

Defense Contract Management Agency

Contract Closeout Guidebook

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CONTRACT CLOSEOUT GUIDEBOOK

This guidebook is designed to assist with the closeout of contracts. Few issues within the defense acquisition community today share the importance and visibility associated with our efforts to improve the contract closeout process. This issue is critical to our mission.

There is a general belief that a contract is completed when final delivery is made of the required goods and services and the Government has made acceptance and final payment to the contract. However, in the administrative contracting arena, a contract is not complete and ready for closeout until the contractor complies with all the terms of the contract. This includes those administrative actions that are contractually required; i.e. property, security, patents and royalties. Closeout is completed when all administrative actions have been completed, all disputes settled, and final payment has been made.

The closeout process can be simple or complex depending on the contract type. Contract closeout requires coordination between the contracting office, finance office, program office, auditing office and the contractor.

The objective of this guidebook is to provide you with practical techniques and practices that DCMA CMOs are using to close contracts. The contents are discretionary and are intended only as a guide and may be supplemented locally. All DCMA personnel are encouraged to submit suggestions to the HQ Performance Advocate for publication and sharing throughout DCMA.

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ACRONYM LIST

ACO	Administrative Contracting Officer
ACRN	Accounting Classification Reference Number
BOA	Basic Ordering Agreement
CA	Contract Administrator
CACO	Corporate Administrative Contracting Officer
CACS	Contract Audit Closing Statement
CAR	Contract Administration Report
CAS	Contract Administration Services
CLIN	Contract Line Item Number
CMO	Contract Management Office
COA	Certificate of Acceptance
COTR	Contracting Office Technical Representative
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCAAM	Defense Contract Audit Agency Manual
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DLAM	Defense Logistics Agency Manual
DMACT	DFAS Merged Account
DODAAD	Department of Defense Activity Address Directory
DIS	Defense Industrial Security

FAR	Federal Acquisition Regulation
FAD	Final Acceptance Date
FDD	Final Delivery Date
FNLA	Final Notice of Last Action
FOIA	Freedom of Information Act
FST	Field Support Team
FY	Fiscal Year
GFE	Government Furnished Equipment
GFM	Government Furnished Material
GFP	Government Furnished Property
IDIQ	Indefinite Delivery Indefinite Quantity
IS	Industrial Specialist
LISSR	Line Item Schedule Summary Record
MOCAS	Mechanization of Contract Administration Services
MOD	Modification
NLA	Notice of Last Action
NULO	Negative Unliquidated Obligation
ODO	Other Disbursing Office
OPR	Office of Primary Responsibility
OT	Other Transactions
PA	Property Administrator
PCO	Procuring Contracting Officer
PSCN	Production Schedule Completion Notice
PIIN	Procurement Instrument Identification Number

PLCO	Plant Clearance Officer
POP	Period of Performance
PO	Purchase Order
QA	Quality Assurance
QAR	Quality Assurance Representative
R&D	Research and Development
SBA	Small Business Administration
SDW	Shared Data Warehouse
SPIIN	Supplemental Procurement Instrument Identification Number
ST	Special Tooling
STE	Special Test Equipment
TCO	Terminating Contracting Officer
T&M	Time and Material
ULO	Unliquidated Obligation
VECP	Value Engineering Change Proposal
VIQ	Variation in Quantity
WIP	Work in Process

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REFERENCES

[FAR 4.804, Closeout of Contract Files](#)

[FAR 31.201-2, Determining Allowability](#)

[FAR 42.708, Quick Closeout Procedures](#)

[FAR 42.705, Final Indirect Cost Rates](#)

[FAR 52.211-16, Variation in Quantity](#)

[FAR 52.216-2, Economic Price Adjustment](#)

[FAR 52.216-7, Allowable Cost and Payment](#)

[FAR 52.216-8, Fixed Fee](#)

[FAR 52.216-16, Incentive Price Revision](#)

[FAR 52.232-7, Payments under Time and Material/Labor Hour Contracts](#)

[DFARS 204.804, Closeout of Contract Files](#)

[Trusted Agents Procedural Guide](#)

[DLAM 8000.3, MOCAS Manual, Part 2, Chapter 4, Prime Contract Closeout Procedures](#)

[DCMA Contract Closeout Center Web Page](#)

[DCMA Integrity of MOCAS Delivery Performance Data Document](#)

[Acquisition Community Connection: Contract Closeout](#)

[Air Force Material Command \(AFMC\) Contract Closeout Guide](#)

[Indirect-Cost Management Guide \(Navigating the Sea of Overhead\)](#)

[MOCAS Closeout Checklist](#)

[Information for Contractors by DCAA - January 2004](#)

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CONTRACT CLOSEOUT TIME STANDARDS

FAR 4.804 establishes specific time periods for closing contracts. Timely closeout deobligates and returns funds for possible use elsewhere. It also minimizes the costs associated with administration and closeout processes. This benefits all parties and allows all affected activities to concentrate on current and future requirements.

Based on Physical Completion

The time period for closing a contract is based upon both the type of contract and date of physical completion. A contract is considered to be physically complete when:

- The contractor has completed the required deliveries and the Government has inspected and accepted the supplies.
- The contractor has performed all services and the Government has accepted these services.
- All Option provisions, if any, have expired.
- The Government has given the contractor a notice of complete contract termination.
- Facilities contracts and rentals, use and storage agreements are considered to be physically complete when:
 - The Government has given the contractor a notice of complete contract termination.
 - The contract period has expired.

Time Standards (in accordance with FAR 4.804)

Files for contracts using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulations.

Files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion.

Files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the contracting officer receives evidence of physical completion. (Cost-Reimbursement Contracts including Time and Material (T&M) and Labor Hour (LH) contracts)

Files for all other contracts should be closed within 20 months of the date in which the contracting officer receives evidence of physical completion. (All Other Contract Types)

Closeout timeframe prior to a contract becoming overage:

		<u>Contract Type*</u>
Fixed Price Unilateral Contracts Under \$25,000	3 Months	J
All other Fixed Price Contracts	6 Months	J
Contracts that require the Settlement of overhead rates	36 Months	L, R, S, T, U, V, Y and Z
All other contracts	20 Months	A, K, and Basics/BOAs

****TYPE OF CONTRACT CODES***

- A FIXED PRICE REDETERMINATION
- J FIRM FIXED PRICE
- K FIXED PRICE W/ECONOMIC PRICE ADJUSTMENT
- L FIXED PRICE INCENTIVE
- R COST-PLUS AWARD FEE
- S COST CONTRACT
- T COST SHARING
- U COST-PLUS-FIXED-FEE
- V COST PLUS INCENTIVE FEE
- Y TIME AND MATERIALS
- Z LABOR HOUR

An Overage List can be obtained from the Reveal (UYCM 22) or by reviewing section 2 of the Contract Administration Report (CAR) - (UYCM 16).

PCO Notification

DFARS 204.804-2(2) states that if the Administrative Contracting Officer (ACO) cannot close a contract within the specified time period, the ACO shall notify the Procuring Contracting Officer (PCO). To accomplish this requirement, the current DCMA policy requires the input of a reason for the delay (R2 Delay Reason Code) and a new target date for closeout into MOCAS as soon as you know the contract will become overage. If the contract still is not closed out by the new target date, the ACO shall again notify the PCO by updating the Delay Reason Code and a new target date for closure. To facilitate timely notification to the PCO, the ACO shall input an Estimated Completion Date (ECD) and a Delay Reason code in the R2 line of MOCAS. This will transmit an unclosed contract status notification (PKX) to the PCO (which is the DFARS allowed electronic equivalent of the interim DD 1594).

R2 CODING FOR OVERAGE CONTRACTS

The ACO is responsible for coding overage Part A, section 2 contracts with an Estimated Completion Date (ECD) and R2 Reason for Delay code. The R2 codes identify factors that contribute to the delay in closing the contract within the mandated FAR timeframes. DCMA policy requires the input of a reason for the delay and new target date for closeout as soon as you know that the contract will become overage. To provide a better explanation as to why the contract is overage, you may add information in the ACO notebook. The ACO must input an “Office of Primary Responsibility” (OPR) code in the R9 remark line when certain R2 Delay overage reason codes (Codes F, H, M, P, V, or W) are used. The OPR codes (70 Series) are:

- 71 – Services
- 72 – Contractor
- 73 – DCMA
- 74 – DCAA
- 75 – DFAS

The ACO is not responsible for inputting codes for Part B, section 2 contracts. DFAS is responsible for the administration and closeout of Part B contracts. If DFAS has problems closing Part B contracts, they may request the assistance from the ACO.

List of reason codes

R2 Codes	MOCAS/MILSCAP Description	Clarifications	OPR
A	Contractor has not submitted final invoice/voucher	Contractor has not submitted a final bill for payment. For cost contracts, final indirect rates have been established.	Contractor (72)
B	Final acceptance not received	Awaiting destination acceptance from the Buying or Receiving Activity.	Services (71)
C	Contractor has not submitted patent/royalty report	For Patents—DD Form 882 or equivalent has not been received from the contractor per applicable FAR clauses.	Contractor (72)
D	Patent/royalty clearance required	Contractor has submitted the final DD Form 882, or equivalent. The Form has been forwarded to the Buying Activity for approval.	Services (71)
E	Contractor has not submitted proposal for final price redetermination	Use this code until the contracting officer receives an adequate final price redetermination proposal.	Contractor (72)
F	Supplemental agreement covering final price redetermination required	Use this code while the final price redetermination proposal is being reviewed or negotiated. An OPR code is required to signify which party's actions are currently open.	Services (71) Contractor (72) DCMA (73)
G	Settlement of subcontracts pending	Pending settlement of subcontract(s); may impact final voucher submission.	Contractor (72)
H	Final audit in process	DCAA performing final Contract Audit Closing Statement on final voucher or DCMA using Cumulative Allowable Cost Worksheet (CACWS) and/or risk based approach for auditing final voucher.	DCMA (73) DCAA (74)
J	Disallowed cost pending	ACO in process of resolving DCAA Form 1 issue or similar disallowed cost issue.	DCMA (73)
K	Final audit of Gov property pending	DO NOT USE: Use Reason Code "V" for Property Issues.	N/A
L	Independent research & development rates pending	DO NOT USE: The Reason Code is obsolete for contracts after October 1992. Use Reason Code "M" for rates.	N/A
M	Negotiation of overhead rates pending	Identification of OPR combined with "M" code will provide visibility of the	Contractor (72)

		current O/H action (e.g. awaiting KTR proposal, audit or negotiation).	DCMA (73) DCAA (74)
N	Additional funds requested but not yet received	The PCO has been requested to provide additional funds for various reasons (e.g. cost overruns). When contract is awaiting replacement funds for canceled appropriations, use Reason Code "Y" when final invoice/voucher has been forwarded to DFAS.	Services (71)
P	Reconciliation with paying office and contractor being accomplished	Provide visibility as to the basis for the reconciliation delay (e.g. disbursement audit in process (DFAS), obligation audit in process (DCMA), or awaiting payment history and/or information (Contractor).)	Contractor (72) DCMA (73) DFAS (75)
Q	Armed Services Board of Contract Appeals case	Contract should be moved to Section 3 once the ASBCA docket number is assigned. The docket number should be entered in the R3 Remarks.	DCMA (73)
R	Public Law 85-804 case	50 USC [Chapter 29] 1431 - P.L. 85-804 applies to Extraordinary Contractual Actions.	DCMA (73)
S	Litigation/investigation pending	Either fraud investigation activity is in process, or contractual issue is not resolved or claim has been received by contracting officer. Contract should be moved to Section 3 (BCA/CIL/CLL) once contract is in Federal Courts and/or DOJ opens a case.	DCMA (73)
T	Termination in process	Mainly used for Termination for Default. DCMA provides assistance to PCO on contract history (e.g. delivery, financing payments, excess funds, reprourement costs, etc.) Termination for Convenience contracts should be moved to Section 3.	DCMA (73)
U	Warranty clause action pending	Open warranty action(s) currently being processed IAW FAR 46.709 and -10.	DCMA (73)
V	Disposition of Gov Property pending	Identification of OPR combined with "V" will provide visibility into delay (e.g. awaiting PCO disposition instructions (Services), contractor submittal of inventory schedules (KTR), or actions by Property	Services (71) Contractor (72) DCMA (73)

		Administrator (PA) and/or Plant Clearance Officer (DCMA). PA inputs R9 55 once all property actions are closed.	
W	Contract modification pending	Contract modification awaiting contractor signature, PCO issuance of modification or ACO modification actions.	Services (71) Contractor (72) DCMA (73)
X	Contract release and assignment pending	Awaiting contractor's submission of the release and assignment.	Contractor (72)
Y	Awaiting notice of final payment	Proper final invoice/voucher forwarded to DFAS for payment, awaiting payment.	DFAS (75)
Z	Disposition of classified material pending	Awaiting disposition instructions on classified materials from the Buying Activity. The ACO is responsible for notifying DIS that the contract is complete and classified material should be dispositioned.	Services (71)
1	Canceled Funds	DO NOT USE: Use Reason Code "Y" when final invoice/voucher has been forwarded to DFAS.	N/A
2	Appropriations in Red	DO NOT USE	N/A
3	Prevalidation Action Pending	Voucher/invoice at DFAS pending prevalidation process before payment.	DFAS (75)
6	Fee Withheld	Fee withheld awaiting resolution of issue before final payment can be made.	DCMA (73)
7	Awaiting Removal from Excess Funds	The ACO has deobligation authority. (Reference Policy Change Notice 00-212)	DCMA (73)

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BASIC CONTRACT CLOSEOUT

This section will focus on the basics of closing a contract. In closeout, the contract administration office files feeds into the closeout process at the buying office. “All other contract files shall be closed as soon as practicable after the contracting officer receives a contract completion statement from the contract administration office.” (Ref. FAR 4.804-2(b)) In general, closeout of a contract should not be a very difficult task. The easiest contracts to close are Firm Fixed Price contracts without special provisions, short term and with simple funding (as opposed to complex funding with multiple ACRNs to CLINs). The most difficult are Cost-Type contracts with special provisions, long term (years of effort), complex funding (CLINs have multiple ACRNs for various funding sources).

In addition, the biggest factor that drives the level of difficulty in closeout of a contract is how well the contract was managed from the start of the period of performance through physical completion to the point of closeout. Contracts that require the most effort to close are the ones that have had the least amount of attention during the life of the contract. Waiting this long can allow difficulties to develop, for example, if it is a Firm Fixed Price contract you may have difficulty finding evidence of acceptance (Destination Acceptance), as the amount of time that passes increases, so can the difficulty. Contracts that are other than Firm Fixed Priced have the potential for even more difficulties to develop as time passes. These difficulties range from tracking down such things as Patent Reports that were required years ago during the life of the contract to balancing the Line Item Schedule Summary Record (LISSR) or reconciling the funds in the contract file with those in the payment office or customer office. The basic assumption for this section, Basic Contract Closeout, is that if during the contract receipt and review process any special provisions were identified and the contract was managed through its active life, the contract should be able to be closed without difficulty.

The contract closeout process should start with the contract receipt and review process and proceed throughout the life of the contract. Special provisions of the contract should be identified and annotated in any way that will flag the need for some type of action as required by the special provisions. This is especially true for the MOCAS remarks sections (i.e. R9 or ACO remarks) both for data integrity and management of the contract. With all contract requirements having been met and the contract physically complete it should automatically move to section 2 in MOCAS.

What You Can Do To Simplify Closeout

- Make your plans for closeout as soon as you get the contract. Initial input is a determinant impacting contract closeout. If it goes in right the first time, it'll close with the least amount of pain.
- Work on contracts **before** they become a problem.

- Each contract and closeout stands on its own. Very few are the same.
- Keep good notes in the file all along. Even though you think you will remember what has gone on with a contract, you probably will not as the days, months, and years pass by. The more information that you keep in the file, the less time you will spend trying to re-invent history.
- Get to know your contractors, and let them get to know you. Take the time to go over the regulations. It is worth the effort.
- The more informed a contractor gets, the easier it is to do your job. If the contractor does not know the rules, you will always have problems with administration and closeout.
- In order to keep contractors up on things, you must also keep up yourself. Try to read up on changes and updates on a regular basis.

Check for Payment Instructions

- ACOs and CAs are reminded to review all contracts for specific payment instructions on how to allocate payment amounts to Accounting Classification Record Numbers (ACRNs) as required by [DFARS 204.7107\(e\)\(3\)\(i\)](#).
 - All contracts containing multiple-funded contract line items must include adequate payment instructions.
 - Payment instructions must be revised if additional ACRNs are added to the contract.
- After contract review, when the ACO and CA determine payment instructions are in the contract, they must ensure the payment instructions are annotated in MOCAS.
- If the ACO/CA determines payment instructions are required and have not been included in the contract, they should request payment instructions from the Procuring Contracting Officer. Once received, they then need to ensure they are annotated in MOCAS.
- Defense Procurement and Acquisition Policy issued a memorandum September 9, 2003, [DoD Contract Payments - DFARS 204.7107\(e\)\(3\)\(i\)](#) to remind contracting officers to include payment instructions as required by DFARS 204.7107(e)(3)(i).

What Contractors Should Do To Simplify Closeout

- Prepare and distribute DD 250s properly.
- Prepare and distribute invoices and vouchers properly.
- Track payments and verify accuracy.
- Track funds accordingly and respond to the Limitation of Cost/Funds Clause.

- Immediately report any overpayments.
- Adhere to the patent requirements of the contract.
- Furnish Overhead Rate Submission within 6 months after the end of their fiscal year.
- Upon settlement of overhead rates - prepare final vouchers within 4 months or prepare adjustment vouchers for contracts that will remain open with additional unsettled Overhead years.
- Review any contracts that may be qualified for Quick Closeout.

Physical Completion

If the contract is physically complete and not in section 2, the first step would be to verify that the contract is physically complete and if so, determine why it did not move to section 2. After identifying the error(s) preventing the contract from moving to section 2, correct the error(s) and move the contract to section 2 and proceed with closeout.

Once the contract moves to section 2, MOCAS will generate an interim PK9 (which is required by [DFARS 204.804-2 \(1\)\(i\)](#)), "Provide the contracting office an interim contract completion statement when the contract is physically completed and accepted. The interim PK9 will automatically be sent to the buying activity providing notice of physical completion and represents a start date for contract closeout. The contract should be ready for closeout and closeout of the contract should happen within the FAR required time periods (see [CONTRACT CLOSEOUT TIME STANDARDS](#)). Caution, even if a contract is physically complete, it should not be closed if the contract is in litigation or under appeal or in the case of a termination, all termination actions have not been completed (Ref. FAR 4.804-1(c)). In the case of a contract being in litigation or under appeal it should be in MOCAS section 3. When moving a contract to section 3, enter the appropriate dormancy reason code. Refer to the [MOCAS Manual, DLAM 8000.3](#), section 2.1.9 "MOVEMENT OF CAR PART A CONTRACTS INTO SECTION 3" for both the movement of the contract and review of dormancy reason codes. Once contracts have been entered into section 3, they should be reviewed periodically to see if the Reason for Dormancy Code originally entered accurately reflects the current status of the contract. If not, that code should be updated. For example, a contract was originally entered into section 3 with the Reason Code BCA (Armed Services Board of Contract Appeals (ASBCA) Case). Since then, the appeal has been disposed of but the contractor has filed for protection under the Bankruptcy Act. Accordingly, the Reason Code should be updated to BKRPT (Bankruptcy). In addition, if the Estimated Completion/Closing date is anticipated to exceed the allowed Overage date then an ECD must be entered. This transaction will cause a PKX notification of delay in closing be transmitted to the PCO as required by MILSCAP

Section 3 Dormant Reason Codes

<u>CODE</u>	<u>EXPLANATION</u>
BCA	Armed Services Board of Contract Appeals (ASBCA) Case
TERM-C	Termination for Convenience
PL	Public Law-Claim Pending (e.g., PL 85-804)
BKRPT	Bankruptcy
CIL	Contractor in Litigation
CLL	Under Investigation
GUA	Contract containing provisions for extended testing periods after shipment and before final notice of acceptance from an estimation where final payment is withheld from contractor
LLD	Labor Law Determination
VE	Contingent Value Engineering Payment
DEBT	Deferred DEBT - Request for Debt DEFERRAL has been approved by the Finance Officer

NOTES:

- R3 Reason Code DEBT must be used in Conjunction with R9 - 64, Deferred Debt
- TERM-D (Termination for Default) is not a valid section 3 code

Now the actual closeout can occur

If all contract terms and condition were met, then follow FAR 4.804-5, Procedures for Closing Out Contract Files. At the outset of this process, the contract management office must review the contract funds status and notify the contracting office of any excess funds the contract administration office might deobligate. The next part of the process is basically a checklist of actions that must be accomplished as they are applicable to the contract and these are:

- Issue an interim contract completion statement
- Ensure disposition of classified material is completed
- Final patent report submitted
- Final patent report is cleared
- Final royalty report submitted
- Final royalty report is cleared
- Ensure there are no outstanding value engineering change proposals
- Property clearance is received
- Plant clearance report is received
- All interim or disallowed costs are settled
- Price revision is completed
- Subcontracts are settled by the prime contractor
- Prior year indirect cost rates are settled
- Final subcontracting plan report is submitted

- Termination docket is completed
- Contract audit is completed
- Contractor's closing statement (release) is completed
- Contractor's final invoice/voucher has been submitted
- Evidence of final voucher paid
- Contract funds review is completed and excess funds deobligated

Once all applicable actions are verified as completed, the contracting officer administering the contract signs the NLA and processes the Final Payment NLA in MOCAS. MOCAS will send a contract completion statement (PK9) electronically to the contracting office and one should be placed in the appropriate contract management office file.

If for some reason the contract is not in MOCAS, the ACO has to initiate a contract completion statement (DD Form 1594), containing the contract administration office name and address; contracting office name and address; contract number; last modification number; last call or order number; contractor name and address; dollar amount of excess funds, if any; voucher number and date, if final payment has been made; invoice number and date, if the final approved invoice has been forwarded to a disbursing office of another agency or activity and the status of the payment is unknown; a statement that all required contract administration actions have been fully and satisfactorily accomplished; name and signature of the contracting officer; and date. Since the contract was not in MOCAS, the original contract completion statement must be sent to the contracting office and a copy placed in the appropriate contract administration file.

The contract is closed

The contract management office file is now closed. All of the efforts made during the performance of the contract to make sure the contract requirements are met, support the closeout effort. In other words, if the contract was managed during its active phase and problems taken care of; the easier the contract is to close. However, if problems were not resolved upfront, they will haunt you in the closeout phase. If the terms and conditions of the contract were not met, then areas that are lacking will make difficulties in the closeout process. The aim of this guidebook is to help in dealing with not only these difficulties but also other problems that may be encountered during the closeout process.

Closed-Contract Database (CCDB)

The Closed-Contract Database (CCDB) system acts as a repository of MOCAS closed-contract data that may be viewed on-line. The CCDB will allow all MOCAS data related to a contract to be saved onto an optical storage device and retained for ten years. The data will be viewable and retrievable.

Authorized users may use it as the source of data required to reopen a closed contract in MOCAS. When contracts are closed in MOCAS (section 5), all contract data is copied to an optical storage device. CCDB was implemented in December 2000 - contracts closed after this date are stored in the CCDB. [DLAM 8000.3 MOCAS Users Manual For Contract Administration](#), Chapter 11 contains instructions for using the CCDB.

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FIXED PRICED CONTRACT CLOSEOUT

Difficulties encountered in closing out fixed price contracts are more than likely associated with documentation of deliverables or with unliquidated obligation balances.

Contracts will remain in CAR section 1 until both of the following conditions have been met:

- A final acceptance document (Z-DD250 or other acceptance document) has been received and entered into MOCAS.
- The LISSR shows that the quantity of items shipped equals the quantity of items ordered (e.g., all line items are balanced), or are within the authorized quantity overrun/underrun variances of the contract.

The final shipment document should be the alert to the Industrial Specialists or Procurement Technician to input production history in MOCAS which will generate a "Production Complete" remark on the R8 line of the MOCAS data record. The presence, or lack thereof, the production complete remark has no bearing on whether a contract moves automatically to section 2.

The contract should automatically move to section 2 after the final acceptance information has been processed. The movement of a contract into section 2 causes several things to happen.

- A Final Acceptance date (FAD) appears on the R2 line of the MOCAS Data record.
- The MOCAS 6-month closeout clock starts when the contract moves to Section 2 (physical completion date).
- An interim PK9, (Physically Completed and Accepted) will automatically be sent to the buying activity providing notice of physical completion and represents a start date for contract closeout.

Problems with Contracts Moving to CAR Section 2

If problems are encountered with contracts not automatically moving to section 2, the following checks are suggested:

- Has the final acceptance document (Z-DD250 or other acceptance document) been entered into MOCAS?

- If not, that action should be coordinated with the CMO Terminal (DD 250 input), QAR and/or contractor to make sure that the final acceptance document is input into MOCAS.
- Screen the LISSR for out of balance line items.
- Use norm analysis in Contract Management Paperless Support System (COMPASS) or Shared Data Warehouse (SDW) to identify contracts in Section 1 that are 30 days past their FDD and have production history built into MOCAS.
- Action should also be taken to ascertain the appropriateness of the R8 remark. If the production history was entered in error, the Industrial Specialist or Procurement Technician should take appropriate action.

Awaiting Final Acceptance

Contracts with destination acceptance requirements may hold up movement to section 2. Obtaining this acceptance is a DFAS responsibility. However, many times final acceptance documents will not be received at the CMO Terminal or at the payment office. The ACO can then request a statement of final acceptance from the customer and annotate the ACO notebook.

Data items on a DD Form 1423, Contract Data Requirements List (CDRL) that do not require a DD Form 250 and are not separately priced, are consolidated into a single 'dummy' service line item in MOCAS. A DCMA Notice of Completion may be utilized to signify completion of this item. See [DCMA Integrity of MOCAS Delivery Performance Data Document](#) for information on how to process the DCMA Notice of Completion.

A thorough review of the contract file ensures all modifications are accounted for and determines proof of missing acceptance documents. For missing documents check with the contractor, DFAS, the receiving activity, or the buying activity. In all cases, if no final DD Form 250 is available, the contractor history will be input using "PROD001" as the shipment number.

The presence of the **ACO Notebook In-the-Clear remarks** is critical. They are the sole indicator to DFAS that proper actions have been taken by DCMA personnel to manually move these contracts to CAR Section 2 and that they should NOT move them back to CAR Section 1.

After Movement to CAR Section 2

Movement of a contract into section 2 will prompt the ACO to perform several actions.

Closeout Checklist

The completion of the DD Form 1597 should be used as a tool for ensuring all necessary steps in the closeout process are completed on other than firm fixed price type contracts and firm fixed price contracts with special close out actions. The DD 1597 is optional for all other contracts. It is a good idea to begin filling out a checklist when a contract moves into section 2. All closeout actions are listed on one sheet and the ACO will not have to dig through a folder to find out when or what happened with a closeout action.

- [All Deliveries Accepted](#)
- [Identify and Deobligate Excess Funds](#)
- [All Actions Definitized](#)
- [Subcontracts Closed](#)
- [Disposition of Government Property](#)
- [Disposition of Classified Material](#)
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- [Warranty](#)

All Deliveries Accepted

The ACO must ensure that all separately deliverable contract items such as hardware, data, software, spares, and support equipment have been delivered and accepted by the government before the contract can be closed out.

Identify and Remove Excess Funds

FAR 4.804-5 explains that once a CMO receives evidence of physical completion, they will review the contract funds status and notify the PCO of any excess funds available

for deobligation at the outset of the closeout process. It is recommended that this notification be done by e-mail with a return receipt to confirm notification.

When excess or negative unliquidated funds exist, a funds review should be performed at the ACRN level to determine the cause.

- If it is determined those excess funds are as a result of unperformed work due to a specific line item or deliverable on the contract, these should be removed and the ACO shall issue a modification accomplishing the deobligation. The CMO is no longer required to obtain PCO authorization prior to deobligating excess funds, however, the ACO should notify the PCO before the action is taken.
- If there is a Negative ULO (NULO) at the contract or ACRN level, any adjustments shall be made by sending a DD 1797 to DFAS explaining the discrepancy and the action required.
- Does the WIP ULO balance equal \$0.00? Unliquidated progress payment balances shall be cleared prior to closeout. In order to clear the WIP ULO, it is recommended that research be conducted with the contractor and DFAS to resolve problems.

Final shipment and acceptance of the product/service on firm fixed price contracts entitles the contractor to receive final payment. The same is not true for cost and fixed price incentive (FPI) contracts. These contract types require settlement of final overhead rates and of the incentive aspects of the contracts. In some cases, funds that will no longer be required have been obligated on the contract; e.g., underruns, quantity variance, or situations such as maintenance and repair contracts where the quantities repaired were less than the originally funded estimate. Because ACO settlement of overhead rates with DoD contractors can be a lengthy process, it is important to review contracts to identify and remove excess funds at the time of physical completion. Working with the contractor, the ACO should estimate the total government monetary liability under the contract. Historically, funds have generally not been declared excess until completion of the settlement process; however, the contracting officer should accomplish an initial funds review within 30 days of contract completion. Issuing a contract modification deobligating excess funds as early as possible is in the Procurement Office's best interest, but it is equally important to avoid deobligating funds that may be needed for final payment.

On occasion, problems arise in closing out contracts with a .01 ULO remaining on the ACRNS. The .01 ULO was used to identify cancelled funds process prior to the alpha cancelled funds indicator process. Send a 1797 to DFAS asking them to adjust the "penny down" and close the contract. DFAS has been working on reducing their backlog of 1797 adjustment requests from ACOs and are making progress. If you have one or a group of adjustments that you feel should have been taken care of by now,

please contact your District Performance Advocates or Field Support Team (FST) member for assistance.

All Actions Definitized

Occasionally, urgent or unusual circumstances under a DoD contract necessitate authorizing a contractor to start work on a contract action/change without the price being definitively negotiated. The contract modification authorizing such effort must include a NOT-TO-EXCEED (NTE) or ceiling price and a schedule for definitization. Prior to contract close-out, the ACO and PCO must work together to ensure that all actions under the contract have been definitized.

Subcontracts Closed

The prime contractor must go through procedures with its subcontractors who are similar to those used by the government. The ACO must ensure that all of the prime's subcontracts have been paid and closed before the prime contract can be eligible for contract close-out.

Disposition of Government Property

Has all Government Furnished Property (GFP) been dispositioned? Government property provided to the contractor during contract performance and not consumed must be dispositioned at the end of the contract. Any property acquired or manufactured by the contractor, but is excess to the contract at completion, may also become government property under certain conditions. This property also must be dispositioned before the contract can be closed out. The FAR provides procedures for the proper disposition of government property, which include contractor reporting of all government property, government review of the report, and specific instructions to the contractor as to whether the property is to be shipped, left in place, or scrapped.

If the contract contains property clauses, a DD 1593, Contract Administration Completion Record, is automatically generated by MOCAS when the contract becomes physically complete and can be retrieved by the CMO through REVEAL. When the property has been cleared the property administrator inputs the disposition into DPADs and an R9 code "55" will appear in MOCAS. If the Code 55 is missing, a DD 1593 should be submitted to the Property Administrator for review and clearance. The contract will not close unless the Code 55 remark is indicated.

Disposition of Classified Material

Does the contract contain classified material (DD 254)? All classified documents involved in the contract must be dispositioned in accordance with government security regulations and accounted for by the contractor before the contract may be closed. This can be accomplished when a final DD Form 254, DoD Contract Security Classification Specification, is issued indicating disposition or the contractor provides written certification that all data has been properly processed. (See [DODD 5220.22-M](#), National Industrial Security Program Operating Manual about disposition and retention). Be sure the prime contractor has cleared all subcontracting DD 254s.

Upon physical completion of a contract, a copy of the DD Form 1593, marked "Information Copy" is sent to cognizant Industrial Security Office. The cognizant Industrial Security Office can be found on the contract DD 254. The ACO does not need confirmation or certification of completed actions from the security office to proceed with closeout.

Final Patent Report

Have all final reports been obtained and forwarded to the buying activity? If the contract contains a patent rights clause, FAR 52.227-11, 12, or 13, a final patent report must be submitted by the contractor, preferably on a DD Form 882, Report of Inventions and Subcontracts, within 3 months after physical completion of the contract. It must list all patent claims made under the contract or certify that there were no inventions and list all subcontracts which include a patents rights clause or certify that no subcontracts were issued with this requirement. If the contract contains FAR 52.227-11, Patent Rights -- Retention by the Contractor (Short Form), a final patent report is required only if there is an invention. If DFARS 252.227-7039, Patents--Reporting of Subject Inventions, is also in the contract a final report is required within three (3) months after completion of the contracted work, listing all subject inventions or stating that there were no such inventions. Finally, if the contract contains FAR 52.227-12, Patent Rights -- Retention by the Contractor (Long Form), whether DFARS 252.227-7039, Patents--Reporting of Subject Inventions, is in the contract or not, there would be a final report required.

- In accordance with contract provisions, the contractor will submit a final report of inventions (DD Form 882 - reports of Inventions and Subcontracts). The ACO will also obtain a copy of the DD 882 and will forward the report (including negative reports) to the PCO requesting that the report be sent to the program office and cognizant patent counsel for clearance.

Negative DD 882s

If the final patent report is negative and there is nothing to indicate otherwise, the ACO may include language in their letter to the PCO requesting patent clearance that

if DCMA does not receive a response to its request for patent clearance within 60 days, patent clearance will be deemed to have been issued.

Use of the 60-day response deadline should be limited to instances where the final patent report reflects an absence of patentable invention. If the ACO forwards the DD 882 to the PCO together with a cover letter stating that “if the PCO fails to issue a response within 60 days, patent clearance will be deemed to have been issued”, the following is required:

- The DD 882 or patent report is negative.
- ACO proactively verifies information on the negative DD 882 and includes the basis for his/her opinion (progress report, lab report, interim patent reports, comments from quality assurance specialists/program integrators, final technical report etc.) in the request for patent clearance letter.
- Documented aggressive follow-up by the ACO on the status of the pending request for patent clearance during the 60-day period.
- Include an invitation to the PCO/patent counsel to voice their objection to the 60-day response if he/or she desires.

It is important to note that pursuant to FAR 227-12(n)(3), the Government has a 3-year look-back period after final payment on the contract to examine the books and records of the contractor for the purpose of asserting title and/or determining ownership rights to patentable subject inventions if the final patent report is found unacceptable. The contractor has a regulatory duty to retain its books and records for 3 years after final payment on the contract. As such, if in the unlikely event an unreported invention is discovered after final payment, the contract can be reopened and the invention issues addressed.

Other than Negative DD 882s

If the DD 882 contains a report of patentable subject inventions or if the ACO has reason to believe that a negative DD 882 has failed to disclose a subject invention, the ACO will not use the 60-day response in their forwarding letter to the PCO. In instances where there is reason to suspect that subject inventions should be reported, it is appropriate to wait for the performance of a thorough and complete review by the PCO/patent counsel.

It would not be appropriate to use the 60-day response in instances where patentable subject inventions are reported on the contract or if cognizant personnel have reason to believe that subject inventions should be considered for a patent.

Final Royalties Report

If the contract contains a refund of royalties' clause, FAR 52.227-9, a final royalty report must be submitted by the contractor stating the royalties paid or required to be paid. This report must be submitted before final contract payment

Value Engineering Change Proposals

If the contract includes [FAR 52.248-1](#), verify no outstanding VECPs requiring payment or disposition exist before closing contract.

Terminations/Claims/Disputes

All open actions and liabilities must be resolved prior to close-out. The government may at any time during contract performance fully or partially terminate contracts for default or for convenience. The government may terminate a contract for default when the contractor has materially breached the contract, i.e., failed to deliver contract items on schedule. Under termination for default, the contractor is liable for any subsequent acquisition costs of the terminated items. The government may also terminate a contract for convenience. Termination for convenience can occur as the result of Congress withholding funding of the project, or the program office or user determining that the item is no longer required. Pursuant to the Termination for Convenience clause the government is liable for certain costs.

A contractor at any time has a right to submit a claim against the government for a perceived government liability which at the time is not recognized in the contract. An example of such a claim is when the contractor submits a proposal because it asserts that a government individual by his actions required the contractor to accomplish effort not specified in the contract.

If a claim is denied by the government, or the government and the contractor cannot agree on certain other contract issues, the Disputes clause of the contract allows, under certain circumstances, the contractor to submit its dispute to a third party such as the Armed Services Board of Contracts Appeal (ASBCA) for resolution. Alternate Dispute Resolution is another means available to both parties.

Litigation Resolved

The contractor, under the Disputes Clause, may appeal a decision of the contracting officer directly to the Court of Federal Claims. Also, the prime contractor may sue or be sued by a subcontractor for damages related to the contract in question. The ACO and PCO must work together to ensure that any litigation and resulting cost impact is resolved under the contract before the contract may be closed out.

Warranty

The FAR contains a number of warranty clauses suitable for use in different acquisition situations. Some of the warranty clauses can extend well beyond the physical completion of the contract. As long as there is not a CLIN or money attached for extended warranty, the contract should not be held open just for warranty. The contractor should have a process on how to handle a warranty item and if necessary; the contract can always be reopened through the CCDB. Just because a contract is closed in MOCAS does not relieve the contractor of his contractual responsibility to perform under the warranty clause. Contract containing provisions for extended testing periods after shipment and before final notice of acceptance where final payment is withheld from contractor should be moved to MOCAS section 3 and coded "GUA".

The ACO and PCO must work together to ensure that any and all of the above situations have been settled before either can complete the contract close-out process.

Excess vs. Remaining Funds

After contracts are physically complete and ready to be closed, except for funds, there may be instances where money is still on the contract. In these instances a review must be accomplished to ascertain whether the funds are "excess" or "remaining" to the contract requirements. Upon completion of the review, the circumstances that cause the funds balance will dictate whether funds must be deobligated via modification because they were "excess" to contract requirements, or Q finaled because they are "remaining" funds.

"**Excess funds**" are defined as "funds relating to a specific line item or deliverable that was not performed on a contract." If the funds are "Excess Funds", **a contract modification will be issued to deobligate these excess funds**. Some examples of contracts that have "excess funds" follow:

- Deliverable CLIN: Contract required 10 widgets. 8 widgets have been delivered and 2 widgets will not be delivered. Because the contract required 10 widgets and the contractor is not going to deliver (perform as required by contract), the funds associated with the 2 widgets are "excess funds" and must be deobligated via modification.
- Non-Deliverable CLIN: Contract called for 5 trips. 3 trips were accomplished and 2 were not. Because 2 trips were not performed as required by the contract, the monies associated with these 2 trips are considered "excess funds" and must be deobligated via a modification.

"**Remaining funds**" are those funds left on contract due to price variance, rounding or cost underrun funding and where all contract performance as required by the contract has been completed. If the funds are "Remaining Funds", **the ACO**

Notebook will be annotated with a remark that the \$XX (Amount of Funds) funds are remaining funds. Some examples of contracts that have “remaining funds” follow:

- Deliverable CLIN: Contract required 10 widgets. 10 widgets were delivered. However, they contractor billed less than the price contained in the contract and does not plan to bill at the contract price. The money leftover is “remaining funds” and is systematically removed via the “Q Final” process in MOCAS. The ACO must annotate the ACO Notebook in MOCAS with the amount of the remaining funds and process the F NLA in MOCAS. This allows the mechanical removal of funds in MOCAS, alerts the PCO not to reopen the contract, and generates the PK9 transaction (notifies PCO that contract is administratively closed) and identifies “remaining funds.” PCO is responsible for notifying the funding station so it may close contract.
- Non-Deliverable CLIN: Contract is for travel. The number of trips is not specified and performance is complete and accepted. The money leftover is “remaining funds” and ACO should follow the “Q final” process to close the contract.

If there is not a defined deliverable, the ACO must determine whether contract performance as required by the contract is acceptable/complete. If it is, the funds are considered “remaining” and the “Q Final” process should be utilized.

Movement to CAR Section 5

Once all required closeout actions have been completed, the ACO should take the following actions to effect the movement of the contract out of MOCAS and to provide closeout notification to the buying activity.

Verify that a Final Pay NLA has been issued. For Part A contracts, MOCAS will generate the NLA when final payment has been processed. (Reminder: If MOCAS does not contain final payment information on the CCN screen (final voucher number and final payment date), the ACO should create a G NLA, which will populate those fields and allow an F NLA to process.

- Once the Final Pay NLA remark is entered on the R7 line of the MOCAS data record, the ACO can proceed with closeout in accordance with [MOCAS Manual, DLAM 8000.3](#), chapter 4, Section 2.4.5. On the following workday, the ACO should verify that the contract actually moved to Section 5.
- MOCAS will automatically generate a PK9, Contract Completion Statement, in lieu of a DD 1594, which notifies the buying activity that the contract is closed.

FIXED PRICE CLOSEOUT CHECKLIST

Action	Completed (Y/N)	Date
Final Acceptance Received?		
Final Acceptance Entered in MOCAS?		
LISSR Data Balanced (Line Items)?		
PSCN Data Entered ("Prod Complete" Remark on R8)?		
Contract Moved to Section 2?		
ULO Balance Equal \$0.00		
PCO Notified of Excess Funds?		
ACO Deobligated Excess Funds with Modification?		
WIP ULO Balance Equal \$0.00? (Progress Payment ULO)		
Has Government Property Been Cleared?		
Has Industrial Security Office Been Notified, for classified contracts?		
Final Royalty Report Received from Contractor?		
Final Royalty Report Clearance Received from PCO?		
Final Report of Inventions (DD882) Received from Contractor?		
Final Report of Inventions Clearance Received from PCO?		
Final Pay NLA or DD1593 Issued?		
Final NLA or DD1593 Signed and Processed by ACO?		
Contract Moved to Section 5?		
Non-MOCAS Contracts - DD1594 Completed for Contract File?		

Closing DLA Other Disbursing Office (ODO) Contracts

When DCMA entered into the agreement to administer contracts paid out of SAMMS for DLA, a Class Deviation was issued which relieved the ACO from the FAR/DFARS requirement to track final payment and perform an excess funds review/ recommendation on these contracts. DLA ODOs close automatically if they are in MOCAS Part A and coded correctly.

Criteria for DLA ODO Auto Closeout:

- Dept Code = S
- Contract Level Pay Office = "9"
- R-9 Remark Contains "70"
- Physical Completion Date is at least 30 days prior

- One of 5 SAMMS Pay Office DODAACs is on the ACRNs (S33181, S33184, S44073, S36054, SC0100)
- No R-9 56 Is Present

If in the rare instance the ACO wants to prevent automatic closeout of DLA ODOs, a R9 remark 56 should be entered. This remark (56) in combination with the R9 70 will cause this contract to be bypassed by the automatic closeout process. The ACO will have to enter a G and F NLA to close these contracts.

Closing Non DLA Other Disbursing Office (ODO) Contracts

For Other Disbursing Office (ODO) contracts, with the exception of DLA ODOs verification should be made with the payment office that final payment has been made and that the ULO balance equals zero.

Criteria for NonDLA ODO:

- Ensure all non DLA ODOs have the R9 remark code 54.
- Ensure all ACO/ PCO modifications and DD 250s are entered into MOCAS.
- Verify that the Line Item Schedule Summary Record (LISSR) is balanced.
- Ensure all contractual actions have been completed. Contact payment office and verify that final payment has been made and that the ULO balance equals zero. Sources for Payment Info: Pay Office, VPIS System, PCO, & Contractor
- Manually closeout, through the G and F process (trusted agent).

Prepare a DD 1593 or other closeout documentation to show that all actions are complete, create a G NLA and process the F NLA. Complete DD1594, Contract Completion Statement, and send to the PCO with a copy retained in the contract file.

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COST TYPE CONTRACT CLOSEOUT

Cost type contracts are usually the most complex contracts to administer and to close. They rely upon actual costs that may not be agreed to for years after physical completion. There are several initiatives in place that would preclude delays in setting indirect cost rates, including Real Time Rates. However, to prevent closeout problems, the contractor and contract should be monitored.

Monitoring Cost-Reimbursable Contracts

Contractor areas that should be monitored include:

- Indirect Cost Settlement
- What year are rates settled through?
- Are there any overdue cost proposals?
- What is the status of DCAA audit of the incurred cost proposal?
- What is the status of final voucher submission, by fiscal year?
- DCAA Form 1 Issues
- Corporate Allocations
- Utilization of Quick Closeout

It is helpful when individual contracts are monitored in the following areas:

- Period of Performance Timely Submittal of Required Reports and Data Items
- Funding Status
- Total Obligations by ACRN
- Canceling Funds Identified
- Current Funding Balance Correct in MOCAS
- Public Vouchers

- Previous Amounts Paid
- Obligated Funds Correct
- Fee Withholding

By monitoring contractor and individual contract status, the problems associated with the closeout process, including final reconciliation of funds, will be minimal.

Movement to Section 2 - Physical Completion

Cost type contracts will remain in section 1 until completion of contract performance. Upon evidence of contract completion (receipt of final acceptance document), the Industrial Specialist or Procurement Technician will input the production history and balance the Line Item Schedule and Shipment Record (LISSR). Upon evidence of physical completion, the ACO should request the Trusted Agent (TA) to move the contract to section 2.

After final acceptance, if the contract does not automatically move to section 2, then the ACO shall request the TA to move it to section 2, which causes several things to happen:

- A Final Acceptance Date (FAD) and Overage Date now appears on the R2 line of the MOCAS data record.
- The MOCAS 36-month closeout clock starts on the date the contract moved to section 2 (physical completion date).
- An interim PK9, “Physically Completed and Accepted”, will automatically be sent to the buying activity providing notice of a start date for contract closeout.

Awaiting Final Acceptance

Contracts with destination acceptance requirements may hold up movement to section 2. Obtaining this acceptance is a DFAS responsibility. However, many times final acceptance documents will not be received at the CMO Terminal or at the payment office. The ACO can then request a statement of final acceptance from the customer and once received, should annotate the ACO Notebook and request the TA to move the contract to section 2.

Data items on a DD Form 1423, Contract Data Requirements List (CDRL) that do not require a DD Form 250 and are not separately priced, are consolidated into a single ‘dummy’ service line item in MOCAS. A DCMA Notice of Completion may be utilized to signify completion of this item. See [DCMA Integrity of MOCAS Delivery Performance Data Document](#) for information on how to process the DCMA Notice of Completion.

After Movement to CAR Section 2

Movement of a contract into section 2 will prompt the ACO to perform several actions.

Closeout Checklist

The completion of the DD Form 1597 should be used as a tool for ensuring all necessary steps in the closeout process are completed on other than firm-fixed-price type contracts and firm-fixed-price contracts with special closeout actions. The DD 1597 is optional for all other contracts. It is a good idea to begin filling out a checklist when a contract moves into section 2. All closeout actions are listed on one sheet and the ACO will not have to dig through a folder to find out when or what happened with a closeout action.

- [All Deliveries Accepted](#)
- [Identify and Deobligate Excess Funds](#)
- [All Actions Definitized](#)
- [Subcontracts Closed](#)
- [Disposition of Government Property](#)
- [Disposition of Classified Material](#)
- [Final Patent Report](#)
- [Final Royalties Report](#)
- [No Outstanding VECs](#)
- [Terminations/Claims/Disputes](#)
- [Litigation Resolved](#)
- [Warranty](#)

These actions are explained in [After Movement to CAR Section 2](#) in the Firm Fixed Price Section of the Guidebook.

Work with DCAA on Final Indirect Rates

Determination of final overhead rates is dependent on a review of the contractor's incurred direct and indirect costs. [FAR 52.216-7](#) and [FAR 52.216-13](#) requires the contractor to submit a final indirect cost proposal to the Government within 180 days of the close of its fiscal year. The ACO should work jointly with DCAA to prioritize the list of overhead rate audits that are or will be needed to support closing all physically complete contracts.

- ACO should work jointly with DCAA to identify contractors for which CMOs will need a final overhead audit and negotiation support from DCAA in order to accomplish closeout of those contracts that will be final indirect rates.
- For each contract requiring rates, the ACO may want to maintain a list of all contractors' overhead years where final indirect rates are needed to close the contract.

DCAA is responsible for reviewing the yearly submissions of the contractor's final overhead cost proposals. The agency is responsible for ensuring that all proposed overhead costs are consistent with both the Cost Accounting Standards (CAS), if applicable, and the cost principles in [FAR Part 31](#). The DCAA is also responsible for providing a formal report of its findings to the ACO.

The "Allowable Cost and Payment" clause, [FAR 52.216-7](#), provides for reimbursement of costs incurred in contract performance that are deemed "allowable" by the contracting officer, in accordance with procurement regulations and contract terms. In establishing the allowable indirect costs under a contract, indirect cost rates are applied to the allowable contract base cost. Indirect cost rates are generally accumulated into logical cost groupings to permit distribution of expenses in relation to benefits received by the cost objectives. One such example of these indirect costs pools is manufacturing overhead, which represents costs incurred by the company that cannot be directly attributed to the contract (such as management salaries, buildings and maintenance). The ACO must determine whether or not all overhead rates that apply to a contract have been negotiated. The contractor is not eligible to submit a final voucher until all the applicable indirect costs and overhead rates have been negotiated or established.

Contractor Submission of Final Voucher

Once final annual indirect cost rates are settled for all years of a physically complete contract, the contractor must submit a completion invoice or voucher reflecting the settled amounts and rates within 120 days (or longer, if approved in writing by the contracting officer). To determine whether a period longer than 120 days is appropriate, the contracting officer should consider whether there are extenuating circumstances as listed in [FAR 42.705](#) (b) (1) through (5). If the contractor fails to

submit a completion invoice or voucher within the specified time period, the contracting officer may:

- Determine the amounts due to the contractor under the contract.
- Record this determination in a unilateral modification to the contract.

[FAR 42.705](#) explicitly states the right of the contracting officer to unilaterally determine the final contract payment amount when the contractor does not submit the final invoice or voucher within the time specified in the contract. This contracting officer determination must be issued as a final decision in accordance with FAR 33.211.

DCAA Audit of Final Voucher

The ACO in coordination with DCAA may determine that an audit is not required on a final voucher. The ACO can utilize the Cumulative Allowable Cost Worksheet included in the indirect cost audit report. This worksheet contains cumulative allowable costs by contract and also indicates if the contract is ready to close. If the ACO cannot determine the cumulative allowable costs or if a labor hour review is required, the ACO should ensure that a Contract Audit Closing Statement (CACs) is received.

Credit Final Vouchers

Sometimes ACOs receive contractor checks along with final vouchers on cost-type contracts reflecting a credit amount. By the time all Government parties review and process these vouchers, these checks can be quite old by the time they reach DFAS Disbursing. DFAS has advised us that National City Bank Corporation, the bank it uses for received checks, has a policy requiring them to not accept non-Treasury checks older than six months unless the check explicitly specifies a longer period. These checks are known as “stale dated checks.” ACOs should review contractor checks received with final vouchers for this condition and make arrangements as necessary.

Excess vs. Remaining Funds

After contracts are physically complete and ready to be closed, except for funds, there may be instances where money is still on the contract. In these instances a review must be accomplished to ascertain whether the funds are “excess” or “remaining” to the contract requirements. Upon completion of the review, the circumstances that cause the funds balance will dictate whether funds must be deobligated via modification because they were “excess” to contract requirements, or Q finalized because they are “remaining” funds.

“Excess funds” are defined as “funds relating to a specific line item or deliverable that was not performed on a contract.” If the funds are “Excess Funds”, a **contract modification will be issued to deobligate these excess funds**. Some examples of contracts that have “excess funds” follow:

1. Deliverable CLIN: Contract required 10 widgets. 8 widgets have been delivered and 2 widgets will not be delivered. Because the contract required 10 widgets and the contractor is not going to deliver (perform as required by contract), the funds associated with the 2 widgets are “excess funds” and must be deobligated via modification.

2. Non-Deliverable CLIN: Contract called for 5 trips. 3 trips were accomplished and 2 were not. Because 2 trips were not performed as required by the contract, the monies associated with these 2 trips are considered “excess funds” and must be deobligated via a modification.

“Remaining funds” are those funds left on contract due to price variance, rounding or cost underrun funding and where all contract performance as required by the contract has been completed. If the funds are “Remaining Funds”, the ACO Notebook will be annotated with a remark that the funds are remaining funds and the amount of funds. Some examples of contracts that have “remaining funds” follow:

1. Deliverable CLIN: Contract required 10 widgets. 10 widgets were delivered. However, they contractor billed less than the price contained in the contract and does not plan to bill at the contract price. The money leftover is “remaining funds” and is systematically removed via the “Q Final” process in MOCAS. The ACO must annotate the ACO Notebook in MOCAS with the amount of the remaining funds and process the F NLA in MOCAS. This allows the mechanical removal of funds in MOCAS, alerts the PCO not to reopen the contract, and generates the PK9 transaction (notifies PCO that contract is administratively closed) and identifies “remaining funds.” PCO is responsible for notifying the funding station so it may close contract.

2. Non-Deliverable CLIN: Contract is for travel. The number of trips is not specified and performance is complete and accepted. The money leftover is “remaining funds” and ACO should follow the “Q final” process to close the contract.

If there is not a defined deliverable, the ACO must determine whether contract performance as required by the contract is acceptable/complete. If it is, the funds are considered “remaining” and the “Q Final” process should be utilized.

Final Voucher Review/Approval

ACO review/approval of a final voucher should include:

- Verification that all contractual requirements have been satisfied

- Completion of fee adjustments
- Verification that contractual funding limitations have not been exceeded
- Identification of the application of any DFAS offsets
- Accuracy of Contractor Release and Assignment
- Verification that all previous contractor vouchers have been paid
- Verification that the final voucher is identified as a “Final Voucher” and has a “Z” next to the voucher number
- Approval for payment with ACO signature and date
- A deobligation modification processed and distributed for any funds determined to be excess
- Forwarding the final voucher to the payment office for processing

Personnel involved in the final payment process should be aware of the significant differences in the appointment qualifications and responsibilities for a certifying officer and a contracting officer.

- Certifying and disbursing officers depend on ACOs to support the contract payment process. They have potential for significant financial liability for erroneous payments made based on improper certifications.
- Contracting Officers are the only individuals authorized to bind the Government and direct the contractor. They play a critical role in ensuring the Government’s interests are protected during contract performance and serve as the principal point of contact for industry and buying commands on matters pertaining to contract interpretation, execution and compliance.

Considering these differences, it is important that ACOs exercise care when approving final/completion vouchers and be certain to sign in the appropriate approval block on the SF 1034, Public Voucher ([see attachment 1](#)).

DFAS policy only requires the ACO signature and date on the final/completion voucher as approval to consider it sufficient to pay and initiate the final payment closeout process. No other final payment supporting documentation or cover letter is required by DFAS. ([DCMA Information Memorandum No. 03-017, Subject: ACO Approval of Final / Completion Vouchers and Required Documentation](#))

Closeout of Cost Contracts

Upon processing and payment of the final voucher by DFAS, the contract should move to section 5. If payment is made and the contract does not close, the ACO should first verify that all prior vouchers have been paid and the payment was coded as a final payment (type 1 code) in the disbursement history. If this is the case, then the ACO can request their trusted agent to generate a G NLA to be processed by the ACO. If the payment is coded as a type 2 and there are remaining funds, the ACO should annotate the notebook and process a “G NLA” and an “F NLA.”

Contract Completion Statement

The ACO is required to report a final payment and completion of all administrative actions to the buying activity on a DD 1594. When contracts close in MOCAS, the system will generate a MILSCAP Format PK9 Notice, which is used in lieu of the DD 1594 per DFARS.

If a contract is closed with a ULO balance, MOCAS will automatically generate a Q Final transaction to reduce the ULO to zero only in MOCAS. As a result of the Q Final transaction, a “CLR Obligation Auto-Adjustments Resulting From CNN Action” list is generated. DFAS reviews the list to determine which contracts shall be reopened and/or adjusted for financial reconciliation.

DFAS will automatically reopen those contracts where reconciliation is necessary. The contract may reopen in section 1 or section 4. If ACO assistance is necessary, DFAS will contact the ACO directly.

Canceled Funds (Replacement Funds Required)

If adequate funding is still on the contract but has since canceled, the ACO will submit the final voucher to DFAS for payment. The voucher will reject for insufficient funds and DFAS will code it “DFAS Merged Account (DMACT)” in the invoicing screen of MOCAS. After verification, DFAS will request replacement funding from the funding activity.

ACOs should monitor final vouchers that require replacement funds ensuring that the invoice is coded as “DMACT” and included on the current DMACT list posted to the DCMA Canceling Funds page. Partial payments can occur against the final voucher possibly resulting in premature closeout.

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TIME AND MATERIAL/LABOR HOUR CLOSEOUT

Where early closeout is not applicable, the closeout procedure is identical to the cost-reimbursable closeout procedure. If an audit is required, DCAA will review material costs and labor hours expended to make sure that the charges are consistent with the contract.

Upon receipt of a contract audit completion statement, the ACO should proceed with closeout.

Note: These contracts will close automatically in MOCAS based on a payment being coded as final (type payment code 1 based on disbursement history) and property (if PA code is present) being completed (R9 55 present).

DCMA Virginia and DCAA Mid-Atlantic Region developed a practice for closing Time & Material (T&M) type contracts. Best practices were identified for the following areas:

- Selection of contractors for potential participation
- Performance of risk assessments of potential participants
- Getting contractors to participate
- Getting contractors to submit final vouchers in a timely manner
- Spot checks of final vouchers
- Closing contracts when subcontractors have not submitted final vouchers

See [TM Initiative](#) for details.

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INCENTIVE FEE CONTRACT CLOSEOUT

Incentive type contracts are still subject to submission and negotiation of the cost elements that will be used in the formula for the incentive arrangement.

Final Settlement Proposal Submitted

If the contract is an incentive contract and all overhead rates applicable to the contract have been negotiated, the contractor is eligible to submit its repricing settlement proposal. The provisions of the incentive arrangement incorporated in the contract provide a formula procedure to determine the amount of profit the contractor has earned and this formula is not renegotiated. However, cost elements used in incentive formulas, or cost type CLINs, are subject to this final settlement proposal. The final repricing proposal would include all outstanding cost issues including such items as unsettled claims and undefinitized contract modifications.

DCAA Audit and PCO Negotiates Settlement

Based on DCAA and ACO input, the PCO negotiates the final settlement proposal, and then normally processes a contract modification adding or subtracting funds. The negotiating of final settlement proposal may be delegated by the PCO to the ACO.

Completion Statement and Final Voucher Submitted

After either receipt of the final modification adding or reducing funds for an incentive contract, the contractor submits its voucher (SF 1034) or commercial invoice for the final payment. The final voucher/invoice is part of the "contract completion package," which includes the release of claims and other required documents. The release of claims is a signed dated statement from the contractor, substantially the same as the following:

"Release of Claims, Contract No. _____, (Program Name), Pursuant to the terms of the above contract, the government of the United States, its officers, agents, and employees are hereby released and discharged from all liabilities, demands, obligations, and claims arising under or by virtue of said contract."

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QUICK CLOSEOUT

Background

The quick closeout process offers an alternative to holding contracts open until indirect cost rates are settled. When it becomes apparent that there will be a delay in the settlement of final indirect rates, it is recommended that the ACO utilize quick closeout where applicable.

Use of quick close-out procedures should be the first area looked at when deciding how to close a contract. Frequently current billing rates are used as the quick close-out rates. Because these rates are established by the contractor and reviewed by DCAA and the ACO, they are considered credible and can be used to invoice and close the contract at a relatively small cost.

FAR Regulation

The procedure is identified in [FAR 42.708](#). Specifically, quick closeout procedures may be used if:

- The contract is physically complete.
- The amount of unsettled indirect cost to be allocated to the contract is relatively insignificant. Indirect cost amount are insignificant when:
 - The total unsettled indirect cost to be allocated to any one contract does not exceed \$1,000,000.00.
 - Unless otherwise provided in agency procedures, the cumulative unsettled indirect cost to be allocated to one or more contracts in a single fiscal year do not exceed 15% of the estimated total unsettled indirect costs allocable to cost-type contracts for that fiscal year. The contracting officer may waive the 15% restriction based upon risk assessment that considers contractor's accounting, estimating and purchasing systems; other concerns of the cognizant contract auditors, and any other pertinent information.
- Agreement can be reached on a reasonable estimate of allocable dollars.

Quick Closeout Not a Binding Precedent

Unlike early closeout procedures, the determinations of final indirect costs under quick closeout procedures are final for the contracts it covers and no adjustments are made to other contracts for over or under recoveries of costs allocated or allocable to the contracts covered by the advance agreement. Additionally, indirect cost rates

used in the quick closeout of a contract are not considered a binding precedent when establishing the final indirect cost rates for other contracts.

Identifying Quick Closeout Candidates

The ACO should maintain close coordination between DCAA and the contractor in determining quick closeout candidates. The candidates can be identified in various ways:

- ACO - The ACO usually is the primary person who can identify candidates for quick closeout. The ACO should consider the volume of contracts awaiting settlement of indirect rates and that will be affected by canceling funds. Quick closeout is an excellent way to close contracts and preclude millions of dollars from canceling. Another area that ACOs may consider is time and material type contracts. These contracts are ideal for quick closeout because the only redeterminable amount is usually the general and administrative (G&A) costs associated with the other direct costs (ODCs) in the contract.
- DCAA - Sometimes the auditor will contact the ACO and recommend particular contracts for quick closeout. Often times the auditor is approached by a contractor regarding quick closeout. When these recommendations are received, the ACO should review the contracts and any other contracts for that particular fiscal year and determine if quick closeout procedures are practicable.
- PCO - A PCO will sometimes contact an ACO concerning closeout status of a particular contract and will often inquire about quick closeout possibilities.
- Contractor - The contractor will occasionally request quick closeout procedures for a given contract or group of contracts.

Negotiating Quick Closeout Rates

Once the quick closeout candidates are identified, the ACO should coordinate with the contractor and DCAA before beginning the negotiation of quick closeout rates.

- The first step the ACO should take is to officially contact the contractor regarding quick-closeout procedures. The letter should include the list of contracts and should request the following information:
- Proposed/Certified indirect cost rates for three years preceding the fiscal year for which you are pursuing quick closeout.

- The settled indirect cost rates for three years preceding the fiscal year for which you are pursuing quick closeout.
- The calculated variance factor between the proposed and settled rates.
- The proposed/certified indirect cost rates covering the period of performance for the referenced contracts.
- A contract status for each contract.
- Once the ACO receives the indirect cost history for the last three settled years, an analysis should be performed. The information that you receive from the contractor may look like the following:

**XYZ COMPANY
INDIRECT COST RATE HISTORY**

LAST 3 SETTLED YEARS	PROPOSED CERT. RATE	FINAL RATE
FY 00		
Overhead	123.22%	122.10%
G&A	10.00%	9.50%
FY 01		
Overhead	124.51%	122.50%
G&A	10.50%	10.00%
FY 02		
Overhead	125.00%	123.59%
G&A	12.00%	10.00%
Unsettled Year		
FY 03		
Overhead	125.79%	
G&A	12.57%	

ACO Analysis of the above

The contractor has proposed using FY 03 certified rates for quick-closeout of contracts completed in their fiscal year 02 (fiscal year 03 rates have not been determined by DCAA). In looking at this history, it is clear that contractor proposed rates were higher than the final determined rates in the past three years. If the ACO should use the contractor proposed FY 03 rates for use in quick-closeout, it is likely that the Government will be overcharged. Since the last three years proposed rates were higher than the audited rates, it is likely that FY 03 proposed rates are higher than what the final determined rates will be. The ACO should consider decrementing the proposed FY 03 rates using the following options.

The ACO has two options for determining a rate decrement

- By use of a factor
- By use of a percentage

When using the decrement factor method, the ACO would

Calculate the difference between the proposed/certified rates and the settled rates for the last three years, which will be the basis for the decrement factor.

Calculate the average decrement factor

Apply the average decrement factor to the unsettled rate to determine the proposed final rate.

Fiscal Year	Proposed	Audited	Factor	Formula
2000	15.23%	15.57%	-.0223	$(15.23 - 15.57) / 15.23$
2001	22.00%	21.85%	.0068	$(22.00 - 21.85) / 22.00$
2002	22.30%	19.86%	.1094	$(22.30 - 19.86) / 22.30$
2003	18.41%			
		Factor Sum:	.0939	$(.0223) + .0068 + .1094$
		Average:	$.0939 / 3 =$.0313
		Decrement Factor:	$18.41 \times 3.13 =$.57

Proposed Rate: $18.41 - .57 = 17.84$

Fiscal year 2003: G&A: $18.41 - .57 = 17.84\%$

When using the decrement percentage method, the results are as follows:

Fiscal Year	Proposed	Audited	Factor	Formula
2000	15.23%	15.57%	102.23%	(15.57 / 15.23)
2001	22.00%	21.85%	99.32%	(21.85 / 22.00)
2002	22.30%	19.86%	89.06%	(19.86 / 22.30)
2003	18.41%			
			Factor Sum: 290.61%	(102.23 + 99.32 + 89.06)

Average: $290.61 / 3 = 96.87$

Decrement Factor: $18.41\% \times 96.87\% = 17.83\%$

Proposed Rate: 17.83%

Fiscal year 2003: $18.41\% \times 96.87\% = 17.83\%$

- It is important to analyze the contractor's history. If the contractor has a history of including "unallowable" costs in their indirect cost proposal or inflating indirect rates, it is important to decrement their unsettled year by either establishing a decrement factor or applying a percentage of the difference. By using a decrement, the ACO will ensure that the Government's financial interest is protected.
- The decrement factor is the most commonly used means of establishing a fair and equitable quick closeout rate. However, the Defense Contract Audit Manual ([DCAAM 7640.1](#), paragraph 6-1010(e)), recommends that the rates be representative of conditions during the final fiscal year of contract performance. Some alternative rate sources are:
 - the final indirect cost rates agreed upon for the immediately preceding fiscal year;
 - the provisional billing rates for the current fiscal year; or

- estimated rates for the final fiscal year of contract performance based on the contractor's actual data adjusted for any historical disallowance found in prior years' certified final incurred cost proposals.
 - After the ACO has developed the Government proposed quick-closeout rate, the DCAA auditor should be contacted. Although a written request for audit is not required when the contracting officer exercises quick closeout procedures, the auditor should provide comments regarding any contract being considered for quick-closeout and express any specific concerns related to the criteria. The comments may be received verbally, by facsimile, or in a written format.
- The final step is the negotiation of a quick closeout rate. The actual negotiation can be conducted by telephone.

Preparing an Advance Agreement

Once an agreement is reached for the final rate, the ACO should prepare an advance agreement. Both the contractor and the ACO should sign the agreement. A sample Advance Agreement follows:

QUICK CLOSEOUT AGREEMENT with XYZ COMPANY

1. This agreement is entered into by and between the Defense Contract Management Agency [name of office], a Department of Defense activity and XYZ COMPANY organized and existing under the laws of [State], having offices in [City].
2. This agreement is entered into under the authority of Federal Acquisition (FAR) 42.708, "Quick-Closeout Procedure" and FAR 52.232-7 "Payments under Time-and-Materials and Labor-Hour Contracts" and/or FAR 52.216.7 "Allowable Cost and Payment."
3. The purpose of this agreement is to set forth indirect cost rates for fiscal year 2002 to be assessed against: "other direct costs" only, which are included in contracts priced on a time and material basis (unless otherwise specified in the contracts) and/or appropriate direct costs only, which are included in contracts priced on a cost plus fixed fee basis (unless otherwise specified in the contracts).

These contracts will be closed prior to the establishment of indirect cost rates for fiscal year 2003. The subsequent audit of and the establishment of final indirect cost rates for this year will have no affect on the final price and closure of these contracts. There will be no adjustments made to other contracts for over or under recoveries of costs allocated or allocable to the contracts covered by this agreement. These indirect cost rates are hereby established for application to Government contracts as listed in ATTACHMENT A only.

FISCAL YEAR: 2003

OVERHEAD RATE: 124.28%

G&A RATE: 11.57%

Establishment of these rates shall not be considered a binding precedent when establishing the final indirect cost rates for other contracts.

4. Upon full execution of this agreement, XYZ Company will perform audits of the affected contracts and reconcile all applicable accounts using the indirect cost rates established herein. Once this is accomplished, or within thirty (30) days after full execution of this agreement, whichever is sooner, XYZ Company will submit to the Administrative Contracting Officer, a final voucher for each of the affected contracts.

5. It is understood and agreed that the affected contracts are physically complete. It is also understood and agreed that the amount of redeterminable indirect costs associated with any one of the affected contracts is less than \$1,000,000.00 and the total amount of determinable indirect costs to be allocated to the affected contracts in 2002 is less than 15% of the total redeterminable indirect in that year.

6. Notwithstanding the provisions of paragraph 3, 4 and 5 above, this agreement shall not change any monetary ceiling, contract obligation or specific allowance or disallowance established by the terms and conditions of the affected contracts.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative.

DEFENSE CONTRACT MANAGEMENT AGENCY

XYZ COMPANY

[OFFICE NAME]

DEPARTMENT OF DEFENSE

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

Important: If Quick Closeout Rates are established based on the DCMA Deviation, paragraph 5 of the agreement will need to be revised.

DCMA Class Deviation (Quick Closeout Rates)

This deviation authorizes Administrative Contracting Officers (ACOs) to close specific contracts prior to the establishment of final indirect cost rates regardless of dollar value or the percent of unsettled indirect costs allocable. This deviation may be used provided the contractor has submitted a final certified indirect cost rate proposal which is audited by the Defense Contract Audit Agency (DCAA). This deviation is subject to the following conditions:

- It applies to cost-reimbursement, fixed-price incentive, fixed-price redeterminable, and time-and-materials contracts.
- ACOs shall use either the DCAA-recommended rates or other rates mutually agreed to by the ACO and the contractor in determining the final indirect expenses.
- In selected instances, the audit requirement may be waived when compelling reasons exist. The decision to waive the audit shall be made by the cognizant ACO in consultation with DCAA.
- ACOs shall ensure contract closeout under this deviation does not impact the Government's negotiation flexibility on the remaining unsettled contracts. Indirect cost rates used under this deviation shall not be considered as setting precedent when establishing the final indirect cost rates for other contracts. This deviation shall not be used if there are significant open cost issues, such as Cost Accounting Standards noncompliances or issues in litigation.
- This deviation covers the period commencing with the date of this deviation and terminating on September 30, 2005.

Submission of Final Vouchers for Quick Closeout

As stated in the Advance Agreement, the contractor will have 30 days after execution of the advance agreement to submit a final voucher on the affected contracts. The final voucher should be provided to DCAA for final audit. The Defense Contract Audit Manual (DCAAM) paragraph 10.903 "Quick Closeout Procedure Reports" indicates that:

"The auditor should issue a contract audit closing statement when (i) a contractor requests final payment on a contract meeting the criteria for quick closeout under [FAR 42.708](#) (also see DCAAM paragraph 6-1010) and (ii) the contracting officer requests DCAA's advice regarding the final payment and use of quick closeout procedures. This is an application of agreed-upon procedures; follow the guidance in DCAAM paragraph 10-1000, as supplemented in the following paragraphs. When preparing the closing statement in this situation, the report will clearly indicate what costs and fiscal periods have been audited and which have not been audited. Suggested wording for the "Scope" paragraph follows:

“This application of agreed-upon procedures is in response to your request for assistance in closing out the contract using the administrative quick closeout procedures under FAR 42.708. The costs of \$_____ claimed on the subject contract represent costs recorded for the contract during FYs _____. Of this amount, \$_____ represents amounts incurred during FYs _____. We have completed the annual audits of incurred costs for these years. The remaining claimed cost of \$_____ were recorded during FY _____. The audit of [contractor’s name] FY___ incurred costs is in process. We do not expect that the FY _____ audit results will find a significant exception to the claimed costs.”

Once the final audit report is received, contract closeout may proceed as normal.

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EARLY CLOSEOUT FOR IDIQ CONTRACTS

Background

Early closeout for Task Orders on T&M and LH type IDIQ contracts offers a solution to problems resulting from delays in audit of indirect cost rates. The utilization of early closeout not only allows timely closeout of task orders but the procedure:

- Prevents the systematic cancellation of funds.
- Allows the ACO to identify/deobligate excess funds upon physical completion of task orders.

The process was initiated as a method for ACOs to close task orders prior to settlement of indirect cost rates. The practice is acceptable because the task orders are not considered to be individual contracts. Quick Closeout procedures may be used in conjunction with Early Closeout.

Candidates for Early Closeout

Candidates for early closeout procedures are those IDIQ contracts that contain [FAR Clause 52.232-7](#). The clause provides the Government the right to withhold 5% of payments otherwise due, up to a maximum of \$50,000. Withholds are directly linked to the contractor release which discharges the Government from all liabilities, obligations and claims. In addition, withholds are applied against the estimated amount of the entire instrument - not against individual task orders.

ACOs should consider the adequacy of contractor accounting and billing systems. Adequate systems indicate that minimal adjustments would be required for the final voucher. If a contractor has inadequacies in their accounting and billing system, the nature of the inadequacy should be considered.

Early Closeout Procedures

While it is recommended that early closeout be established at the on-set of the contract, the procedure may be implemented:

- During Contract Performance, or
- After Physical Completion of Task Orders

By establishing early closeout procedures at the on-set of the contract, the ACO will be better able to monitor the process in accordance with [FAR Clause 52.232-7](#).

The following is offered as a guide in establishing early closeout:

- During initial contract review, the ACO should determine if early closeout procedures are applicable. (Does the contract contain [FAR Clause 52.232-7](#))
- Communicate with the PCO - The ACO should issue a letter to the PCO recommending that Early Closeout procedures be utilized.
- Communicate with the Contractor - After PCO concurrence is received, the ACO should notify the contractor that Early Closeout will be utilized. The letter should include detailed procedures.
- Communicate with DCAA - The ACO should notify DCAA that Early Closeout procedures will be utilized.

Detailed early closeout procedures are as follows:

- Upon final acceptance by an authorized representative of the Government, the contractor will prepare a completion voucher for each task order. Each completion voucher will include:
 - Certification signed by the authorized representative of the Government reading substantially as follows: "I certify that the requirements of this task order have been satisfactorily completed and that final acceptance has been made."
 - Total unaudited allowable costs.
- The contractor will then forward the certified completion voucher to the ACO for provisional approval.
- ACO review/approval -
 - Verify that all contractual requirements have been satisfied,
 - Sign the completion voucher approving for payment, and
 - Forward it to the payment office for processing.
- The ACO should hold open enough delivery orders to satisfy the 5% or \$50,000 withhold requirement. To the greatest extent possible, the orders that are held open should include costs for each fiscal year of contract performance. The orders should remain open until settlement of indirect cost rates for the applicable period of performance.

- After settlement of the indirect cost rates, the contractor will prepare a “final” voucher to be submitted to DCAA along with one Assignment of Refunds, Rebates and Credits, one Claim Release, and a recapitulation of costs for each order issued under the contract. The auditor will provide only one Contract Audit Closing Statement for the entire contract, which will include a review of the allowable and allocable costs for each delivery order.
- The ACO will process the "final" voucher through normal closeout procedures.
- If more than one order has been held open to meet the required 5% or \$50,000 withhold amount, the ACO should review the final voucher and contract audit closing statement (CACS).
 - Verify that the contractor has complied with the contract terms and conditions.
 - Verify that the contractual limitations have not been exceeded.
 - Review level of effort and make any necessary adjustments.
 - Verify the net billable amount.
- After reviewing the final voucher, the ACO should:
 - Make one copy of the final voucher for each delivery order held open.
 - Decide which order will be used to pay/recoup the billable amount.
 - Provide written notice to the contractor concerning how the billable amount will be processed.
- If the contractor will not submit revised vouchers reflecting the new billable amounts, the ACO should:
 - Prepare SF1034(s) to pay/recoup the billable amount.
 - Prepare SF1034(s) for a \$0.00 amount for remaining open orders.
 - Sign the final voucher and forward to the payment office for processing.

Establishing Early Closeout - After the Fact

When it is not practical or cost effective for the contractor to submit a completion voucher, a bilateral modification may be executed to administratively close the

orders. The modification would not include those orders held open for withholding purposes.

If the ACO is establishing Early Closeout after the fact, the following procedures are recommended:

- Identify the contracts that are candidates for early closeout. The ACO should coordinate with DCAA and the contractor when identifying potential closeout candidates.
- Identify which task orders should be closed and which ones should be held open to maintain the required withholding. Considerations when identifying orders should include:
 - Unliquidated Balances
 - Canceling Funds
 - Period of Performance
- Prepare letters to the PCO, DCAA and the contractor outlining the early closeout procedure and identifying which orders will be held open.
- Request that the contractor prepare completion vouchers for each order ready to be closed. An order is ready for closure after the Government has made final acceptance.
- The ACO should complete the closeout as stated above under the paragraph titled "Early Closeout Procedures".

Maintaining Early Closeout Records

The key to successful execution of early closeout is maintaining information on the orders that were closed by completion vouchers.

Upon physical completion of the last order and settlement of indirect cost rates, the contractor will prepare a final voucher showing a recapitulation of all task order issued.

As part of the review of the final voucher, the ACO should verify billings, payments and in some cases, hours of all delivery order closed under the early closeout process. Therefore, it would be a good idea for the ACO to maintain information regarding:

- Order Number

- Obligated Amount
- Billed Amount Through Completion Voucher/Modification
- Excess Funds

If the Contract is Level of Effort (LOE), the ACO should also maintain information regarding:

- Order Fee Ceiling Amount
- Level of Effort Required
- Actual Level of Effort Expended
- Fee Billed Through Completion Voucher/Modification

Early Closeout for Cost Plus Fixed Fee Type Task Orders Issued Under an IDIQ

The use of early closeout for cost plus fixed fee type orders issued under an IDIQ contract is considered to be an acceptable practice because the task orders are not considered as individual contracts. In addition, the clauses governing the closeout process do not prohibit the use of this procedure.

When implementing early closeout for Cost Plus contracts, the ACO should follow the procedures in [Early Closeout Procedures](#) and [Establishing Early Closeout - After the Fact](#).

FAR Clause 52.216-8, Fixed Fee, states that ". . . the Contracting Officer may withhold further payment of fee until a reserve is set aside . . ." and "This reserve shall not exceed 15 percent of the total fixed fee or \$100,000, whichever is less."

If the ACO decides to withhold fee, a sufficient number of orders should be held open to maintain the 15% or \$100,000 withhold. This should satisfy the requirements of the FAR clause. There should be no need to exercise the option of withholding fee for a contractor with a record of timely submission of final cost vouchers and certified final indirect cost proposals, and that complies with other contract terms and conditions.

When an ACO determines that fee withholds are necessary, the ACO should advise the contractor as to the specific reasons why fee withholds are necessary, and should describe the curative measures that the contractor can take to eliminate the need for fee withholds. If the ACO determines that it is necessary to withhold fee to protect the Government's interests, written direction should be issued to the contractor by

modification of the contract. The following paragraph provides suggested wording for the modification:

- This modification is issued to incorporate fee withholding in accordance with FAR Clause 52.216-8 (or -9 or -10, as appropriate). In order to protect the Government's interest, [contractor] is hereby directed to begin withholding fee from billings under this contract until a reserve is set aside in the amount of \$_____ (amount of reserve shall not exceed 15% of the total fixed fee or \$100,000, whichever is less). Fee shall be released in accordance with FAR Clause 52.216-8 (or -9 or -10, as appropriate).

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RECONCILIATIONS AND SECTION FOUR

Normally, at the end of the contract the total of funds obligated should match the total payments made to the contractor, inclusive of the final payment. Cost underruns, mistakes in payments, unearned incentives, withheld fees, etc., result in unliquidated obligations at the completion of the contract. When remaining funds balances or unliquidated obligations exist that can't be explained, reconciliation is required to compare hard copy documents with the MOCAS database.

This section covers how to ensure a contract gets into the reconciliation "pipeline" at DFAS. This requires proper completion and submission of DLA Form 1797, Request for MOCAS Action/Information and an Obligation Recap.

When all administrative closeout actions are completed, DFAS will assign contracts to MOCAS section 4 upon receipt of a properly completed DLA Form 1797, Request for MOCAS Action/Information.

Reconciliation

Requests for DFAS action on MOCAS funds reconciliation are submitted on DLA Form 1797, Request for MOCAS Action/Information. This form is used both for requests for adjustment and for requests for "full-scope" disbursement reconciliation.

- DLA Form 1797 requests for adjustment contain a description of the problem and an explanation of the corrections that are needed in the MOCAS records. Requests for adjustment cover readily identifiable errors and corresponding corrections.
- DLA Form 1797 requests for full-scope disbursement reconciliation differ from requests for adjustment in that the corrections needed cannot be identified by the ACO.
 - Requests for disbursement reconciliation are accompanied by a spreadsheet showing contract obligations to the ACRN level. This includes the identification of all funding obligated/deobligated by the basic contract and all subsequent modifications. The audit is required to be performed to the Contract Line Item Number (CLIN) and Accounting Classification Record Number (ACRN) levels.
 - The ACO signature on the DLA Form 1797 is the certification that the obligation information is accurate.

DFAS Columbus is responsible for contract disbursement records and for any adjustments/ corrections to the disbursement records. When submitting a DLA 1797 requesting reconciliation, DCMA will send an Obligation Recap. DCMA will not send an audit of the disbursement records.

Submission of Contract Obligation Data

The recommended format for submitting contract obligation data in support of a request for disbursement reconciliation is an Excel spreadsheet.

If any CMOs are submitting obligation data via the Contract Reconciliation System (CRS) 3.0 software application, use of this format should be discontinued.

- DFAS has advised that they no longer accept obligation data in CRS 3.0 format. (DFAS no longer uses version 3.0 and soon will have no capability to read disks submitted in version 3.0.)

Use of E-Mail for Submitting Requests for Adjustment and Disbursement Reconciliation

Requests for adjustment and disbursement reconciliation may be submitted to DFAS via e-mail to DFAS Recon Mail Log.

- When submitting via e-mail, include in the subject line "1797 -- MOCAS Database MOC_."
 - Add the appropriate indicator to "MOC_" so that DFAS can identify the DFAS payment division responsible for the reconciliation action -- either "H" for the East Payment Division, "G" for South, or "L" for West.
- This e-mail address is for requests for adjustment and disbursement reconciliation only and may not be used for any other 1797 action.

MOCAS Delay Reason Code "P"

One of the MOCAS section 2 delay reason codes is "P" -- reconciliation with the paying office and contractor being accomplished. Entry of code "P" into MOCAS does not by itself trigger DFAS action: If adjustment or disbursement reconciliation is required on "P" coded contracts, the 1797 process shall be used.

DFAS CAR Reconciliation Report

When DFAS receives a DLA 1797 (along with an Obligation Recap) requesting contract reconciliations, the contract is registered in the CAR Recon Report (Open Audit Log). When DFAS completes the reconciliation, the contract number is posted to the Closed Audit listing. These reports can be found on the [DCMA DFAS Columbus Center Information web page](#) or DFAS Information on the [DCMAW MOCAS Bulletin Board](#).

Movement of Contracts to MOCAS Section 4

MOCAS Part A and B contracts, requiring DFAS disbursement reconciliation are to be assigned to section 4 when the following conditions are met:

- The contract is physically complete in accordance with FAR 4.804-4.
- All acceptance documents were obtained and processed in MOCAS.
- The MOCAS ACO Notebook is annotated IAW [MOCAS Data Integrity Document](#), paragraph O if the contract was moved to MOCAS section 2 with an out of balance Line Item Schedule Summary Record (LISSR).
- All administrative closeout actions identified in FAR 4.804-5 were completed.
- All invoices/vouchers have been paid.
- Unliquidated amounts do not remain on the MOCAS withhold lines.
- Unliquidated amounts do not remain on the MOCAS Work-in-Process (WIP) finance line unless the contract is at DFAS for WIP reconciliation.
- Known contract debt or related disputes are resolved.
- Remaining funds are annotated in the MOCAS ACO Notebook.

Once all of the above conditions are met, DFAS will assign contracts to MOCAS section 4 upon receipt of a properly completed DLA Form 1797, Request for MOCAS Action/Information. The 1797 shall include:

- A request to move the contract to section 4.
- An annotation the contract is physically complete and all administrative actions are complete.
- A request for reconciliation/closeout audit.

- An obligation recap. This includes the identification of all funding obligated/deobligated by the basic contract and all subsequent modifications. The audit is required to be performed to the Contract Line Item Number (CLIN) and Accounting Classification Record Number (ACRN) levels.
- If the recap reveals that corrective modifications are needed, these must be issued and submitted to DFAS for processing prior to submitting the 1797.

If the 1797 does not meet the conditions for movement to section 4 as set forth above, DFAS will return the 1797 to the originator and the contract will not be moved to section 4. Once the conditions are completed, the 1797 will need to be resubmitted as described above.

Contracts presently at DFAS for disbursement reconciliation that meet the above criteria can also be moved to section 4 by requesting the move via the 1797 process. In this case, Part II of the 1797 should include a comment that the contract is registered in the CAR Recon Report (Open Audit Log).

A MOCAS R4 remark will be input by DFAS once the contract is moved to section 4. It will read "ADMN COMPLT PENDING RECON".

Most contracts will remain in section 4 until reconciliation and corresponding adjustments are completed and the contract is ready to close. CAR will close the Part B contracts by issuing a G and F NLA. DFAS will move Part A contracts to section 2 for closeout and will generate a MOCAS R5/6 remark to read "RECON CMP". The Part A contracts will receive a G NLA from the CAR clerk, but will require the ACO to issue the F NLA to close the contract.

If DFAS' reconciliation reveals that a corrective modification is required, the contract will be moved to section 2 and the ACO will be notified via a DD Form 1716, Contract Data Package Recommendation/ Deficiency Report. The 1716 will list the corrective action required and will contain the statement "RECON CMP - MOD REQ FOR CLOSEOUT". The MOCAS R5/6 remark will also be updated to include the same statement. If any other actions are required (i.e. refund) a similar R5/6 remark identifying the required action will be included.

Use of electronic 1797s and retention of delivery confirmation is encouraged. MOCAS coding should be updated as appropriate.

Unreconciled Contracts

After a contract has been moved to section 4, DFAS Columbus will conduct a Request and Inspection of Documents (RAID). DFAS will try to locate critical documents required to conduct the audit. They will perform an extensive search for missing documentation required for the reconciliation. DFAS may send requests to the ACO,

PCO, and Accounting Station asking for assistance in locating the missing documentation.

When sufficient documentation cannot be located to support contract reconciliation, a contract will be designated as unreconcilable. Further action to close these contracts will be placed on hold until a mechanism for disposing of the contracts is introduced.

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MOCAS MAINTENANCE OF BASIC ORDERING AGREEMENTS (BOAs) AND INDEFINITE DELIVERY TYPE BASICS (IDTs)

For Basic Ordering Agreements (BOAs) or Indefinite Delivery Type (IDTs), the Final Delivery Date (FDD) will be the expiration date of the contract/agreement. When orders are issued under the contract/agreement, the Final Delivery Date (FDD) of the Basic/IDT may be updated to reflect the latest delivery date applicable to any of the orders issued. If this is done, the ordering period expiration date of the Basic/IDT should be shown on either the R5 or R6 line of the Remarks Data Record.

After the ordering period has expired, the Basic can stay in section 1 until all delivery orders are closed.

Upon expiration of the ordering period and closeout of all orders, the ACO shall complete a DD Form 1593 (Contract Administration Completion Form), stating all administrative actions are complete. The ACO shall request the Trusted Agent move the contract/agreement from CAR section 1 to section 2. The Trusted Agent should then process a "G" and "F" NLA in the same cycle. This will result in the transmission of the PK9 to the PCO.

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REOPENED CONTRACTS IN MOCAS

Each month contracts reopen because MOCAS data discrepancies were not resolved prior to closure. The R5 line in MOCAS will show the date the contract was reopened. In many instances, the ACO is not notified when or why these contracts reopen. A monthly [Reopens Profile](#) is posted to the [Contract Closeout Center web site](#) by the 10th of each month which shows the contracts that have reopened the previous month plus a list of all the reopened contracts in MOCAS.

The [MOCAS Closeout Checklist](#) identifies discrepancies or reasons why contracts reopen (red flags). The major reasons why contracts reopen are open line items, unpaid invoices or unexplained dollars on the ULO line. DFAS prepares a monthly [Research Tool](#) that is posted to the [Contract Closeout Center web site](#) by the 10th of each month. For each reopened contracts, the Research Tool identifies the reasons why the contract reopened and shows the associated MOCAS screens. DCMA and DFAS personnel will use this report to manage the reopened contracts, resolve their discrepancies and close the contract.

To improve communications, DCMA and DFAS personnel should enter comments in the ACO Notebook field by using the following general format: date of remarks ddmmyy, remarks, phone number and email address (see [Sample ACO Notebook Remarks](#)).

Explanations for the R5 remarks field

- REOPEN_OL - (Manual) - assigned when a contract is manually reopened, within the first 14 days after closure, prior to records being purged from MOCAS. Reopens at this phase are generally a result of reviews during the Q-Final process.
- REOPEN CCDB - (Manual) - assigned when a contract is manually reopened using copy of contract data stored in the contract close-out database (CCDB). This allows a contract to be fully restored to its pre-closure state. Applies only to contracts closed after December 2000.
- REOPEN ULO NOT ZERO - (System) - assigned when a contract is systemically reopened during end of month (EOM) processing. This indicates failure of the Q-Final process due to missing data on the MOCAS master appropriation table or out-of-balance financial conditions.
- REOPEN-PP - (System) - rarely used, systemically assigned code resulting from remaining WIP balance at EOM processing.
- Other - (Manual) - - varying reopen reasons, generally assigned when a contract, closed prior to December 2000, must be manually re-established in MOCAS. This remark is often descriptive in nature (e.g. Reopen to process demand letter, Reopen per ACO request, etc.)

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OTHER

Closing Support Contracts (Part C)

On Support Contracts, functional support personnel from the delegated function track performance and completion of all designated activities within MOCAS. CMO Personnel will input, correct, and close out all support contracts.

When all items and services delegated for support have been completed, final updates are made in MOCAS. When these updates are complete for functional Support Contracts entered into the MOCAS database, functional team personnel perform the MOCAS transaction to move the Support Contract from Section 1 (active) to Section 5 (closed).

Corrections/Maintenance of Support Contracts is made through MOCAS YCU2. Manual closeout of Support contracts is required.

- Closeout through contract corrections
- Change Section 1 to Section 5
- Summary Edit

Payment Only contracts (Assignment Code “G”) are the SOLE responsibility of DFAS for input, change and closeout. CMOs should not make changes to, or attempt to close out these contracts since there is no DCMA involvement.

Cancelled Unilateral Purchase Orders

Unilateral small purchase orders may be cancelled at no cost to the government via modification ([FAR 13.302-4](#)). The following procedures apply:

- Cancellation processed in MOCAS and contract remains in section 1: Forward a DLA Form 1797 to the trusted agent requesting: manual movement of the contract to CAR Section 2, entry of an R5 Remark “Contract Cancelled per MOD P0000*”, and processing of an NLA G and F to close the contract.
- Cancellation modification not processed or cancellation modification is not on the backlog in MOCAS and the contract remains in CAR Section 1: Send a DLA Form 1797 to the trusted agent requesting a manual movement of the contract to CAR Section 2, entry of an ACO Notebook Remark “contract cancelled per MOD P0000*”, with the cancellation modification attached to be forwarded to DFAS for action.

What are current vs expired vs cancelled funds?

- Current - When funds can be obligated (e.g., to buy new widgets)
- Expired - Funds can no longer be obligated for new requirements, but are still available to pay the bills.
- Canceled - Funds are no longer available to pay the bills.

Do not deobligate Cancelled Funds unless they are determined to be “Excess funds” (funds relating to a specific line item or deliverable that was not performed on a contract).

Differences between replacement and additional funds

Replacement funds are those needed to cover cancelled appropriations. DFAS is responsible for requesting replacement funds from the funds holder. When a Final Voucher is submitted and enough funding has been obligated to cover Final Voucher amount, the ACO will use the [Final Voucher Review](#) process and then submit Final Voucher to DFAS. The voucher will reject for insufficient funds and DFAS will code it “DFAS Merged Account (DMACT)” in the invoicing screen of MOCAS. DFAS will then request replacement funding from the funding activity.

Additional funds involve obligating more money on the contract. ACOs are responsible for notifying PCOs of the amount of additional funds required to complete the contract. ACOs will not submit Final Vouchers to DFAS until additional funds have been obligated to the contract via contract modification.

Examples:

If the funds are current:

Obligation = \$100
ULO = \$25

- Contract submits a final voucher for \$25, DCMA would send final voucher to DFAS for payment.
- If contractor incurred costs on contract of \$125 (\$25 over obligated amount), the ACO would notify the PCO that \$25 of additional funds would be required to complete the contract. If PCO concurred, a modification for \$25 would be issued.

If the funds have cancelled):

Obligation = \$100
ULO = \$25

- Contract submits a final voucher for \$25, DCMA would send final voucher to DFAS for payment. DFAS would request replacement funds through the DMACT process.
- If contractor incurred costs on contract of \$125 (\$25 over obligated amount), the ACO would notify the PCO that \$25 of additional funds would be required to complete the contract. If PCO concurred, a modification for \$25 would be issued. Since the funds originally on the contract have cancelled, the additional funds will have to come from current year appropriation. After modification is issued, DCMA would send final voucher to DFAS and DFAS would request \$25 in replacement funds through the DMACT process.

Overpayment - Credit final vouchers

If the ACO has any indication that a contractor may owe money to the Government, the ACO shall promptly determine whether an actual debt is due the Government and the amount of the debt. The ACO shall complete any negotiations regarding debt determinations. If the ACO and contractor are unable to reach agreement on the existence or amount of a debt the ACO shall make a unilateral debt determination. The ACO shall issue a demand for payment as soon as the ACO has computed the amount of refund due. For all unilateral debt determinations, the ACO shall issue the demand for payment as a part of the final decision. The ACO shall not offset a debt against amounts otherwise due the contractor instead of issuing a demand for payment. The ACO should encourage the contractor to liquidate debts by lump sum payment. The ACO shall not compromise or waive a debt. The department/agency CFOs have sole compromise authority ([DFARS 232.616](#)). Contractors will make checks payable to the "Treasurer of the United States" and remit the check, along with a copy of the demand for payment, directly to- DFAS Columbus, ATTN: DFAS-ADPBD/CA, P.O. Box 182249, Columbus, OH 43218-2249.

EDW 3.1

For DCMA, EDW is the official file/records management system for contractual documents and replaces the hardcopy 5 part folders. As such, any document that would normally be filed in those folders as referenced in the FAR would be placed in EDW.

Original contract documents will need to be placed into records management as soon as practical but definitely before contract closeout. Examples of originals (including attachments) that must be records managed prior to contract closeout include the following:

- Any document bearing an original signature
- Correspondence with or without signature requiring action by DCMA
- ACO issued modifications
- ACO issued BOA and IDT orders
- Contract-related E-mail sent by the CMO
- Contract-related E-mail received by the CMO requiring DCMA action
- Correspondence generated or altered by the CMO
- Bilateral agreements: the page(s) showing all signatures

DCMA now has a certified system (ForeMost) for archiving electronically managed contracts in EDW. All contracts indicated as closed in EDW will automatically be Records Managed (held for retention and dispose in accordance with the [DCMA Records Schedule](#)). It is therefore recommended that contracts not be indicated as closed until the contract is at least in Section 5 or greater of MOCAS.

The Records Management Officer (Records Officer) is responsible for the disposition of contract folders/documents in ForeMost in accordance with established CMO procedures.

Wide Area Work Flow (WAWF)

Wide Area Workflow (WAWF) is a web-based software application that allows DoD vendors to submit and track their invoices, as well as receipt and acceptance documents electronically.

Contractors complete invoices and inspection/acceptance documents interactively on the Internet or submit these documents electronically using EDI or FTP. WAWF-RA notifies the government official automatically of document submission. Once the receipt and acceptance process is complete, payment officials issue payments via appropriate DFAS payment system using Electronic Funds Transfer (EFT). An electronic folder documents the entire process and is accessible to the contractor and authorized federal personnel.

DCMA/DFAS Partnership Agreement for Operations

The agreement identifies each agency's inputs and outputs for shared process touch-points, establishes indicators that the agencies will use to monitor the health of shared processes and provides the operating principles the agencies will use to facilitate interactions and promote continual shared process improvements. This agreement succeeds the DCMA/DFAS Concept of Operations (CONOPS).

MOCAS Data Sharing Initiative

In May 2002, DCMA initiated an effort to share MOCAS data with selected contractors for the purpose of assisting in resolution/avoidance of payment problems and contract closeout. Contractors will be provided with data extracts on a monthly basis. The data is in an electronic format and reflects contract deliveries, payments, obligations, modifications, and similar data.

Uses for this data may include a comparison of MOCAS data to contractor data to identify discrepancies. The contractors will investigate the discrepancies between their systems and MOCAS data, make corrections to their own data bases, and identify apparent MOCAS discrepancies to DFAS or the ACO for correction. Typical discrepancies requiring DFAS or ACO assistance might be modifications not entered, incorrect obligation amounts or missing DD250s. The ACO's role in this effort will be minimal and should only involve correction of the MOCAS database as appropriate.

Remedies available to the ACO for Remedies delinquent Incurred Cost Claims and Final Vouchers

Non-contractual remedies:

- Notification to PCO/PM, enlistment of support
- Inclusion of comments concerning the contractor's delinquent incurred cost status and its ramifications in pre-award surveys
- Escalation through the contractor's and the Agency's management chain
- Agenda topic at Management Councils
- Initiate appropriate systems reviews
- Removal from Direct Billing
- Extension of due date for exceptional circumstances only

Contractual Remedies:

- Suspend interim financing payments
- Disallow or recoup previously paid costs
- Decrement bidding/billing rates
- Maintain fee withholds

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SOLUTIONS FOR PROBLEM CLOSURES

Background

This chapter addresses those "problem closures" that exist in every Contract Management Office. A "problem closure" is considered to be a contract that has unusual circumstances barring the use of traditional closeout methods.

IMPORTANT! While this guidebook offers possible closeout solutions, ACOs are encouraged to tailor each of the procedures to fit their individual situation.

Examples of circumstances and possible solutions follow:

1. [Contractor is No Longer in Business](#)
2. [Contractor is Bankrupt](#)
3. [Contractor Has Failed to Submit Indirect Cost Data](#)
4. [Contractor is Unable to Submit Supporting Indirect Cost Data](#)
5. [Contractor Has Failed to Submit Final Invoice/Voucher](#)
6. [Negotiated Settlement](#)

Traditional closeout procedures are, for the most part, dictated by the payment clauses contained in affected contracts. When the circumstances mentioned above exist, it is sometimes virtually impossible to close contracts using traditional methods. In these instances, the ACO shall perform a cost risk analysis and exercise business judgment in accordance with FAR 1.602-2 to ensure that the Government's interests are protected and administrative actions are reasonable. With the goal of minimizing loss to the Government, exercising and implementing efficient business practices and processes, the following guidelines are offered as a solution to these "problem closures".

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CONTRACTOR IS NO LONGER IN BUSINESS

Unfortunately, it is not uncommon to have open contracts for companies that are no longer conducting business. In these instances, the Government shall take every reasonable measure to locate the company and/or its principals. It is suggested that the ACO:

- Attempt to contact company/company officials by telephone (using “directory assistance” to verify that the company hasn’t simply relocated).
- Attempt to locate company in writing, via certified mail, return receipt requested.
- Contact/inquire about company’s status from other Government officials (PCO, QAR, IS, PA, SBA, DCAA).
- Visit or request plant visit by the CMO designee (IS, QAR).
- Contact the Bankruptcy Court of the state in which the company is located to determine if company has filed for bankruptcy.

The contract file should be documented with every attempt made to locate the company and its officials. If all of the above attempts prove unsuccessful, it is recommended that the ACO begin the Administrative Unilateral Closeout process.

Administrative Unilateral Closeout begins with a thorough review of the official contract file(s). The following should be ascertained during that review:

- Is the contract physically complete and has Government acceptance of goods/services been received?
- Was the contractor previously paid any funds?
- What is the status of indirect cost rate settlement (if contract is other than firm fixed price)?
- Have all reasonable measures been taken to locate the company and documented in the contract file?
- Has the contract been terminated for convenience or default?
- Any other pertinent information relative to the contractor or performance of the contract (e.g., unsettled subcontract cost, litigation, etc.) should be considered. It is recommended that the ACO check with Office of General Counsel to ascertain if any actions are pending.

After completing your review, you should notify the PCO of your intent to perform Administrative Unilateral Closeout. It is recommended that you obtain PCO concurrence prior to issuing an Administrative Unilateral Closeout modification.

Recommended actions for Administrative Unilateral Closeout and, if required, determination of final contract price can be found in [Contractor Has Failed to Submit Final Invoice/Voucher](#).

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CONTRACTOR IS BANKRUPT

The ACO should coordinate with counsel on any close-out action. The final contract price should be established at the amount previously paid to the contractor and any excess funds deobligated at the ACRN level.

In accordance with [FAR 42.9](#), when notified of bankruptcy proceedings, agencies must, as a minimum --

- Furnish the notice of bankruptcy to Office of General Counsel and other appropriate agency offices (e.g., contracting, financial, property) and affected buying activities;
- Determine the amount of the Government's potential claim against the contractor (in assessing this impact, identify and review any contracts that have not been closed out, including those physically completed or terminated);
- Take actions necessary to protect the Government's financial interests and safeguard Government property; and
- Furnish pertinent contract information to the Office of General Counsel representing the Government.

If you discover that the contractor is bankrupt, contact the Office of General Counsel prior to taking any action in furtherance of contract closeout. A thorough review of the contract and the status of bankruptcy are required.

Once a bankruptcy petition is filed, an automatic stay goes into effect. This stay generally precludes any action to collect from the debtor or that would interfere with the debtor's property interests. Contracts can be considered property of the bankrupt estate. Contract closeout actions could interfere with this property interest and violate the stay. Consequently, contract closeout actions should generally not be done without relief from the stay. Violation of the stay can subject responsible parties to contempt citations. DCMA legal offices have been successful in getting relief from stays by working with bankruptcy trustees.

Another reason for immediate coordination with the legal office is that any claim against the contractor must be filed with the court in the form of a Proof of Claim. With the filing of a bankruptcy petition, the court usually will set a date by which the Proof of Claim must be filed (the Bar Date). Potential claims against the contractor must be compiled and analyzed to determine whether a Proof of Claim is in the best interests of the Government and, if so, that information must be provided to DFAS. DFAS has the responsibility for preparing the Proof of Claim and providing it to the cognizant U.S. Attorney for filing with the bankruptcy court. If the Government doesn't file a timely proof of claim (a form filed by DFAS establishing us as a

creditor), we're not going to get any money back. If we missed deadline for filing proof of claim, send 1797 to DFAS seeking write-off (debt not collectible).

- If the ACO sees a contractor going south financially - accelerate contract closeout efforts.
- If the ACO would like to close out contracts after stay issued, contact trustee through counsel for relief from stay.
- If contracts have been fully performed/paid, inform trustee that we intend to close contracts.
- We may be able to leave open just a few contracts by year/color of money & close the rest - especially if closed account but consult Counsel before taking any action.

Two types of Bankruptcy the ACO might encounter are:

- Chapter 7 - liquidation - non-exempt items sold by trustee; proceeds distributed to creditors or
- Chapter 11 - corporate debt reorganization in which reorganization plan must be approved by a majority of creditors.

Recommended actions for Administrative Unilateral Closeout and, if required, determination of final contract price can be found in [Contractor Has Failed to Submit Final Invoice/Voucher](#).

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CONTRACTOR HAS FAILED TO SUBMIT INDIRECT COST DATA

In accordance with [FAR 52.216-7](#) and [52.216-13](#), the contractor is required to submit a final indirect cost proposal to the Government within the 6-month period following the expiration of each of its fiscal years. Regardless of whether rates are ACO or Audit determined, it is the ACO's responsibility to secure certified final rate claims, pursuant to [FAR Part 42.705](#). The ACO should work with DCAA to obtain overdue proposals. Other recommended actions for the ACO:

- Become proactive as early as practicable and supplement /complement DCAA's efforts.
- Apprise contractors of obligations, repetitively at strategic junctures throughout the lifetime of a contract, starting early in the cycle.
- Offer technical guidance to ensure an adequate submission.
- Remember to stay on top of the situation and document all discussions and meetings, including telephone conversations in order to support any resulting unilateral decision.

The ACO should issue a letter to the contractor ninety days before the end of a contractor's fiscal year, requesting submission of the indirect cost proposal. If the contractor does not submit their proposal in a timely manner, measures shall be taken to protect the Government's financial interest. The ACO should issue a letter expressing concern over non-receipt of the proposal. The letter should include a reminder that failure to submit a proposal is considered to be an internal control deficiency and request a response within 30 days.

If a contractor remains non-responsive, the ACO should work with DCAA on possible actions.

- DCAA removal from Direct Billing
- Presenting the contractor with a letter informing them that continued non-responsiveness will result in a billing rate decrement.

Perhaps nothing better captures a contractor's attention than the unilateral decrementing of the billing rates so as to impede cash flow. This action is not to be punitive in nature, but rather a precautionary step to safeguard the government's interests in that it is incumbent upon the ACO to preclude overpayments. Because of the lack of the required rate claim, such concerns may be warranted. Accordingly,

the decrement factor would equate to the reasonable uncertainties related to costs paid or to be paid, as a result thereof.

More than likely, a contractor will respond to a billing rate decrement. However, continued non-receipt of incurred cost data dictates an aggressive approach by the ACO. Contracts are physically complete and the closeout time clock is ticking.

Based on these factors, the ACO should proceed with unilateral determination of indirect cost rates ([FAR 42.703-2\(c\)](#)) and/or unilateral determination of final contract price. (See [Contractor Has Failed to Submit Final Invoice/Voucher](#))

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CONTRACTOR IS UNABLE TO SUBMIT SUPPORTING INDIRECT COST DATA

On rare occasions, contractors are unable to provide final vouchers because they have not retained their financial records for a fiscal year. When this happens, the contractor does not have the ability to support an audit or the incurred cost previously billed on contracts.

In these instances, Administrative Unilateral Closeout is recommended. As with all Administrative Unilateral Closeout efforts, a thorough review of the contract file is essential. You may want to do a risk assessment to ensure the financial security of the contractor. Upon completion of your review, you should have an understanding as to why the contractor is unable to provide the final voucher. If Administrative Unilateral Closeout is still deemed suitable under the circumstances, it is recommended that the ACO proceed with the closeout as follows:

- Contact the cognizant DCAA office and obtain an opinion as to the Administrative Unilateral Closeout of the contract.
- Upon receipt of DCAA recommendation, the ACO should send a notice to the PCO.
- PCO concurrence is recommended prior to issuance of contract modification. However, if after 30 days the PCO has not responded, the ACO should proceed with the closeout.
- Calculate the final price based on previous amounts paid to date.
- Issue a modification establishing the final price at the amount previously paid to date and deobligate any excess funds at the ACRN level.

The steps outlined above are a summation of the [Administrative Unilateral Closeout](#) process and more detailed list of recommended actions for Administrative Unilateral Closeout and, if required, determination of final contract price can be found in [Contractor Has Failed to Submit Final Invoice/Voucher](#).

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CONTRACTOR HAS FAILED TO SUBMIT FINAL INVOICE/VOUCHER

Different circumstances and solutions are described below.

Firm Fixed Price: Contractor Fails to Submit Final Invoice

On occasion, contractors complete performance but fail to submit a final invoice on firm- fixed price contracts. After making a reasonable number of requests to the contractor, the following actions should be taken.

- Verify that the government has accepted all shipments/performance.
- Send the contractor a letter asking if paid complete or when they will submit final invoice.
- If contractor fails to respond by suspense date in first letter, send a certified letter; return receipt requested, to the contractor advising them of the intent to administratively close the contract.
- If the contractor responds that an amount is owed, but they will not submit a final invoice, the contract should be closed via Final Pay NLA with remaining funds noted on the ACO Notebook. If the contractor fails to respond by the suspense date in the certified letter, the contract should be closed via Final Pay NLA with remaining funds noted on the ACO Notebook.

Cost Reimbursable: Contractor Fails to Submit Final Voucher

The ACO has the responsibility of obtaining final vouchers and closing documents in accordance with FAR regulations. The contractor is contractually required to submit final vouchers within 120 days after settlement of final indirect cost rates. As soon as rates are settled and the contractor has signed an indirect cost rate agreement, the ACO should request that final vouchers be submitted in accordance with [FAR 52.216-7\(d\)\(5\)](#).

In situations where indirect cost rates have been settled and the contractor has failed to adhere to [FAR 52.216-7\(d\)\(5\)](#), it is recommended that the ACO research and determine the reason for non-submission. Many times the contractor may not be able to submit final vouchers because:

- They are awaiting final subcontractor costs

- There is a lack of accounting staff to prepare final vouchers
- There is a lack of sufficient financial records needed to prepare cumulative cost (CUM) sheets and ultimately the final vouchers
- The final voucher would result in a credit balance due to the Government
- The final voucher would equal \$0.00

When the contractor fails to submit a final voucher within 120 days after settlement of final indirect cost rates has not provided a reasonable explanation along with an acceptable plan to become current in the submittal of final vouchers and has not received an extension from the ACO, the ACO should take action. Remedies available to the ACO include:

- Escalation to Management Councils, CMO Commander, and District Director
- Other non-contractual remedies such as inclusion of comments in Preaward Surveys
- Suspend interim financing payments
- Disallow or recoup previously paid costs
- Decrement bidding/billing rates
- Initiate appropriate systems reviews
- Maintain fee withholds
- Recommend removal from Direct Billing

After the ACO determines the reason for non-submission of final vouchers, several alternate methods exist that will enable the contracts to be closed. They include:

- [Unilateral Determination](#)
- [Accelerated Final Voucher Preparation and Review Process](#)

Administrative Unilateral Closeout

The ACO should pursue a unilateral determination of final contract price when the contractor is non-responsive or has not provided a reasonable explanation for not submitting a final voucher. After issuance of the initial request for submission of final vouchers and the expiration of the 120-day suspense, the ACO should:

- Verify that all shipments/performance have been accepted by the government.
- Issue Initial Letter of Request for Final Voucher (Recommended suspense of 14 Days for Contractor to submit Final Voucher).
- Notify PCO of intent to perform Unilateral Determinations. PCO concurrence is recommended prior to issuance of contract modification. However, if after 30 days the PCO has not responded, the ACO should proceed with the closeout.
- Coordinate with DCAA to determine allowable cost and/or obtain applicable incurred cost audits.
- Determine the total previous payments made to the contractor according to MOCAS.
- Coordinate with legal, other advisors.
- Issue a letter to the contractor, which will serve as a notice of intent to unilaterally determine the final contract prices if the final vouchers are not received within 30 days from date of the notice. (Return, Receipt Requested).
- If no final vouchers submitted, calculate the final price based on previous amounts paid to date.
- If overpayment has occurred, request a refund from the contractor. If the contractor refuses to provide the refund within 30 days from the date of the request, forward the debt to DFAS Columbus, via DLA1797, for collection action.
 - If it is determined that excess funds remain on the contract, accomplish deobligation within the unilateral determination modification.
- Issue a modification establishing the final price at the amount previously paid to date and deobligate any excess funds at the ACRN level.
- Notify PCO that all actions are complete by using a DD Form 1594 or a MILSCAP Format Identifier PK9.
- Monitor movement of contract through MOCAS to ensure closeout. The ACO should:
 - Verify that the modification has been processed in MOCAS.
 - Verify that the unliquidated balance equals \$0.00 at the ACRN level.
 - Verify that the contractor was paid complete.

- Verify any refund checks received have been posted in MOCAS and excess funds deobligated.
- Forward any delinquent refund request to DFAS Columbus, via DD1797, requesting collection action.

Document all contacts, telephone conversations and meetings, as evidence of Government initiated attempts to engage the contractor in remedying issue.

Accelerated Final Voucher Preparation and Review Process

There are times when a contractor may be able to prepare the final voucher but it will take an unreasonable amount of effort and expenditure of resources to pull the cumulative cost sheets together. As a result, final voucher submission will be delayed and often cause the contract to become overage for closeout.

The ACO may want to consider an accelerated final voucher preparation and review process in order to close the contracts in a timely manner. The procedure is applied on a fiscal year basis and may include all contracts or a partial list of contracts. Basically four team players will need to concur in each case - the ACO, the Auditor, the Contractor and DFAS.

There are three steps recommended for this process:

- The ACO and the Contractor agree on the final contract amount.
- DCAA agrees to perform a risk analysis and cumulative cost sampling for the contracts.
- The Contractor agrees to submit a non-detailed final voucher for each contract.
- DFAS concurs that they will pay a non-detailed final voucher.

ACO Actions:

- Perform Initial Risk Analysis - As with each of the alternate closeout methods, the ACO will need to perform an initial risk analysis and decide if this procedure is appropriate for a particular contractor. Factors that should be considered include:
 - Status of Contractor Accounting and Billing Systems

- Variances Between Proposed and Settled Rates for Previous Fiscal Years
- Total Amounts Remaining to Be Disbursed (ULO Balance)
- Decide Whether to Use the Procedure - After the ACO has decided to pursue the accelerated procedure, the following steps should be taken:
 - Prepare a List of Candidates - A list of contract candidates should be prepared and all necessary parties notified. The list should include only those contracts for the specific fiscal year(s) for which the procedure is being used. In addition to the contract numbers, the ACO should also include contract type, final acceptance date, total disbursed amount, obligated amount, ULO balance. This list will serve as the ACO's initial worksheet.
 - Determine if you have agreement with DCAA and the Contractor - Then, the ACO should schedule a meeting with the contractor and DCAA to discuss the use of an accelerated final voucher preparation and review process. The list of proposed contracts should be provided to all parties at the meeting or distributed via e-mail. **IMPORTANT!!!** It is necessary that all parties agree that the process is a practical solution for expediting closeout and will result in little or no risk to the Government.
 - Request the Contractor Review Accounts Receivable Records - The ACO should request the contractor review the list of contracts and determine the amounts that remain on their accounts receivable records for each contract.

Contractor Actions:

- Review List of Candidates.
- Weed out "high-risk" contract candidates.
- Meet with ACO -
 - Provide final billable amount (credit or payment), by contract.
 - Confirm and agree to final candidates and contract prices.
- Discuss finalized list of contracts and final prices with DCAA.

DCAA Actions:

If DCAA has agreed to assist in this process, request they perform a risk analysis for the entire procedure. The following factors should be considered:

- Contract Type
- Accounts Receivable Definition and Content
- Past Indirect Rate Settlement - Billing Rates versus Settled Rates
- Billing System Status
- CUM Sampling of Contracts

Request that the risk analysis includes the CUM sampling results and assist the ACO in exercising the proper business judgment when finalizing the process.

Final Actions:

- ACO will review the risk analysis and resolve any outstanding issues -
- Adjust final contract amounts as necessary
- Remove questionable candidates from list and instruct contractor to provide a final voucher through the traditional method.
- ACO will document the official contract file. The document should:
 - State the purpose of the procedure
 - State the benefits
 - Identify the affected contracts and final prices
- Contractor should submit a non-detailed final voucher for each contract directly to the ACO.
- The ACO should proceed with the review and approval process for each final voucher.

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NEGOTIATED SETTLEMENT

Negotiated Settlement is the process of reaching a settlement between all parties to close a contract (including all government parties responsible for final closing actions). The process allows wide latitude to exercise business judgments in order to accomplish the contract closeout process in a reasonable and efficient manner. The negotiated settlement process allows closure based on the best available data. The negotiated settlement process is applicable to those contracts that are determined to be complete, shipped and accepted and the contract is determined to be unreconcilable, or the normal reconciliation process would be inefficient or require an extended cycle time. Many factors may contribute to the reasons for not having adequate documentation that would be necessary for a full reconciliation or why the normal reconciliation process would be inefficient. Included, but not limited to, are:

- Multiple payment offices during the life of the contract
- Contract mergers or reorganizations
- Loss of key players - Government and Contractor
- Old contracts with many modifications

ACOs should identify all contracts that are likely candidates for negotiated settlement from the pool of contracts where the closeout procedures are complete except that final payment issues need to be resolved before closure can happen. ACOs should maintain documentation that identifies the contract is in the negotiated settlement process and keep a chronology of events as it moves through the process. The ACO will put a remark in MOCAS in the ACO notebook that the contract is being worked as a negotiated settlement.

The ACO should review the obligated and unliquidated obligations (ULO) balances at both the total contract level and at the ACRN level. Negotiated settlement should be pursued only for those contracts where:

- MOCAS reflects positive unliquidated obligations (ULOs) at both the total contract and ACRN levels.
- Sufficient ULO exists at contract level to cover any unliquidated financing payments that have been made on the contract.
- There are sufficient documented funds in both MOCAS and in the accounting systems to cover any anticipated settlement payment to the contractor that might be negotiated.

What to do when Negative ULOs (NULOs) exists:

- When MOCAS reflects a positive ULO at the contract level but a NULO exist against one or more ACRNs, the ACO should request that DFAS make the necessary adjustments to clear the NULO. If DFAS can resolve the adverse conditions, then the contract can become a candidate for Negotiated

Settlement. DFAS will try to locate critical documents required to conduct the audit. They will perform an extensive search for missing documentation required for the reconciliation. When sufficient documentation cannot be located to support contract reconciliation, a contract will be designated as unreconcilable.

- When MOCAS reflects a negative unliquidated obligation (NULO) at the total contract level, the ACO must request that DFAS conduct disbursement reconciliation. DFAS will try to locate critical documents required to conduct the audit. They will perform an extensive search for missing documentation required for the reconciliation. When sufficient documentation cannot be located to support contract reconciliation, a contract will be designated as unreconcilable.
- If the MOCAS balances are all positive ULO and the Accounting Station records have NULOs; the accounting station will be responsible for reconciling their records.

Also, if a DLA 1797 has been previously sent to DFAS requesting reconciliation, the ACO will notify DFAS that the contract closeout is being pursued under Negotiated Settlement. This is to ensure that DFAS will not spend time trying to reconcile the contract.

As with each of the alternate closeout methods, the ACO will need to perform an initial risk analysis and decide if this procedure is appropriate for a particular contractor. Factors to consider included

- Does using Negotiating Settlement support an orderly and economical process for closing this contract with little or no additional financial risk to the Government?
- Can the Government be made whole at the *total contract level* although full contract reconciliation has not been accomplished at the ACRN level and there is uncertainty about the amount owed to the Government or the Contractor?

The steps in the procedure:

The ACO should contact the PCO and obtain agreement on the best path for closing this contract. At this point the ACO and PCO should:

- Agree that the amount owed (either the contractor or the government) is in question.
- Make a decision to use negotiated settlement with the contractor and the PCO should coordinate their decision with their accounting station personnel.
- Identify who will be the Responsible Contract Reconciliation Agent (RCRA).
- Register the contract in the Standardized Contract Reconciliation Tool (SCRT) and identify that the negotiated settlement process is being used. This will ensure that another party will not start additional reconciliation efforts.

The ACO should conduct a meeting or conference with the responsible/affected government parties to include the PCO, fund manager(s), DFAS accounting station personnel, DFAS or disbursing office personnel, DCAA and any other party that will be party to negotiating a settlement or responsible for closing the official accounting records for the PCO.

- The parties will develop a plan of action to ensure the process described below works efficiently.
- The ACO will assess available government data and establish an initial government negotiating position for administrative closeout.
- As required, the ACO will initiate a DCAA or other audit to assist in establishing a final negotiating position based on the best available records, including contractor records.
- The ACO should negotiate a settlement with the contractor.
- The ACO might want to coordinate with DFAS prior to issuance of modification to verify that the contract can be adjusted and closed.
- The ACO will issue a bilateral modification. The final document should cite any payment amount due the contractor. If there are funds still on the ULO line, the ACO will determine if the funds are “remaining funds” or “excess funds. If the funds are “Remaining Funds”, the ACO Notebook will be annotated with a remark that the \$XX (Amount of Funds) funds are remaining funds or if the funds are excess, the bilateral modification should administratively remove the excess funds. The modification should also state the contract performance by the Contractor has been completed and accepted by the Government, and that all obligations of the Contractor under this contract have been satisfied. The modification should also direct DFAS to close the contract.

The ACO will distribute a copy of the modification to all parties.

The ACO should document the contract file to include:

- the efforts made by the ACO team to obtain the necessary closeout data
- the situations and/or factors affecting the ACO team's inability to obtain and/or complete the required steps of this procedure

The ACO must include a statement in the contract file which states, **“To the best of my knowledge, the contract requirements have been fully satisfied, therefore it is my determination to proceed with a negotiated closeout**

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SUMMARY

The Defense Contract Management Agency (DCMA) Contract Closeout Guidebook describes steps for successful contract closeout, continuous performance improvement, and customer satisfaction. The objective of this guidebook is to institutionalize practices to close contracts in a timely manner.

The Contract Closeout Guidebook provides instructions on standard closeout. It also addresses solutions for problem closures using methods such as quick closeout, early closeout, unilateral rate determination, unilateral administrative closeout and negotiated settlement. The recommended techniques, samples and tools were developed with the entire closeout team in mind. The team consists of individuals from DCMA, the contractor, DFAS, DCAA, and the Buying Office. All have interrelated and interdependent closeout tasks that must be completed prior to closing the contract. DCMA leads the contract closeout process and coordinates with all parties to complete all administrative actions, settle all disputes, and make sure final payment has been made. Communication and information sharing is key to closing contract timely.

ATTACHMENTS

The attached are sample letters, modifications and memos to file for use in closing contracts.

Letters to Contractors

- [Initial Request for Final Voucher and List of Identified Contracts](#)
- [Request for Initial Closeout Actions](#)
- [Notice of Intent to Unilaterally Determine Contract Price](#) and Final Contract Price Worksheet
- [Notice to Contractor of Early Closeout](#)
- [Request to Contractor for Final Invoice Status 1](#)
- [Request to Contractor for Final Invoice Status 2](#)
- [Request to Contractor for Final Patent Report](#)
- [Request to Contractor for Royalty Report](#)
- [Request to Contractor for Final Voucher Submission 2.1](#)
- [Request to Contractor for Final Voucher Submission 2.2](#)
- [Request to Contractor for OH Proposal 1](#)
- [Request to Contractor for Oh Proposal 2](#)
- [Request to Contractor for OH Proposal 3](#)
- [Request to Contractor for OH Proposal 5](#)
- [Request to Contractor for Refund](#)
- [Request to Contractor for Status of Outstanding VECPs](#)
- [Request to Contractor for Subcontractor Patent Report](#)
- [Request to Contractor for Waiver of Final Payment](#)

Letters to DCAA

- [Notice to DCAA of Early Closeout](#)
- [Request to DCAA for Audit Assistance on FV](#)

Letters to DFAS

- [Authorizing Release of Withholds](#)

Letters to DIS

- [Request for Disposition of Classified Material](#)

Letters to PCO

- [Notice to PCO of Early Closeout](#)

- [Notice to PCO Final Patent Report](#)
- [Notice to PCO Final Patent Report \(Negative DD 882\)](#)
- [Notice to PCO Final Royalty Report](#)
- [Notice to PCO of Nonsubmittal of Indirect Cost Proposal](#)
- [Notice to PCO of Unilateral Action](#)
- [Notice to PCO of Contractor No Longer in Business](#)
- [Request to PCO for Certificate of Acceptance](#)
- [Request to PCO for Determination of Overrun 1](#)
- [Request to PCO for Determination of Overrun 2](#)
- [Request to PCO for Status on VECPs](#)

Memos to File

- [Memo to File - Contractor No Longer in Business](#)
- [Memo to File - Unilateral for Small Business](#)

Sample Modifications

- [Contractor Underpaid - Final Price equal Amount Paid](#)
- [Contractor Overpaid - Refund Due](#)
- [No Adjustment in Previous Payments](#)
- [Contractor No Longer in Business](#)
- [Final Indirect Rates Not Settled](#)

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Sample Letter
Initial Request for Final Voucher and List of Identified Contracts

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

Our records indicate that the contracts identified on the attached list are physically complete and the indirect cost rates applicable to the period of performance have been determined and agreed to by [*Contractor*] for fiscal year _____.

In accordance with FAR 52.216-7(d)(4) and Final Indirect Cost Rate Agreement signed by your office on _____, you are hereby reminded of your contractual requirement for submitting, within 120 days after settlement of final indirect cost rates, final voucher(s), assignment(s), and release(s). Your final voucher packages should be submitted to this office with a copy to the cognizant DCAA office by [*120 days from date of signed rate agreement*]. . . If you cannot meet this deadline, provide to the undersigned, by [*60 days after date of this letter*], a firm date and milestone plan for submitting these documents.

The submission of these documents will permit timely closeout and minimize funds lost due to the cancellation of obligations. Should you have any questions, contact the undersigned at () ____-____, email _____

Sincerely,

Administrative Contracting Officer

Attachment

1. List of Contracts
2. DCAA Indirect Cost Audit (*optional*)

CC:
DCAA[Back to List](#)

**Sample Letter
Request for Initial Closeout Actions**

DCMA _____

Date

[*Contractor Address*]Dear [*Contractor*]:

In order to facilitate closing out contract _____ please provide the following information no later than _____:

- () Has all classified material been dispositioned?
- () Have all patent invention disclosures and royalty reports been submitted?
- () Are there any outstanding subcontracting issues?
- () Have all value engineering change proposals (VECP) been settled?
- () In order to permit evaluation of the contract for either excess or needed funds, please provide the following data from your records:

Estimated Final Contract Price (Actual cost plus profit/fee)
Total Amount Billed To Date
Estimated Amount of Final Voucher

When negative answers are provided to any of the above questions, please provide comments and a target completion date.

Should you have any questions, contact the undersigned at () ____-____ or email

Sincerely,

Administrative Contracting Officer

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**Sample Letter
Notice of Intent to Unilaterally Determine Contract Price and
Final Contract Price Worksheet**

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

Reference is made to DCMA_ -_____ letter dated _____, which requested submission of final voucher(s) for an identified list of contracts. These contracts are physically complete and the incurred cost rates applicable to the period of performance have been determined and agreed to by [*Contractor*] for fiscal year _____.

Earlier efforts to acquire final vouchers and closing documents have been unsuccessful. Therefore, you are hereby notified that you must submit your final voucher packages by [*30 days after date of this letter*]. The packages should be submitted to this office with a copy to the cognizant DCAA office. If you cannot meet this deadline, provide to the undersigned, by [*14 days after date of this letter*], a firm date or milestone plan for submitting these documents.

In order to assist you, our final contract price worksheet is attached stating the allowable cost and fee and amount previously paid to you for each contract, according to our records.

Your failure to adhere to FAR 52.216-7(d)(4) and to respond to this letter will necessitate the action to unilaterally determine the final contract prices and administratively close the contracts. [*Contractor*] will forfeit any other funds due. In the event that it is determined that [*Contractor*] has been overpaid, a demand letter will be issued.

Any questions may be directed to the undersigned at () _____ - _____.

Sincerely,
Administrative Contracting Officer

Attachment
Final Contract Price Worksheet

CC:
DCAA

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DCMA Contract Closeout Guidebook
 Attachment - Final Contract Price Worksheet by Contractor

June 2004

Contractor:										
Total Allowable Costs for Contracts Ready to Close for FY:										
References										
DCAA Audit Report Number and Date:										
Date of Fully Executed Rate Agreement:										
Date of DCMA Initial Request for FV's:					Suspense:					
Date of DCMA Notice of Intent:					Suspense:					
Date FV Submitted	Contract Number	Contract Type	Final Acceptance Date	Allowable		Total Allowable Cost + Fee	Previously Paid	Underpayment - \$ Due to Ktr	Overpayment - Refund Due to Gov't	Excess Funds
				Cost	Fee					
Comments:										

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**Sample Letter
Notice of Early Closeout**

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

Reference is made to Contract _____, FAR Clause 52.232-7, Payments under Time & Materials and Labor Hour Contracts.

In order to allow for the timely closeout of delivery orders issued under the aforementioned contract, early closeout procedures are recommended. The early closeout would involve the provisional approval of “completion” vouchers for each order that has been fully accepted by the Government, with the exception of certain order held open to satisfy the Government’s right to withhold five percent of payments otherwise due, up to a maximum of \$50,000. The early closeout procedure is detailed as follows:

- a. Upon final acceptance by the Government, the contractor will prepare a completion voucher for each task order. Each completion voucher will include a certification signed by the Government Representative reading substantially as follows: “I certify that the requirements of this task order have been satisfactorily completed and that final acceptance has been made.”
- b. Contractor XX will then forward the certified completion voucher to the Administrative Contracting Officer (ACO) for provisional approval.
- c. The ACO will verify that all contractual requirements have been satisfied. The ACO will sign the completion voucher approving for payment and will forward it to DFAS Columbus for payment.
- d. Certain delivery orders will be held open for contract settlement until the last year of incurred costs has been audited by DCAA. At that time, a “Final” Voucher will be prepared and submitted to DCAA along with the Assignment of Refunds, Rebates and Credits, one Claim Release, and a recapitulation of costs for each order issued under the contract. The auditor will provide only one Contract Audit Closing Statement for the entire contract, which will include a review of the allowable and allocable costs for each delivery order.

The utilization of early closeout procedures not only allows timely closeout of delivery orders but also prevents the systematic cancellation of money due to the National Defense

Authorization Act (PL 101-510, 5 Nov 90). You are requested to complete the 1st Endorsement and return it to the undersigned no later than _____.

Should you have any questions or require additional information, please contact the undersigned at (xxx) xxx-xxxx, or at e-mail _____.

Administrative Contracting Officer

1st Endorsement

FROM: Contractor Address

TO: DCMA Address

SUBJECT: Contractor _____
Contract _____, Early Closeout Procedures

_____ I concur with the use of Early Closeout Procedures.

_____ I object to the use of Early Closeout Procedures for the following reason:

_____ Other: _____

Authorized Signature/Title

Date

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**Sample Letter
Request for Final Invoice Status**

DCMA-_____

Date

[Contractor Address]

Dear [Contractor]:

Our records indicate contract _____ is physically complete. However, there still remains an unpaid balance of \$_____.

To assist us in the closeout effort, you are requested to complete the 1st Endorsement and return it to this office. Your response is requested by <Date>. Should you have any questions or require additional information, please contact <POC> at () ___-____ or email _____

Sincerely,

Administrative Contracting Officer

1st Endorsement

TO: DCMA _____
ATTN: (ACO)
Street Address
City, State Zip code

___ Final Payment, Check Number _____ was received on _____,
the subject contract is paid in full. Funds unliquidated are considered excess.

___ Final invoice was submitted on _____ for the amount of \$_____,
however, payment has not been received. (Please attach a copy of invoice.)

___ Final invoice for the amount of \$_____ will be submitted on _____.

Signature/Title _____

Date _____

[Back to List](#)

**Sample Letter
Request for Final Invoice Status**

DCMA-_____

Date

[*Contractor Address*]

Dear [*Contractor*]:

It is requested that your company's records be reviewed to verify that all shipments were completed and that full payment was received for the following Government Contract:

XXXXXXXX-XX-XX-XXXX/xxxx

Upon completion of your research, please mark the appropriate box below and return this letter. If you have any questions regarding this request, please do not hesitate to contact me at ()____-____ or email _____. Thank you for your time and cooperation.

Sincerely,

Administrative Contracting Officer

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1st Endorsement

TO: DCMA _____
ATTN: (ACO)
Street Address
City, State Zip code

___ <Contractor's> records indicate that shipments were made and payment-in-full was received. Funds unliquidated are not needed for payment.

___ <Contractor's> records indicate that there are still open issues pertaining to contract number _____, and requests DCMA _____ contact _____ at _____ to resolve these remaining issues.

___ Final invoice for the amount of \$_____ will be submitted on _____.

Signature/Title

Date _____

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**Sample Letter
Initial Request for Final Patent Report**

DCMA _____

Date

[*Contractor Address*]

Dear [*Contractor*]:

Reference is made to the following:

- a. Contract _____
- b. FAR Clause _____

I have been advised that your effort under the referenced contract is complete. Therefore, you are requested to submit the final report of Inventions and Subcontracts required by the Patent Rights Clause contained in your contract.

Please complete the DD Form 882 and forward to my attention no later that _____. Please list subject inventions or certify that there were no such inventions and list all subcontracts at any tier containing a Patent Rights Clause or certify that there were no such subcontracts.

Should you have any questions, contact the undersigned at ()____-____ or email

Sincerely,

Administrative Contracting Officer

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**Sample Letter
Request for Royalty Report**

DCMA _____

Date

[Contractor Address]

Dear [Contractor]:

Reference is made to the following:

- a. Contract _____
- b. FAR Clause 52.227-9

In accordance with reference b,

- a. The term "royalties" refers to any costs or charges in the nature of royalties, license fees, patent or license amortization costs, or the like, for the use of or for rights in patents and patent applications in connection with performing this contract or any subcontract hereunder.
- b. The Contractor shall furnish to the Contracting Officer, before final payment under this contract, a statement of royalties paid or required to be paid in connection with performing this contract and subcontracts hereunder together with the reasons.

I have been advised that your effort under contract _____ is complete. Therefore, you are requested to submit a final royalty report.

The submission of this document will permit timely closeout. Should you have any questions, contact the undersigned at ()____ - _____ or email _____

Sincerely,

Administrative Contracting Officer

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Sample Letter
2nd Request for Final Voucher and List of Identified Contracts

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

To date, I have received no response to the Government's letters of _____ and _____ requesting final vouchers. Your company is delinquent in providing over XXX final vouchers and related closing documents. I am again requesting that XXX Inc provide final vouchers for contracts listed at the enclosure no later than _____.

As you are aware, DCMA _____ is making a concerted effort to close overage contracts. In our recent meeting, we reiterated the necessity for full cooperation between the Government and XXX Inc. If you do not respond by the suspense date, I will begin administrative closeout of the contracts listed herein. Please be advised that this action may affect your company's determination of responsibility for future contract award, in accordance with FAR Part 9.

Although I do not want to use administrative (unilateral) closeout procedures, I will have no choice since both this office and DCAA have requested your cooperation without success. Therefore, I do look forward to your timely response.

Should you have any questions, contact the undersigned at () ____-_____, or email

Sincerely,

Administrative Contracting Officer

Attachment
List of Contracts

CC:
DCAA

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Sample Letter
2nd Request for Final Voucher and List of Identified Contracts

DCMA-_____

Date

[Contractor Address]

Dear [Contractor]:

Reference is made to DCMA-XXXX letter dated _____, which requested submission of final voucher(s) for contract XXXX. The contract performance is completed and the indirect rates applicable to the period of performance have been determined and agreed to by [Contractor] for fiscal year _____.

Earlier efforts to acquire final voucher/s and the attendant release and assignment documents have been unsuccessful. Therefore, you are hereby notified that you must submit your final voucher packages **within 30 days of the date of this letter**. The packages should be submitted to your cognizant DCAA office with a copy to this office. If you cannot meet this deadline, provide to the undersigned, **within 10 days after receipt of this letter**, a firm date or milestone plan for submitting these documents.

Your failure to respond to this letter may necessitate the action to **unilaterally** close the contracts at the amounts currently paid and (contractor name) will forfeit any other funds due. In the event that it is determined that (contractor name) has been overpaid, a demand letter will be issued for the amount due.

Should you have any questions, contact the undersigned at () ___-_____, or email

Sincerely,

Administrative Contracting Officer

Attachment

1. List of Contracts
2. DCAA Indirect Cost Audit (*optional*)

CC:
DCAA

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**Sample Letter
Request for OH Proposal**

DCMA-_____

Date

[*Contractor Address*]

Dear [*Contractor*]:

Reference: FAR 52.216-7 and 52.216-13

Our records indicate that your company's fiscal year ends on _____. In accordance with FAR regulations, you are required to submit a final indirect cost proposal **no later than 180 days after the end of your fiscal year.**

You are requested to submit your proposal to your cognizant DCAA auditor with a copy to this office. Compliance with this request will not only permit timely rate determination and closeout of your physically completed contracts but will also prevent funds from canceling on your cost type contracts.

Should you have any questions or require additional information, please contact <POC> at () ___-___ or email _____

Sincerely,

Administrative Contracting Officer

cc:
DCAA

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**Sample Letter
Request for OH Proposal (2nd)**

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

The Department of Defense places great emphasis on timely settlement of final overhead rates. In order to accomplish this, it is essential that final overhead rate proposals be received from contractors on time. I am very concerned because the proposal from _____ for fiscal year ending _____ has not been received and is overdue. As you know, Defense Contract Audit Agency (DCAA) has also contacted you about this problem.

The failure of _____ to submit overdue final overhead cost proposals is considered to be an internal control deficiency and reflects upon your billing rates. Improving this deficiency in a timely manner will benefit both the Government and _____.

Your response identifying the anticipated proposal submission date is required by _____. If you have any questions or require assistance, both DCAA and representatives of this office are available to meet with you. I may be reached at (XXX) XXX-XXXX or at e-mail _____.

Sincerely,

Administrative Contracting Officer

cc:
DCAA[Back to List](#)

**Sample Letter
Request for OH Proposal (3rd)**

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

On _____ and _____ you were reminded in writing of your contractual responsibility to submit a final indirect cost proposal for fiscal year ending _____. In addition, DCAA has also contacted you concerning this problem. Your proposal is now _____ months overdue.

As a result of your failure to submit the overdue proposal and in an effort to protect the Government's financial interests, you are hereby notified that your provisional billing rates are being reduced to ensure that unallowable costs are not currently being reimbursed. The reduced rates are set forth in Attachment 1. The reduced rates will be in affect until you submit an adequate certified indirect cost proposal as required by Federal Acquisition Regulations.

Continual refusal to submit your proposal may result in a unilateral rate determination. The cancellation of appropriated funds dictates an aggressive approach in this area.

Should you have any questions or require assistance, both DCAA and representatives of this office are available to meet with you. I may be reached at (###) ###-#### or email _____.

Sincerely,

Administrative Contracting Officer

cc:

DCAA

DCMA_____/Commander

(SEND CERTIFIED LETTER)

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**Sample Letter
Request for OH Proposal (5th)**

DCMA-_____

Date

[Contractor Address]

Dear [Contractor]:

As a result of your failure to submit a final incurred cost proposal for FY_____ and after numerous attempts by DCMA and DCAA to obtain an adequate proposal, this office has begun the unilateral closeout process for contract _____. As a result, we have requested a report of allowable costs from DCAA.

Based on the report of allowable costs, the total allowable cost and fee for contract _____ equals \$ _____. According to our records, your company has been paid \$ _____. Therefore, [contractor name] owes the Government \$ _____.

You are requested to submit a check in the amount of \$ _____ which represents the amount of overpayment to your company. The check should be made payable to the "Treasurer of the United States" and mailed to the following address:

DFAS-ADPBD/CA, P.O. Box 182249, Columbus, OH 43218-2249.

Include with the check an explanation of source and reason for the payment to ensure proper crediting.

Should you refuse to submit the refund **within 30 days from the date of this letter**; the debt will be forwarded to DFAS Columbus for collection action. Please direct any questions to the undersigned at (###) ###-#### or at e-mail _____.

Sincerely,

Administrative Contracting Officer

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**Sample Letter
Apparent Overpayment - Request for Refund**

DCMA-_____

Date

[*Contractor Address*]Dear [*Contractor*]:

As a result of your failure to submit a final voucher in accordance with FAR 52.216-7(d)(4) and after numerous attempts by DCMA to obtain a final voucher package, this office has made a determination of final contract price for contract _____.

Based on DCAA's final indirect cost rate audit for FY____, it is determined that the total allowable cost and fee equals \$_____. According to our records, your company has been paid \$_____. Therefore, [*contractor name*] owes the Government \$_____.

You are requested to submit a check in the amount of \$_____ which represents the amount of overpayment to your company. The check should be made payable to the "Treasurer of the United States" and mailed to the following address:

DFAS-ADPBD/CA, P.O. Box 182249, Columbus, OH 43218-2249.

Include with the check an explanation of source and reason for the payment to ensure proper crediting.

Should you refuse to submit the refund by [*30 days from the date of this letter*]; the debt will be forwarded to DFAS Columbus for collection action. Please direct any questions to the undersigned at () _____ - _____ or email_____.

Sincerely,

Administrative Contracting Officer

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**Sample Letter
Request for Status on Outstanding VECPs**

DCMA _____

Date

[*Contractor Address*]Dear [*Contractor*]:

Reference is made to contract _____.

The referenced contract is ready for closeout and contains FAR Clause 52.248-____. In accordance with the contract clause, Value engineering is the formal technique by which contractors may

- (1) voluntarily suggest methods for performing more economically and share in any resulting savings, or
- (2) be required to establish a program to identify and submit to the Government methods for performing more economically. Value engineering attempts to eliminate, without impairing essential functions or characteristics, anything that increases acquisition, operation, or support costs.

It is therefore requested that you verify that there are no outstanding value engineering change proposals that have been submitted to the Procuring Contracting Officer. Your response is requested no later than _____. Should you have any questions, contact the undersigned at ()____-____ or email _____

Sincerely,

Administrative Contracting Officer

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**Sample Letter
Request for Subcontractor Patent Report**

DCMA _____

Date

[*Contractor Address*]Dear [*Contractor*]:

This office was notified by the Patent Counsel that a final patent clearance cannot be issued until a final report is received from subcontractor, _____. In accordance with the patent clause included in said subcontract, it is necessary that they furnish a report, in duplicate, of all inventions, discoveries or improvements developed during performance. Each invention disclosure report should contain or be accompanied by the following information:

- a. Name of inventor, title of invention and a brief written description of the nature of the invention, accompanied by appropriate drawings and/or diagrams.
- b. Patent Application Serial Number and/or subcontractor's invention docket number.
- c. A statement as to whether or not a patent application claiming the invention has been or will be filed by, or on behalf of the subcontractor or contractor.

A negative report is required, if appropriate. Please note that your subcontractor may file their report by letter or DD Form 882.

Should you have any questions, contact the undersigned at ()____-____ or email

Sincerely,

Administrative Contracting Officer

[Back to List](#)

**Sample Letter
Request for Waiver of Final Payment**

DCMA _____

Date

[*Contractor Address*]Dear [*Contractor*]:

Reference is made to verbal agreement between <Contractor>. and the Government concerning waiver threshold for contracts requiring replacement money.

Frequently payment of a final voucher is being held pending receipt of current year funding from various buying activities. It would be mutually beneficial to both your company and the Government to administratively close this contract.

In order to accomplish this objective, you are asked to consider waiving payment of the final voucher. By doing so, this contract can be closed and efforts can be directed toward current payments.

If you concur with this procedure, you are requested to execute the attached Waiver of Final Payment and return to the undersigned via fax XXX-XXX-XXXX. Rejection of this proposal should be annotated on the endorsement below.

Should you have any questions, contact the undersigned at () ___ - ___ or email

Sincerely,

1 Encl

Administrative Contracting Officer

1st Endorsement

_____ I do not waive final payment under this contract.

_____ Authorization to waive final payment is granted per executed attachment.

Signature/Date_____
Typed Name/Title[Back to List](#)

Waiver of Final Payment

**<Contractor Name>
Contract XXXXX-XX-X-XXXX, XXXX**

Funding is not currently available for payment of Final Voucher #__Z dated DDMMYY in the amount of \$_____, under the FY91 Appropriation Act. In order to expedite closeout of the contract, final payment is hereby waived. Said waiver is considered to be mutually beneficial to both <Contractor> and the Government.

It is noted that our Release for this contract is in the amount of \$_____ which includes the final billing amount of \$_____.

By waiving final payment this contract can be administratively closed by <Contractor> and the Government.

This waiver in no way affects the validity of the Release for this contract and does not set a precedent for future contracts.

Signature/Date

Typed Name/Title

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**Sample Letter
Early Closeout Notification**

DCMA-_____

Date

MEMORANDUM FOR DEFENSE CONTRACT AUDIT AGENCY
ATTN:

Reference is made to the following:

- a. FAR 52.232-7, Payments Under Time & Materials and Labor Hour Contracts
- b. Contractor _____ and Contract Number _____
- c. DCMA Letter to Contractor _____ dated _____
- d. Buying Activity Concurrence to Use Early Closeout Procedures, dated _____

In order to allow for timely closeout of delivery orders issued under the referenced contract, early closeout is hereby recommended. The early closeout would involve the provisional approval of completion vouchers for each order that has been accepted by the Government with the exception of certain orders held open to satisfy the Government's right to withhold five percent of payments otherwise due, up to a maximum of \$50,000. The early closeout procedure is detailed in reference c.

The PCO has concurred with the use of the Early Closeout Procedures and the contractor has been notified that this procedure is recommended in order to allow timely closeout and to prevent the systematic cancellation of lapsed funds.

Should you have any questions, please contact the undersigned at _____ or at e-mail _____.

Administrative Contracting Officer

2 Encl

Cc:
Contractor

[Back to List](#)

**Sample Letter
Request for Audit Assistance on FV**

DCMA-_____

Date

MEMORANDUM FOR DEFENSE CONTRACT AUDIT AGENCY
ATTN:

Reference is made to Contract _____, Final Voucher #____, with Contractor _____.

Please perform an audit on Final/Completion Voucher No. _____ which has been provided to you by the contractor and includes the Contractor's Release and Contractor's Assignment of Refunds, Rebates, Credits, and Other Amounts that may be due.

Request the final audit report be provided to DCMA-____, (ACO's name), (email address) by (date). Questions concerning the above matter may be referred to (contract administrator name) on (telephone number).

Administrative Contracting Officer

[Back to List](#)

**Sample Letter
Authorizing Release of Withholds**

DCMA-_____

Date

MEMORANDUM FOR [Paying Office]

Reference is made to Contract _____ with [*Contractor Name*].

This contract is physically complete and ready to be closed. The contractor has complied with all the terms and conditions of the contract; therefore, any contract funds withheld under this contract may be released to the contractor.

Should you require additional information, contact the undersigned at () ____-_____, or email _____.

Administrative Contracting Officer

[Back to List](#)

**Sample Letter
Request for Disposition of Classified Material**

MEMORANDUM FOR DEFENSE INVESTIGATIVE SERVICES

Reference is made to Contract _____ with Contractor _____.

Please be advised that contract xxx is physically complete and closeout action has commenced. Request that the Defense Investigative Service take appropriate action regarding disposition and/or retention of any classified material accountable under the contract.

Should you have any questions, contact the undersigned at ()____ - _____, email

Administrative Contracting Officer

[Back to List](#)

Sample Letter
Buying Activity Notification of Early Closeout

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contractor _____, Contract _____, FAR Clause 52.232-7, Payments under Time & Materials and Labor Hour Contracts.

In order to allow for the timely closeout of delivery orders issued under the aforementioned contract, early closeout procedures are recommended. The early closeout would involve the provisional approval of "completion" vouchers for each order that has been fully accepted by the Government, with the exception of certain order held open to satisfy the Government's right to withhold five percent of payments otherwise due, up to a maximum of \$50,000. The early closeout procedure is detailed as follows:

- a. Upon final acceptance by the Government, the contractor will prepare a completion voucher for each task order. Each completion voucher will include a certification signed by the Government reading substantially as follows: "I certify that the requirements of this task order have been satisfactorily completed and that final acceptance has been made."
- b. The contractor will then forward the certified completion voucher to the Administrative Contracting Officer (ACO) for provisional approval.
- c. The ACO will verify that all contractual requirements have been satisfied. The ACO will sign the completion voucher approving for payment and will forward it to DFAS Columbus for payment.
- d. Certain delivery orders will be held open for contract settlement until the last year of incurred costs has been audited by DCAA. At that time, a "Final" Voucher will be prepared and submitted to DCAA along with the Assignment of Refunds, Rebates and Credits, one Claim Release, and a recapitulation of costs for each order issued under the contract. The auditor will provide only one Contract Audit Closing Statement for the entire contract, which will include a review of the allowable and allocable costs for each delivery order.

The utilization of early closeout procedures not only allows timely closeout of delivery orders but also prevents the systematic cancellation of money due to the National Defense Authorization Act (PL 101-510, 5 Nov 90). You are requested to complete the 1st Endorsement and return it to the undersigned no later than _____.

DCMA_____ PAGE 2

Should you require additional information, contact the undersigned at () ____ - _____,
x_____.

Administrative Contracting Officer

1st Endorsement

FROM: Buying Activity Address

TO: DCMA Address

SUBJECT: Contractor _____
Contract _____, Early Closeout Procedures

___ I concur with the use of Early Closeout Procedures.

___ I object to the use of Early Closeout Procedures for the following reason:

___ Other: _____

Authorized Signature/Title

[Back to List](#)

**Sample Letter
Buying Activity Notification of Final Patent Report**

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contract _____ with [Contractor Name]

Forwarded for your review is the contractor's final "Report of Invention and Subcontracts" (DD Form 882). If the report is acceptable, request patent clearance notification be provided.

Please return to us by _____. Should you require additional information, contact the undersigned at ()____-____, email _____.

Administrative Contracting Officer

Attachment

Final Patent Report

[Back to List](#)

Sample Letter
Buying Activity Notification of Final Patent Report (Negative Patent Report)

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contract _____ with [Contractor Name]

I am the Administrative Contracting Officer (“ACO”) for the above-referenced contract (“Contract”). I have received evidence that the Contract has been physically completed and I am in the process of initiating administrative closeout of the Contract per FAR 4.804-5. A necessary part of the closeout process requires patent clearance from your office. Therefore, I am requesting patent clearance on the Contract.

Enclosed is a copy of the final patent report issued by _____ (*name of contractor*). The Contractor has certified in its final patent report that there is no subject invention under Contract. I have reviewed (*state documents e.g. lab reports, progress reports, quality assurance specialists communications, program integrator reports, final technical report etc.*) and based on the information at hand, find no indication of a subject invention under the Contract.

As you know, contract closeout is currently a major initiative within Defense Contract Management Agency/Department of Defense. In an effort to facilitate the patent clearance aspect of contract closeout and inasmuch as there does not appear to be any subject invention under this Contract, I will deem patent clearance to have been obtained on the Contract unless I hear from your office by _____.

If you have any objections to this proposal, please feel free to contact me at ()____-_____, email _____

Administrative Contracting Officer

Attachment
Final Patent Report

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**Sample Letter
Buying Activity Notification of Final Royalty Report**

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference:

- a. Contractor _____
- b. Contract Number _____
- c. FAR Clause 52.227-9

In accordance with reference c, forwarded for your review is the contractor's final Royalty Report. If the report is acceptable, request patent clearance notification be provided.

Please return to us by _____. Should you require additional information, contact the undersigned at () ____-____, x_____.

Administrative Contracting Officer

Attachment

Final Royalty Report

[Back to List](#)

Sample Letter
Buying Activity Notification of Nonsubmittal of Indirect Cost Proposal

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity address]_____

Reference is made to Contract _____ with [Contractor Name] and FAR 42.302.65 and 42.703-2.

The referenced contract is physically complete. However, the contractor has failed to submit a final overhead cost proposal for determination of final rates. As a result of this failure and in an effort to protect the Government's financial interest, you are hereby notified that the ACO intends to issue a unilateral modification that establishes the final contract price, deobligates any excess funding and accomplishes administrative closeout.

This action has been coordinated with Defense Contract Audit Agency and it has been determined that the total allowable cost for the referenced contract equals \$_____.

The systematic cancellation of appropriated funds dictates an aggressive approach in this area. If you object to this procedure, you are requested to notify the undersigned in writing within 30 days from the date of this letter. Should you require additional information, contact the undersigned at (###) ###-#### or email _____.

Administrative Contracting Officer

[Back to List](#)

Sample Letter
Buying Activity Notification of Unilateral Determination

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contract _____ with [Contractor Name], FAR 42.302.65 and 42.703-5(b).

The referenced contract is physically complete and indirect cost rates have been determined and agreed to by [Contractor]. However, the contractor has failed to submit a final voucher as required by FAR 52.216-7(d)(4). As a result of this failure and in an effort to protect the Government's financial interest, you are hereby notified that the ACO intends to issue a modification that unilaterally determines the final contract price, deobligates any excess funding and accomplishes administrative closeout.

This action has been coordinated with Defense Contract Audit Agency and it has been determined that the allowable cost and fee for the referenced contract totals \$_____. Previous payments made to the contractor equals \$_____.

The systematic cancellation of appropriated funds dictates an aggressive approach in this area. If you object to this procedure, you are requested to notify the undersigned by [30 days from the date of this letter]. Non-response will be construed as acceptance. Should you require additional information, contact the undersigned at () ____-_____, or email_____.

Administrative Contracting Officer

Attachment

1. Notice of Intent
2. Final Contract Price Worksheet

[Back to List](#)

Sample Letter
Buying Activity Notification of Contractor No Longer in Business

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity address]_____

SUBJECT: Close-out of Contract XXXX with ZZZ COMPANY

The undersigned is unable to closeout the subject contract because ZZZ COMPANY is no longer conducting business. The following is a listing of our attempts to locate the principles of the company:

- a. Sent a certified letter to the last known address of the company and it was returned as undeliverable on XXXX.
- b. Last known telephone number was disconnected and no new number was listed according to directory assistance. In addition, there was no number listed for the President, Mr. XXX.
- c. The Bankruptcy Court of the State of XXXX had no record of the company filing for bankruptcy.
- d. Per telecon between Mr. Doe of the Small Business Administration and Ms. Johnson, ACO, of DCMA XXXX, ZZZ COMPANY had been convicted of fraud and some of the management had been convicted of fraud and some of the management was being incarcerated. On a follow up call to Mr. Doe, we were advised that ZZZ COMPANY had closed its doors on May 6, 1989.

All of the services and/or deliverables have been received and accepted by the Government. The contractor appears to have been paid \$100,000.00 to date. We are unable to establish the actual cost of their performance under this contract because the company failed to submit its incurred cost proposals for audit to the Defense Contract Audit Agency (DCAA) prior to going out of business. Additionally, we have not obtained the required final voucher, Contract Release and the Contractor's Assignment of Refunds, Rebates, Credits and Other amounts.

The contract was originally funded for \$150,000.00 and \$50,000.00 remains unliquidated and \$10,000.00 has canceled.

In consideration of the foregoing, I am proposing that the contract be closed at the amount already paid to the contractor and that administrative closeout of this contract be accomplished.

The contract is considered “overage” for closeout. I am notifying you of my plan to unilaterally deobligate excess funds; to state the final contract price; waive the requirements mentioned above; and to close the contract accordingly.

Your review and response within 30 days would be appreciated. Should you require additional information, contact the undersigned at (###) ###-#### or email _____.

Administrative Contracting Officer

[Back to List](#)

**Sample Letter
Request for Certificate of Acceptance**

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contract _____ with [Contractor Name].

According to the records at this office, the subject contract delivery orders are physically complete. Certain line items in the contract **do not** require the preparation of a DD Form 250 (Material Inspection and Receiving Report) which would indicate final acceptance. Therefore, it is requested that you complete the 1st endorsement as applicable and fax/email your response to ###-###-#### no later than _____.

Should you require additional information, contact the undersigned at () ____-_____, or email_____.

Administrative Contracting Officer

1st Endorsement

TO: DCMA Address

Reference: Contractor _____, Contract Number _____

_____ I certify that all items under subject contract have been received and accepted by the Government.

_____ Modification in process to extend delivery to _____.

_____ Delivery Date was extended per modification _____.

_____ Other (explain): _____

Signature/Title_____

Date_____

[Back to List](#)

**Sample Letter
Request for Determination of Overrun**

DCMA-____

Date

MEMORANDUM FOR BUYING ACTIVITY

SUBJECT: Request for Determination of Cost Overrun Allowance with Contractor

Reference:

- a. Contractor _____
- b. Contract _____
- c. DCAA Audit Report

Contractor _____ incurred cost in excess of the delivery order/contract. As stated in the DCAA Audit Report, \$_____ are costs in excess of the delivery order/contract limitations but are otherwise allowable. In accordance with FAR 52.232-22, Limitation of Funds Clause, Contractor _____ notified the Government that the current funding would provide for performance through the scheduled delivery order completion date of xxxx (attached). No further notifications were received concerning the Limitation of Funds. Contractor states excess costs were due to XXXX.

I am requesting a determination from you about the approval of the overrun. You are requested to complete the 1st Endorsement and return it to this office no later than xxxx. Should you require additional information, contact the undersigned at () ____-_____, or email_____.

Administrative Contacting Officer

Encl.

1st Endorsement

TO: DCMA Address
ATTN: XXXX
Address

Reference: Request for Determination of Cost Overrun Allowance for Contract XXXX with
(Contractor)

_____ Overrun is approved. Modification xxxx, providing additional funding the
amount of \$XXXX, is attached.

_____ Overrun is denied.

Signature/Title

Date

[Back to List](#)

**Sample Letter
Request for Determination of Overrun**

DCMA-____

Date

MEMORANDUM FOR BUYING ACTIVITY

SUBJECT: Request for Determination of Cost Overrun Allowance with Contractor

Reference:

- a. Contractor _____
- b. Contract _____
- c. DCAA Audit Report

As stated in the DCAA Audit Report, \$xxxx are costs in excess of the delivery order limitations but are otherwise allowable. FAR 52.232-22, Limitation of Funds Clause, requires a contractor to notify the Government whenever it has reason to believe that the costs it expects to incur under the contract will exceed 75% of the total amount allotted to the contract. This office received notices on xxxx and xxxx. The period of performance was extended to xxxx and additional funding was provided by modification xxxx. After the extension, the contractor submitted no additional notices.

This office recommends that the overrun be denied based on the fact that (contractor) did not notify the Government that additional money would be required for the contract effort. In addition, the contractor failed to request an adjustment to their provisional billing rates when they realized that they were incurring costs at a rate higher than recommended/approved by DCAA.

You are requested to complete the 1st Endorsement and return it to this office no later than XXXX. Should you require additional information, contact the undersigned at () ____ - _____, or email_____.

Administrative Contracting Officer

Encl.

1st Endorsement

TO: DCMA _____
ATTN: XXXX
Address & Fax Number

Reference: Request for Determination of Cost Overrun Allowance for Contract XXXX with
(Contractor)

Contract Overrun:

_____ Overrun is approved. Modification xxxx, providing additional funding the
amount of \$XXXX, is attached.

_____ Overrun is denied.

Signature/Title

Date

[Back to List](#)

**Sample Letter
Request for Status of Outstanding VECPs**

DCMA-_____

Date

MEMORANDUM FOR _____
[Buying Activity Address] _____

Reference is made to Contract _____ with [Contractor Name].

The referenced contract is ready for closeout and contains FAR Clause 52.248-____. In accordance with the contract clause, Value engineering is the formal technique by which contractors may

- (3) voluntarily suggest methods for performing more economically and share in any resulting savings, or
- (4) be required to establish a program to identify and submit to the Government methods for performing more economically. Value engineering attempts to eliminate, without impairing essential functions or characteristics, anything that increases acquisition, operation, or support costs.

It is therefore requested that you verify that there are no outstanding value engineering change proposals being reviewed by your office. Your response is requested no later than _____. Should you require additional information, contact the undersigned at () ____ - _____, or email_____.

Administrative Contracting Officer

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**Sample Memo to File
Contractor No Longer in Business**

The following information is provided as a note to file concerning

ABC Corporation
890 Main St
Springfield, VA 22310

This contractor is closed for business and there are no points of contact.

- Efforts to find contractor included:
- Attempt to contact company/company officials *by telephone* (using “directory assistance” to verify that the company hasn’t simply relocated)
- Attempt to locate company *in writing*, via certified mail, return receipt requested.
- Contacted other Government officials to inquire about ABC Corp status (QAR, IS, PA, DCAA). No information was found.
 - The Bankruptcy Court of the state in which the company is located was contacted and ABC has not filed for bankruptcy.
 - The Industrial Specialist/QAR visited the contractor’s last known address and verified the contractor no longer occupied the premises.

The contract is physically complete, the balance of property had been returned to the *Buying Activity*.

All reasonable measures have been taken to locate ABC Corporation.

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**Sample Memo to File
Unilateral for a Small Business**

The following information is provided as a note to file concerning contract XXXXXX-00-X-0000.

The price contractor is U.S. Small Business Administration (SBA) WHO 1111, 18th St NW, Washington DC 20036. SBA awarded under FAR 19.8 – Contracting with the Small Business Administration, the 8(a) program, subcontract 1234-99-1-1-000666 to BCD Inc, 678 Park St, Springfield, VA 22310.

The SBA awarded the contract for the US Navy Norfolk Detachment Philadelphia, 700 Robbins Ave, Bldg 2B, Philadelphia, PA 19111-5083.

BCD Inc is required to provide logistics supply and other support for the.....

The ACO made a number of attempts to obtain final vouchers from BCD Inc IAW FAR 52.216(d) (4). Initial letter sent to BCD Inc requesting submittal of Final Voucher on Jun 2, 2001 and Notice of Intent dated Oct 15, 2001. No response from the contractor was received. The ACO has decided to unilaterally close all open delivery order in consort with DCAA and IAW FAR 42.302 (a) (65).

We sent notification of our intent to the Prime Contracting Officer, Mr. _____ (SBA) and the Procuring Contracting Officer (PCO), Ms. _____, US Navy to unilaterally close the orders. We received concurrence from the PCO via e-mail dated Dec 1, 2001 taking no exception to DCMA closing the orders.

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Sample Modification
Contractor Underpaid - Final Price equals Amount Paid- Block 14a

1. The purpose of this modification is to accomplish administrative closeout by **UNILATERAL DETERMINATION** of the final contract price and deobligate any excess funds.
2. WHEREAS, the contract is physically complete and the Government has accepted all work, and WHEREAS, (*Contractor*)____ has submitted interim vouchers and has been paid for work accomplished on the contract, and WHEREAS, agreement has been reached on final indirect rates dated _____, and WHEREAS, a final voucher and closing documents were requested by letter on ___[*Date of Initial Request*]___ and ___[*Date of Notice of Intent*]___ and have not been submitted within the prescribed timeframe required by FAR 52.216-7(d)(4),
3. THEREFORE, the final contract price is hereby established at \$_____.
4. The final contract price is \$_____ and the total amount previously paid to the contractor equals \$_____. Funds in the amount of \$_____ are considered to be excess and are hereby deobligated.
5. Except as provided herein, all terms and conditions of the contract remain unchanged and in full force and effect.

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Sample Modification
Contractor Overpaid - Refund Due - Block 14a

1. The purpose of this modification is to accomplish administrative closeout by **UNILATERAL DETERMINATION** of the final contract price and deobligate any excess funds.
2. WHEREAS, the contract is physically complete and the Government has accepted all work, and WHEREAS, ___(*Contractor*)___ has submitted interim vouchers and has been paid for work accomplished on the contract, and WHEREAS, agreement has been reached on final indirect rates dated _____, and WHEREAS, a final voucher and closing documents were requested by letter on ___[*Date of Initial Request*]___ and ___[*Date of Notice of Intent*]___ and have not been submitted within the prescribed timeframe required by FAR 52.216-7(d)(4),
3. THEREFORE, the final contract price is hereby established at \$_____.
4. The final contract price is \$_____ and the total amount previously paid to the contractor equals \$_____. Therefore, \$_____ is considered to be due to the Government and a demand letter has been issued to the Contractor for this amount. Funds in the amount of \$_____ are considered to be excess and are hereby deobligated.
5. Except as provided herein, all terms and conditions of the contract remain unchanged and in full force and effect.

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Sample Modification
No Adjustment in Previous Payments - Block 14a

1. The purpose of this modification is to accomplish administrative closeout by **UNILATERAL DETERMINATION** of the final contract price and deobligate any excess funds.
2. WHEREAS, the contract is physically complete and the Government has accepted all work, and WHEREAS, ___(*Contractor*)___ has submitted interim vouchers and has been paid for work accomplished on the contract, and WHEREAS, agreement has been reached on final indirect rates dated _____, and WHEREAS, a final voucher and closing documents were requested by letter on ___[*Date of Initial Request*]___ and ___[*Date of Notice of Intent*]___ and have not been submitted within the prescribed timeframe required by FAR 52.216-7(d)(4),
3. THEREFORE, the final contract price is hereby established at \$_____.
4. The final contract price is \$_____ and the total amount previously paid to the contractor equals \$_____. Therefore, \$_____ is considered to be excess funds and are hereby deobligated.
5. Except as provided herein, all terms and conditions of the contract remain unchanged and in full force and effect.

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Sample Modification**Contractor No Longer in Business - No Adjustment in Previous Payments - Block 14a**

1. The purpose of this modification is to affect the administrative closing of this contract.
2. Funds in the amount of \$_____ are being deobligated from the contract to accomplish the administrative closeout
3. WHEREAS, numerous attempts to elicit a response from ____ (Contractor) _____ and/or its principals/successors have been unsuccessful and WHEREAS, ____ (PCO) _____ has acknowledged completion of all contract actions, and WHEREAS, the contractor has failed to submit a final billing for said goods/services, the Contracting Officer has made the unilateral decision to administratively close this contract.
4. The Administrative Contracting Officer believes the ____ (Contractor) _____ has been paid for goods/services.
5. As a result of this modification, the contract obligation is hereby decreased by \$_____ from \$_____ to \$_____.

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Sample Modification
Final Indirect Rates Not Settled - Block 14a

1. The purpose of this modification is to administrative close contract XXXXXX-00-X-0000, determine the final price and remove any remaining funds.
2. WHEREAS, Contractor Name has submitted interim vouchers and has been paid for work accomplished and
3. WHEREAS, indirect rates have not been settled,
4. THEREFORE, the Contracting Officer, in coordination with the Defense Contract Audit Agency determined that it is in the best interest of the Government to administratively close the contract, the final contract price is hereby established at \$_____ and remaining funds of \$_____ are hereby deobligated.
5. As a result of this modification, the contract obligation is hereby decreased by \$_____ from \$_____ to \$_____.

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