OFFICE OF THE UNDER SECRETARY OF DEFENSE
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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

APR -6 2010

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT), DASA(P)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (ACQUISITION & LOGISTICS MANAGEMENT), DASN(A&LM)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Examining Use of Advance Payments When Making Small Business Awards

Because the current economic environment can have a significant impact on small businesses' ability to access credit, contracting officers should review the full realm of contract financing options (FAR 32.106) when making contract award to small firms. Contracting Officers should examine the use of advance payments in appropriate circumstances when making small business awards.

Among the options available, although advance payments are the least preferred method of contract financing, DoD may use this payment method when it is in the best interests of the taxpayer, the contractor, and the Government, and when other types of financing are not reasonably available.

Please refer to FAR 32.2, Commercial Item Purchase Financing, and FAR 32.4, Advance Payments for Non-Commercial Items, and related DFARS and DFARS Procedures, Guidance, and Information (PGI), for specific policies and procedures related to advance payments. My point of contact for this matter is Ms. Teresa Lawson at 703-602-0288 or Teresa.Lawson@osd.mil.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy