



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 21 2006

MEMORANDUM FOR DIRECTORS OF THE DEFENSE AGENCIES
ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR
FORCE (CONTRACTING), SAF/AQC

SUBJECT: Indefinite Delivery Contracts

The Department is currently in the midst of transitioning to the Federal Procurement Data System – Next Generation (FPDS-NG). This transition has helped us uncover several anomalies across the Department in how contracting regulations and policies are implemented. Specifically, it has become evident that not all of DoD's indefinite delivery contracts, especially indefinite-delivery indefinite-quantity (IDIQ) contracts, are structured in accordance with the Federal Acquisition Regulation (FAR). FAR Part 16.506 prescribes that clause 52.216-18 "Ordering" be included in all indefinite delivery contracts and clause 52.216-22 "Indefinite Quantity" be included in IDIQ contracts. These clauses specify that any supplies and services to be furnished under such a contract shall be obtained by the issuance of delivery orders or task orders by individuals designated in the Schedule. Clause 52.216-22 further expounds on this requirement clarifying that the supplies and services specified in the schedule are estimates only and are not purchased by this contract.

We have identified instances where supplies and services on indefinite delivery contracts are not being bought on an order. In addition to being in conflict with the FAR, the contract actions for these supplies and services are not able to be directly reported to the FPDS-NG. I ask that you ensure that your contracting officers structure any new indefinite delivery contracts consistent with the FAR and require supplies and services be furnished through the issuance of an order. Contracting officers may also want to consider modifying existing contracts, if practical, to ensure that they clearly provide supplies or services using a delivery or task order. Failure to do this will result in an inability to complete contract reporting without the intervention of your system administrator.

Additionally, it is important to reiterate that the Government incurs an obligation to the contractor for a minimum order amount upon award of an IDIQ contract.



Obtaining a certification of availability of funding from the finance office does not satisfy the requirement to record an obligation in the official accounting records of the Government for the minimum order amount established by award of an IDIQ contract. The Government's actual obligation must be recorded at the time of contract award. Please be advised that if you record (and subsequently report) the required obligation using anything other than a delivery or task order, the associated dollars for that action will not be reported to FPDS-NG. This may distort the value of your contract actions reported to FPDS-NG until such time as an order actually satisfies that minimum.

Please note that your designated FPDS-NG Migration Team members have collectively agreed on a methodology for handling the reporting of already awarded contract actions with the identified anomalies during the transition period to FPDS-NG. If you have any questions regarding migrated data, please contact your Agency's system administrator identified below:

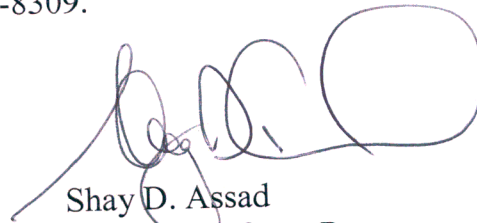
Army and Other Defense Agencies: Brian Davidson,
brian.davidson@osd.pentagon.mil, 703-604-4572

Navy: Patricia Coffey, patricia.coffey@navy.mil, 202-685-1279

Air Force: Donna Hairston-Benford,
donna.hairston-benford@pentagon.af.mil, 703-588-7268

Defense Logistics Agency: Judy Lee, judy.lee@dla.mil, 703-767-1376

Otherwise, my point of contact for this is Ms. Teresa Brooks. She may be reached at teresa.brooks@osd.mil or 703-681-8309.



Shay D. Assad
Director, Defense Procurement
and Acquisition Policy