes to correct errors in contract financial and accounting data, or other contract provisions that impact contract payment. Corrections should be made by administrative modification to the contract as soon as possible after the deficiency has been identified. A pen and ink change should ordinarily serve as a temporary measure that prevents Government breach of the payment terms of the contract; routine reliance on pen and ink changes is unacceptable.

Many contracting activities have been dilatory in their response to DD Forms 1716, Contract Package Recommendation Deficiency Reports. DFAS indicates that there are over 3,000 outstanding DD Forms 1716 awaiting response. Unsigned or illegible contracts, multiple contracts issued with the same contract number, and dollar amounts that do not add up are unacceptable. Such errors must be rectified promptly. While some mistakes are inevitable, careless contract preparation and a lack of procedures for internal document review lead to greater incidence of late payment, with attendant interest penalties.

Failure to respond timely to DD Form 1716 notices and a lack of measurable improvement in the quality of contract preparation may place DFAS in a position where it cannot assure compliance with statutes that make the paying officer legally responsible for proper distribution of funds. I remind all concerned that, despite the potential increase in penalties for late payments, the ultimate remedy for this type of situation is the return of the contract document to the issuing office for correction—before payment of valid contractor costs. Therefore, to minimize this possibility and assure conformance to this letter, contracting activities should review internal instructions and procedures for contract preparation and review. Procedures should also be in place that initiate timely corrective action in response to DD Form 1716 notices, ordinarily by the party responsible for creating the deficient contract document.



Eleanor R. Spector
Director, Defense Procurement



**DEFENSE FINANCE AND ACCOUNTING SERVICE
COLUMBUS CENTER**

P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

DFAS-CO-F

November 28, 1994

Dear Government Contractor,

The Defense Finance & Accounting Service - Columbus Center (DFAS-CO) prefers to pay contracts by Electronic Funds Transfer (EFT) instead of by check. In support of this conversion, DFAS recently installed a change to the Mechanization of Contract Administration Service (MOCAS) system that streamlines the process for EFT contract payments.

Prior to this systems change, contractors were required to notify the EFT Office, in writing, of each new contract award and/or delivery order they wished to be EFT. As a result of this systems change contractors can now request EFT be set up at a Cage Code level. The Cage Code is the five digit alpha/numeric code that is assigned to each contractor and appears on the face of every contract. This means that all contract payments current and future, identified by that Cage Code would automatically be set-up for EFT payments. This would eliminate the need for written notification to DFAS of future contract awards.

This new systems enhancement improves the EFT implementation process a great deal. Your company can take immediate advantage of this opportunity by completing the following steps today!

a. Prepare a letter, on your company letterhead, requesting that EFT be set up at Cage Code level. Ensure that this letter includes your Cage Code, signature and title of an authorized company official, and date.

b. Complete enclosed SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form. Please ensure that each section of this form is thoroughly completed. Also include your Cage Code and date on this form.

c. Submit the documents in items 1 & 2 to your Administrative Contracting Officer (ACO). Your ACO will issue a Cage Level contract modification that will incorporate the Federal Acquisition Regulation (FAR) clause 52.232.28, "Electronic Funds Transfer Payment Methods" into all existing contracts. All documents will then be forwarded to the DFAS-Columbus EFT office for processing.

Atch 95-3G (FAR 32)

Please allow 4-6 weeks for the entire process to be completed. If you have any questions concerning this matter, please call the EFT staff at DFAS-Columbus on 1-800-342-0375.

Sincerely,



C. J. Childers
Director
Finance and Accounting

Enclosure
As stated

**ACH VENDOR/MISCELLANEOUS PAYMENT
ENROLLMENT FORM CHANGE 95-3**

OMB No. 1510-0056
Expiration Date 06/30/93

CAGE CODE SIGN-UP FORM

This form is used for Automated Clearing House (ACH) payments with an addendum record that contains payment-related information processed through the Vendor Express Program. Recipients of these payments should bring this information to the attention of their financial institution when presenting this form for completion.

PRIVACY ACT STATEMENT

The following information is provided to comply with the Privacy Act of 1974 (P.L. 93-579). All information collected on this form is required under the provisions of 31 U.S.C. 3322 and 31 CFR 210. This information will be used by the Treasury Department to transmit payment data, by electronic means to vendor's financial institution. Failure to provide the requested information may delay or prevent the receipt of payments through the Automated Clearing House Payment System.

AGENCY INFORMATION

FEDERAL PROGRAM AGENCY		
Defense Finance & Accounting Service - Columbus Center		
AGENCY IDENTIFIER:	AGENCY LOCATION CODE (ALC):	ACH FORMAT:
DFAS-CO	N/A	<input type="checkbox"/> CCD+ <input checked="" type="checkbox"/> CTX <input type="checkbox"/> CTP
ADDRESS:		
P.O. BOX 182317, Attn: DFAS-CO-FQAS		
Columbus, OH 43218-2317		
CONTACT PERSON NAME:		TELEPHONE NUMBER
Electronic Funds Transfer (EFT)		(800) 342-0375
ADDITIONAL INFORMATION:		
Fax # 614 693-5078/6806		

PAYEE/COMPANY INFORMATION

NAME:	XXXXXXXXXXXXXXXXXXXX Cage Code/
ADDRESS:	
CONTACT PERSON NAME:	TELEPHONE NUMBER:
Signed/Title/Date	()

FINANCIAL INSTITUTION INFORMATION

NAME:	
ADDRESS:	
ACH COORDINATOR NAME:	TELEPHONE NUMBER:
	()
NINE-DIGIT ROUTING TRANSIT NUMBER:	
DEPOSITOR ACCOUNT TITLE:	
DEPOSITOR ACCOUNT NUMBER:	LOCKBOX NUMBER:
ACCOUNT:	
<input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS <input type="checkbox"/> LOCKBOX	
SIGNATURE AND TITLE OF AUTHORIZED OFFICIAL: (Could be the same as ACH Coordinator)	TELEPHONE NUMBER:
	()