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OFFICE OF THE SECRETARY
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SECNAVINST 4200.37
DASN(A&LM)
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SECNAV INSTRUCTION 4200.37

From: Secretary of the Navy

Subj: ORGANIC DEPARTMENT OF NAVY (DON) PROCUREMENT SYSTEM
OVERSIGHT AND MANAGEMENT

Ref: (a) NMCARS 5201.691

1. Purpose. To provide guidance and mechanisms for each Head of Contracting Activity (HCA) in executing oversight and review responsibilities of subordinate contracting organizations, with the objective of minimizing vulnerabilities to fraud, waste, and abuse while balancing risk.

2. Scope. This instruction applies to all Department of the Navy (DON) HCAs.

3. Background. Per reference (a), each DON HCA is responsible for oversight and review of their subordinate contracting organizations. The Assistant Secretary of the Navy for Research, Development and Acquisition (ASN(RD&A)) is responsible for assuring HCAs conduct the requisite oversight and review of subordinate contracting organizations. Secretary of the Navy (SECNAV) reviews and audits have identified opportunities to strengthen oversight and management of DON's contracting organizations in order to provide reasonable assurance that (1) procedures are in place to prevent and detect fraud, waste, and abuse; and (2) programs are efficiently and effectively carried out according to applicable statute and policy. The Deputy Assistant Secretary of the Navy for Acquisition and Logistics Management (DASN(A&LM)) is responsible for proper execution of the guidelines established by this instruction.

4. Procedures. All DON HCAs shall follow the analysis and evaluation policies and procedures outlined in this instruction.

a. Elements of Procurement System Oversight and Management. As part of DON's continuous improvement effort in acquisition processes, the following elements shall be incorporated in HCA management and evaluation of procurement system programs and processes under their cognizance:

(1) Tone from the Top. This is the cornerstone of Navy's and Marine Corps' contracting enterprise governance. The need for strong ethical leadership and practical guidance on how to apply contracting principles, supported by a robust training doctrine, is paramount to sustaining the resource base required to provide the requisite acquisition contracting capability necessary to support the Naval Forces mission while minimizing vulnerability to fraud, waste, and abuse. HCAs must have informed judgment to practically apply contracting principles in various situations. Regular communication with DON leadership to discuss, socialize and address strategic and systemic issues and concerns foster informed judgment and optimally balance mission accomplishment and oversight responsibilities.

(2) Procurement Performance Management Assessment Program (PPMAP) Council. The PPMAP Council, chaired by DASN(A&LM), with representation from each HCA, shall serve as the governance board for assuring consistency, discipline, and accountability of the self-assessment process across the Enterprise. The PPMAP Council will be guided by and report to the Naval Contracting Council. The PPMAP Council is responsible for providing oversight of the PPMAP process to ensure consistency of application and adequacy of scope across the Enterprise. The PPMAP Council shall develop a rating system for use by PPMAP teams and annually review the system to assure continued effectiveness. The PPMAP Council is also responsible to develop criteria for PPMAP team membership, including a process for assembling the team and required expertise. Finally, leveraging existing HCA electronic repositories, the PPMAP Council will guide the implementation of an enterprise-wide electronic repository of reporting formats, status of reviews, annual reports, etc., that facilitates performance monitoring and best practices and lessons learned sharing. Each HCA shall provide, not later than 1 October of each fiscal year, their PPMAP assessment plan for the year, including specific resources assigned to the conduct of that oversight.

(3) PPMAP. The primary objectives of the PPMAP are to encourage and assist contracting organizations in making continuous improvements in all phases of their acquisition processes to ensure compliance; to provide a feedback system to contracting organizations, addressing strengths, material weaknesses, deficiencies, and significant findings; to increase/decrease the level of oversight provided based upon a contracting organization's proficiency, quality, and business

considerations; and to leverage best practices/processes and "lessons learned" across the spectrum of DON contracting activities.

(a) PPMAP review periodicity shall be based upon historical PPMAP review results and other performance indicators. HCAs shall ensure more frequent PPMAPs are conducted for those subordinate contracting activities with unique vulnerabilities (e.g., cash transactions, high personnel rotation rates, remote locations); conversely, contracting activities demonstrating strong processes and low vulnerability may be assessed less frequently. Only in unusual cases may the duration between PPMAPs exceed 36 months and these require DASN(A&LM) approval.

(b) Upon completion of PPMAP reviews, the PPMAP review team shall assign an overall rating for the activity reviewed in accordance with the rating system developed by the PPMAP Council. In instances where it is determined that an organization's contracting authority or purchase card authority must be revoked, suspended, or reduced, DASN(A&LM) shall be notified immediately. At the conclusion of each PPMAP, the PPMAP team shall include in the PPMAP report of the assessment, a plan of action and milestones for addressing identified vulnerabilities. The plan must identify those accountable for correcting the vulnerabilities and outline follow-up actions through to resolution. Additional detail and guidance will be promulgated by the PPMAP Council.

(c) If, during the PPMAP, any indication of potential fraud, waste, or abuse is discovered by any member of the team, the PPMAP team lead is responsible for immediately notifying the Navy Acquisition Integrity Office, the Naval Audit Service, the Naval Criminal Investigative Service, and DASN(A&LM).

(4) Warrant File Review. ASN(RD&A), as the component acquisition executive, requires that the HCA conduct an annual audit of records on warrants issued to ensure all warrant holders and acquisition certified professionals maintain eligibility and meet skills currency requirements. The results of the audit should be annotated in the HCA's annual self-assessment to DASN(A&LM). This audit will identify warrants that are no longer necessary and must be rescinded and those that must be re-issued with modified limitations. The offices with HCA delegated authority to issue contracting officer warrants will be subject to a review of audited contracting warrant records correlated with scheduled PPMAP reviews. All warrant issuing authorities are required to maintain documentation and any other pertinent information locally for each warrant issued in support of

experience and training used to obtain and maintain the contracting warrant. Failure to maintain the currency of this documentation will result in revocation of the office's delegated authority to issue contracting officer warrants. Results from the review shall be analyzed and reported to the HCA and DASN(A&LM).

(5) Acquisition Staffing Analysis and Validation

(a) Commanding officers are ultimately responsible for establishing and sustaining staffs adequate for performing their acquisition contracting mission. However, in concert with PPMAP/warrant file reviews, all contracting offices (excluding afloat units) shall assess workload, determine functions that can adequately be satisfied through reachback, and evaluate the adequacy of existing staffing (to include the use of foreign nationals and third country nationals, where applicable) to perform the remaining required contracting functions. Expertise required to be successful in the contracting field is broad and requires the ability to act independently without improper influence on business decisions. To this end, adequate direct access to commanding officers must be preserved as part of adequately organizing the acquisition contracting mission.

(b) Another critical component of adequate acquisition staffing is adequate and timely training opportunities. As part of the assessment noted in subparagraph 4a(5)(a) above, the adequacy of training available to the workforce to facilitate its ability to perform its assigned duties and responsibilities, as well as training successfully completed, must be reviewed. Recommendations for training to address weaknesses in workforce skill sets, as well as required continuous learning, ethics, and other training, should be reviewed during this assessment. Recommendations for modifications to staffing structures, to include required/desired training opportunities, will be included in the PPMAP/warrant file review reports.

(6) Contract Review Board (CRB). A CRB is an internal control mechanism that consists of a review board that meets on an as-needed basis to review and monitor contract actions to ensure compliance with acquisition policies, procedures and regulations and to ensure that contracting decisions reflect sound business judgment. At the discretion of the HCA, a CRB may be convened pre- and/or post-negotiation or to review high-dollar/high-visibility or complex acquisition actions when the contract is signed or otherwise as directed by the HCA. The CRB chairperson shall establish procedures for each CRB, which should

include establishing thresholds for review of contract documents or identifying specific types of contract documents the contracting officer assigned to the acquisition shall be required to submit to the CRB for review. Documents reviewed by the CRB may include, but are not limited to, modifications, change orders, progress payments, exercises of options, and final contracting officer decisions on all disputes. CRB conditions shall be categorized as mandatory or advisory. Other duties of the CRB may include meeting with the contract administration personnel, program personnel, contractor personnel, and audit personnel, as necessary. A representative of the Office of General Counsel shall serve as an advisor to all CRBs.

b. Sustaining an Adequate Balance of Procurement System Oversight and Management. The elements in subparagraph 4a must be ingrained into contracting activities' everyday routine and culture. Properly deploying resources to ensure maximum efficiency is a continuing challenge. However, HCAs are responsible for employing these elements in a risk-based solution that allows for independent confirmation of adequacy.

5. Independent Oversight. The Naval Audit Service, in coordination with DASN(A&LM), will conduct periodic audits of the organic oversight and management to test controls and assess vulnerabilities.

6. Request for Changes. Send requests for changes to this instruction to DASN(A&LM). The request should include a statement of the issue, the recommended solution and any necessary discussion.

7. Records Management. Records created by this instruction, regardless of media and format, will be managed in accordance with SECNAV Manual 5210.1.

8. Action. This instruction is effective upon publication.


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