



DEFENSE CONTRACT MANAGEMENT AGENCY

Leveraging DCMA Capabilities - Contract Closeout

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- Contract Closeout Overview
- Special Closeout Authorities
- DCMA Contract Closeout Initiatives
- Resources – Policy and Training
- Questions

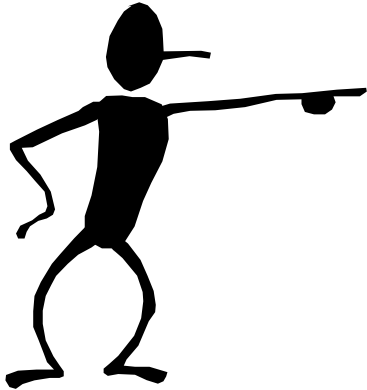
Contract Closeout Overview



- DCMA is the DoD expert in performing Contract Closeout
 - Contract closeout is the final phase of the contract life cycle
 - The purpose of the closeout process is to ensure that all contractual requirements have been met:
 - All deliverables have been received and accepted
 - All payments have been made **BUT:**

Did you know...?

“...that there is a general belief that a contract is closed when final delivery is made...?”



In the administrative contracting arena, a contract **is not ready for closeout** until the contractor complies with **all the terms of the contract, including contractual requirements for ...**

*property, security,
patent and royalties, and settlement
of final indirect cost rates, etc.*

- Contract closeout is delegated to DCMA in accordance with FAR 42.302(a)(65), Accomplish administrative closeout procedures
- DCMA performs a Contract Receipt and Review to ensure all appropriate clauses are incorporated into the contract



- **What can external customers expect from DCMA when closing a contract?**
 - Thorough and comprehensive review of their contract
 - Ensure everything has been delivered and paid for as per the contract terms
 - Timely return of excess funds
- **How can external customers help DCMA to close a contract**
 - Maintain accurate and up-to-date records of their contract documents, invoices, deliverables, and payments
 - Promptly respond to any inquiries or requests from DCMA Contract Closeout specialists to ensure that the process is completed as smoothly and quickly as possible
 - Allow sufficient time for the contract closeout process to be completed
- **Timely Closeout**
 - Avoids cancelling funds situations
 - Provides payment to contractors, in accordance with the terms and conditions of the contract,
 - Avoids spending excess administrative costs related to keeping physically complete contracts in an “open” status
 - Allows workforce to focus on active contract workload



Timeframes	MOCAS Codes and Contract Types
6 Months	J FIRM FIXED PRICE
20 Months	A FIXED PRICE REDETERMINATION K FIXED PRICE W/ EPA O OTHER – BOA/BPA/INDEF. DELIVERY Z LABOR HOUR L FIXED PRICE INCENTIVE
36 Months	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

FAR 4.804-1 sets specific time periods for closing contracts

Overage Contract – A contract is considered to be overage when it has not been closed within FAR-mandated time standards.

Remember: The type of contract, dollar value and contract clauses impact the effort required to administer the contract, including the effort to perform closeout actions. A fixed price contract requires minimal closeout time and effort, while a cost reimbursable contract may take up to 3 years to settle all contractual issues.



- As the contract administration office, DCMA is responsible for performing administrative closeout of contracts **after** receiving evidence of physical completion
- Physically completed contracts. A contract is physically complete when both contracting parties agree to the following: (Reference FAR 4.804-4)
 - 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; or
 - The Government has given the contractor a notice of complete termination
- Contracts are closed when they are both physically and administratively complete; however, a completed contract is not fully closed while in litigation, pending an appeal, or awaiting final complete of any termination actions



- FAR 4.804-5(a) states the administrative closeout procedures must ensure...
 - Disposition of classified material is completed;
 - Final patent and final royalty report is cleared;
 - There is no outstanding value engineering change proposal;
 - Plant clearance report and property clearance 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 and final invoice has been submitted;
 - Termination docket is completed;
 - Contract audit and Contractor's closing statement is completed;
 - Contract funds review is completed and excess funds de-obligated.
- The above actions can be performed/closed on all types of contracts, if the appropriate FAR Clause is on the contract
 - Property Clearance, FAR 52.245-1
 - Royalties, FAR 52.227-9
 - Final Patent Report, FAR 52.227-11 or 13; DFARS 252.227-7039; 252.227-7038
 - Value Engineering Change Proposal (VECP), FAR 52.248-1
 - Disposition of Classified Materials, FAR 52.204-2
- When the actions outlined above have been verified, the ACO must ensure that a contract completion statement is completed per FAR 4.804-5(b)

CONTRACT CLOSEOUT CHECK-LIST <i>(Use a separate page to attach any comments.)</i>				1. CONTRACT NUMBER	
3. NAME OF CONTRACTOR				2. CONTRACT MODIFICATION NUMBERS (if applicable)	
4. DATE OF PHYSICAL COMPLETION (YYYYMMDD)	6. MILESTONES/CALENDAR MONTHS AFTER PHYSICAL COMPLETION (FAR 4.804-1)			7. FORECAST COMPLETION DATE (YYYYMMDD)	8. DATE ACTION COMPLETED (YYYYMMDD) (NA if not applicable)
	Category 2	Category 3	Category 4		
5. ACTION ITEMS					
a. DISPOSITION OF CLASSIFIED MATERIAL COMPLETED					
b. FINAL PATENT REPORT SUBMITTED (Invention Disclosure) DD 882					
c. FINAL ROYALTY REPORT SUBMITTED					
d. FINAL PATENT REPORT CLEARED (Invention Disclosure)					
e. FINAL ROYALTY REPORT CLEARED					
f. ISSUANCE OF REPORT OF CONTRACT COMPLETION					
g. NO OUTSTANDING VALUE ENGINEERING CHANGE PROPOSAL (VECP)					
h. PLANT CLEARANCE REPORT RECEIVED DD 1593					
i. PROPERTY CLEARANCE RECEIVED DD 1593					
j. SETTLEMENT OF ALL INTERIM OR DISALLOWED COSTS (DCAA Form 1)					
k. PRICE REVISION COMPLETED					
l. SETTLEMENT OF SUBCONTRACTS BY THE PRIME CONTRACTOR					
m. PRIOR YEAR OVERHEAD RATES COMPLETED					
n. CONTRACTOR'S CLOSING STATEMENT RECEIVED					
o. FINAL SUBCONTRACTING PLAN REPORT SUBMITTED					
p. TERMINATION DOCKET COMPLETED DD 1593					
q. CONTRACT AUDIT COMPLETED					
r. CONTRACTOR'S CLOSING STATEMENT COMPLETED					
s. FINAL VOUCHER SUBMITTED SF 1034					
t. FINAL PAID VOUCHER RECEIVED SF 1034					
u. FINAL REMOVAL OF EXCESS FUNDS RECOMMENDED					
v. ISSUANCE OF CONTRACT COMPLETION STATEMENT (Or MESCAP Format Identifier #13)	6	36	20		
w. OTHER REQUIREMENTS COMPLETED (Specify)					
9. RESPONSIBLE OFFICIAL					
a. TYPED NAME (Last, First, Middle Initial)				b. TITLE	
c. SIGNATURE (Sign only upon completion of all actions)				d. DATE SIGNED (YYYYMMDD)	

DD FORM 1597, APR 2000

PREVIOUS EDITION MAY BE USED.

Reset

Adobe Professional 8.0



Electronic DD Form 1594, Contract Completion Statement

- All transactions are via EDI (electronic data interchange)
- MOCAS generates the 567c (PK9) for contracts closed in MOCAS. MOCAS sends the notice to the GEX (global exchange / translator), EDA picks up the 567 and renders it as the 1594.
- DCMA does not upload 1594s. It is the responsibility of the issuing agency to pick up the EDI notice.

DFARS PGI 204.804-2 Closeout of the contracting office files if another office administers the contract

(1) When an office other than the contracting office administers the contract, the administering office shall—

(iv) Upon final payment—

- (A) Process a DD Form 1594 or the **electronic equivalent** verifying that all contract administration office actions have been completed; and
- (B) Send the original DD Form 1594 or **the electronic equivalent** to the contracting office for filing in the contract file and send a copy to EDA and financial systems using the ANSI X12 567.



How to search to see if a contract is closed

1. Go the Procurement Integrated Enterprise Environment (PIEE) at: <https://piee.eb.mil/>
2. Once Logged in, go to Electronic Data Access (EDA)
3. Click on “Award data” on the left
4. Then click on “award search”
5. Type in the contract number and click on search at the bottom
6. Then when the “award search results screen comes up, “scroll” all the way to the right and you will see “closed date” click to see the 1594

The screenshot displays the 'Award Search Results' page in the PIEE Electronic Data Access system. The page features a sidebar with navigation options such as 'Dashboard', 'Award Data', 'CBAR', and 'CID Database'. The main content area shows a table of search results. A green box highlights the 'Closed Date' column, and a green arrow points from the 'Closed Date' header to the '2022-03-16' value in the first row. The page also includes navigation buttons like 'Export Results', 'Save Search', 'Refine Search', and 'New Search'.

Contract Number	Delivery Order	PCO Mod	Closed Date	Instrument Type	RPIN
FA864920C		P00001	2022-03-16		
FA864920C			2022-03-16		

Records: 1 to 2 2 Records Returned

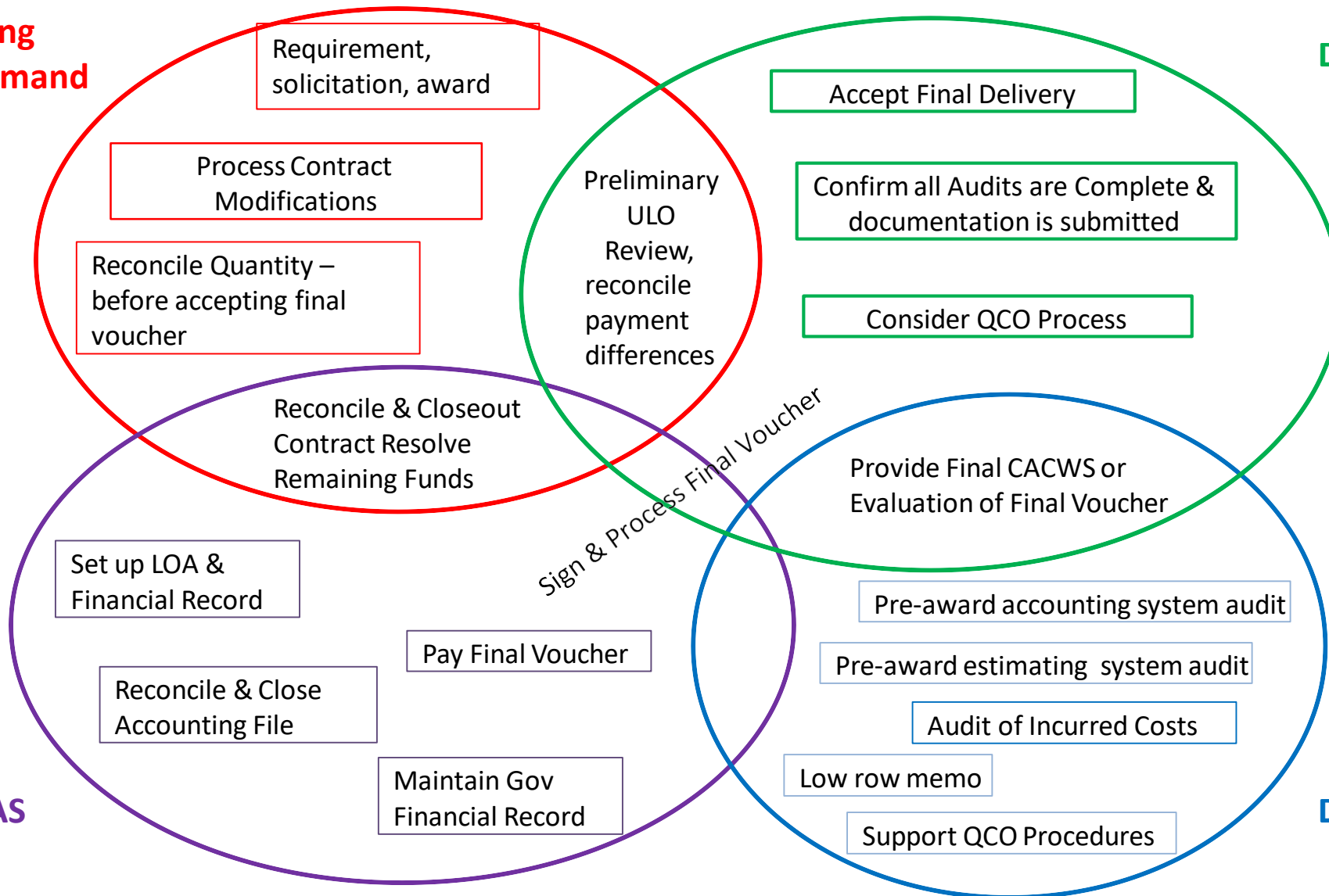
NOTE: You may right-click on the contract record to conduct any necessary additional

Contract Closeout Lifecycle



Buying Command

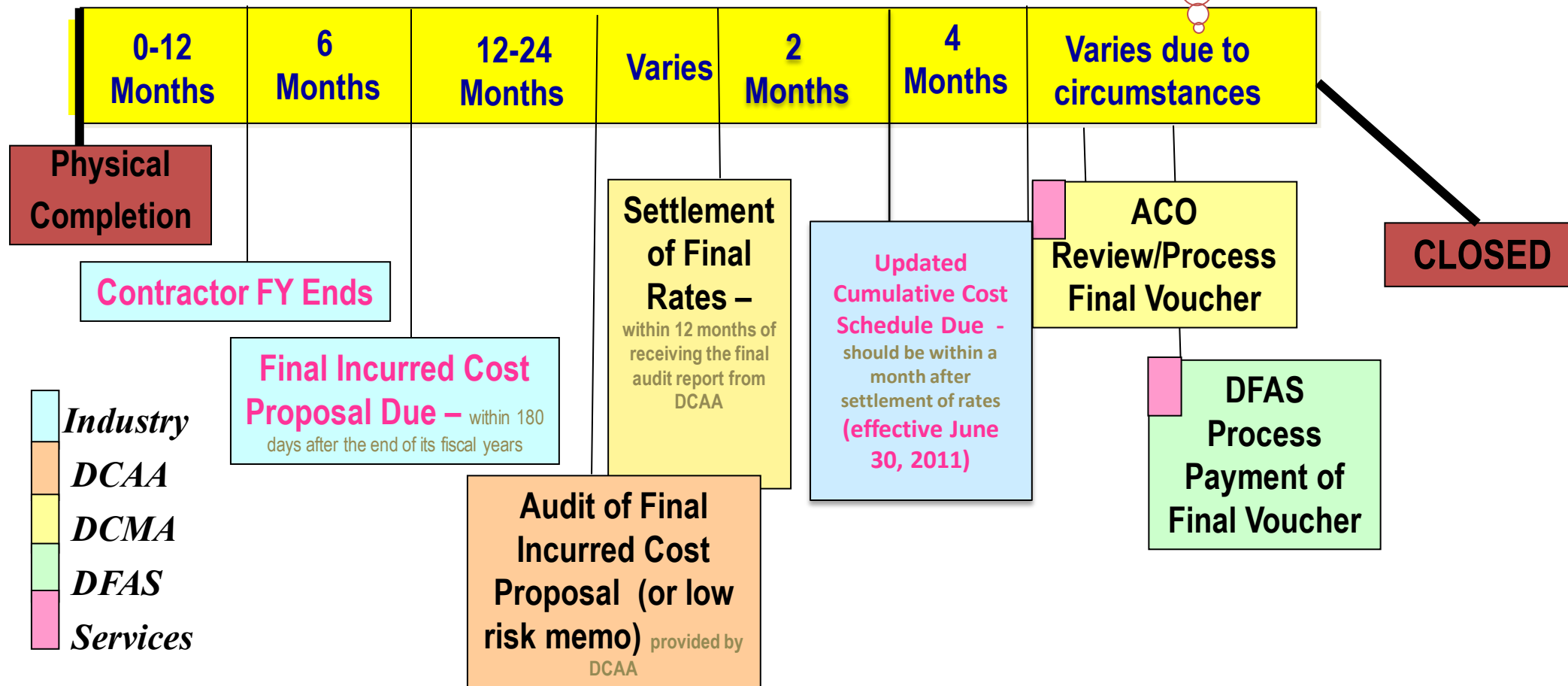
DCMA





From Physical Completion to Closeout

-Reconciliation
-Special provisions



- Industry
- DCAA
- DCMA
- DFAS
- Services

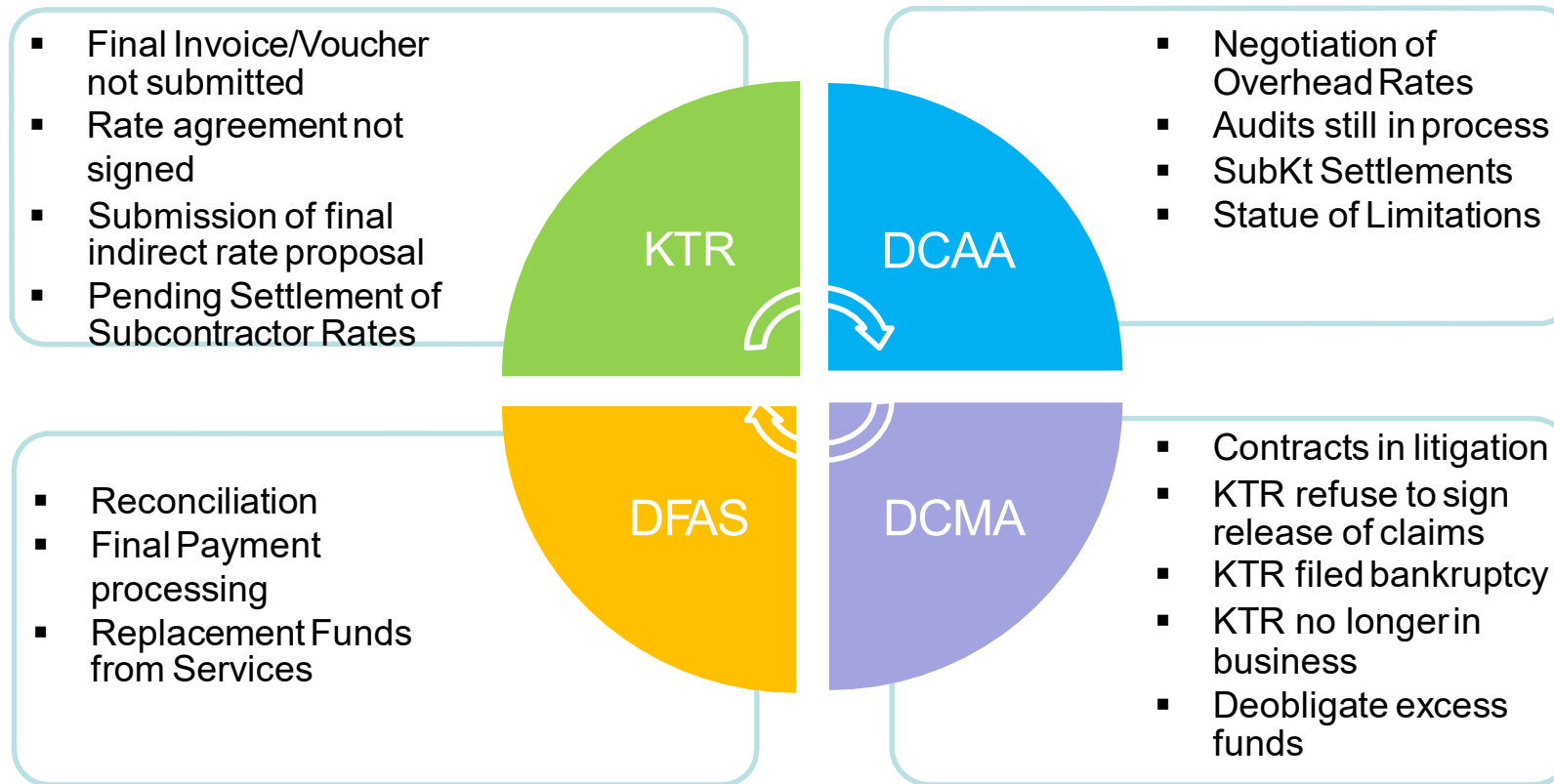


- FAR 52.216-7(d)(5) and FAR 42.705(b) – a final/completion voucher is required within 120 days of physical contract completion and settlement of final indirect cost rates for the last contractor fiscal year impacting the contract. (A separate final voucher is needed for each individual project or task/delivery order for which a separate series of public (interim) vouchers has been submitted.)
- DFARS 242.803(b)(ii)(A) – identifies the ACO as responsible to approve a final voucher then send to the disbursing officer.
- FAR 52.216-7(d)(6)(i) and 42.705(c) – if a contractor fails to submit a final voucher, the ACO can determine the amount of money owed by either party and issue a unilateral contract mod to settle the final costs.



After receipt of a final voucher (FV), the steps for reviewing cumulative contract costs claimed on a final voucher are:

1. Confirm all interim or disallowed costs (direct & indirect) are settled.
2. Confirm all subcontracts are settled by the prime contractor.
3. Confirm all indirect cost rates are settled throughout the period of performance.
4. If available, obtain any existing DCAA developed CACWS and use it to review cumulative allowable costs claimed on the FV.
5. Make sure the contractor has provided the required updated Schedule I.
6. If not using a DCAA provided CACWS, ACO works with contractor/auditor and creates schedule I.
7. Verify cumulative contract costs claimed on the final voucher for the entire period of performance.



Special Closeout Authorities



Contract Closeout using authority at DFARS 204.804(3)(i) – Closeout of Contract Files (National Defense Authorization Act (NDAA))

- Contracting Officers may close contracts or groups of contracts through the issuance of a modification without completing a reconciliation audit or other corrective action when certain conditions exist (see below)
 - For military construction (as defined at 10 U.S.C. 2801) or shipbuilding, was awarded **at least 10 fiscal years** before the current fiscal year; or
 - For all other contracts, was awarded **at least 7 fiscal years** before the current fiscal year;
 - The performance or delivery was completed **at least 4 years** prior to the current fiscal year; and
 - Has been determined by a contracting official, at least one level above the contracting officer (at a minimum, Group Chief or Team Lead), to be not otherwise reconcilable, because:
 - The contract or related payment records have been destroyed or lost; or
 - Although contract or related payment records are available, the time or effort required to establish the exact amount owed to the U.S. Government or amount owed to the contractor is disproportionate to the amount at issue



Quick Closeout

Quick Closeout is a process used to settle indirect costs in advance of determining final indirect cost rates

FAR 42.708, Quick Closeout procedure shall be used if:

- A contract is physically complete
- Types of Contracts – CR, T&M, Labor Hour, FPI, and FPR
- Amount of Unsettled Direct and Indirect Cost to be Allocated to the Contract is Relatively Insignificant. Insignificant means the lessor of –
 - Total unsettled direct and indirect cost allocated to any one contract does not exceed **\$1,000,000** or
 - Total unsettled direct and indirect cost allocated to any one contract does not exceed **10% of the total contract, task order or delivery order amount**

DFARS 242.708, Quick-closeout procedure:

(a) Defense Contract Management Agency administrative contracting officers are authorized to negotiate the settlement of direct and indirect costs for a specific contract, task order, or delivery order to be closed in advance of the determination of final direct costs and indirect rates set forth in FAR 42.705, **regardless of the dollar value or percentage** of unsettled direct or indirect costs allocable to the contract, task order, or delivery order.

(2) In lieu of the thresholds at FAR 42.708(a)(2)(i) and (ii), the amount of unsettled direct costs and indirect costs to be allocated to the contract, task order, or delivery order will be considered relatively insignificant when the total unsettled direct costs and indirect costs to be allocated to any one contract, task order, or delivery order **do not exceed \$2 million, regardless of the total contract, task order, or delivery order amount.**



DCMA Low Risk Quick Closeout

- Contract obligated value
 - Applicable to flexibly priced contracts with a total obligated dollar value \$750,000 or less or unsettled direct and indirect costs of less than \$750,000
- Risk Assessment
 - Approved Accounting System during all unsettled years;
 - No outstanding corrective actions related to all applicable Contractor business systems;
 - No unsettled Cost Accounting (CAS) non-compliances;
 - No significant/material concerns of the cognizant contracts or DACO; and
 - No significant/material concerns of the cognizant CAGE Administrative Contracting Officer
- Negotiations
 - Accept rates as submitted



DFARS 252.204-7022, Expediting Contract Closeout (MAY 2021)

(a) At the conclusion of all applicable closeout requirements of FAR 4.804, the Government and Contractor shall mutually agree on the residual dollar amount remaining on the contract. **Both the Government and Contractor agree to waive payment of any residual dollar amount of \$1,000 or less to which either party may be entitled at the time of contract closeout.**

(b) A residual dollar amount includes all money owed to either party at the end of the contract and as a result of the contract, excluding amounts connected in any way with taxation or a violation of law or regulation.

(c) For purposes of determining residual dollar amounts, offsets (e.g., across multiple contracts or orders) may be considered only to the extent permitted by law.

(end of clause)

Prescription for use, DFARS 204.804-70

- Solicitations and contracts, including FAR part 12 commercial items
- When the contracting officer intends to expedite contract closeout through the mutual waiver of entitlement to a residual dollar amount of \$1,000 or less determined at the time of contract closeout

The residual dollar amount of \$1,000 applies at the contract level

DCMA Contract Closeout Initiatives



- Transfer of overage contracts from the CMO/Regions to the Contract Lifecycle Management Center (CLMC)
 - The purpose of this initiative is to allow the CMOs to focus:
 - On current workload issues
 - On time closeout of flexible price contracts
 - Returning excess funds to the services timely
- Working to establish an On Time Closeout Metric for flexibly priced contracts
- Establishment of a new team in the Contract Lifecycle Management Center that focus on the closure of FMS contracts

Resources – Policy and Training



Policy:

- DCMA-MAN 2501-07, Contract Closeout
https://www.dcma.mil/Portals/31/Documents/Policy/DCMA-MAN_2501-07_C1.pdf (Public Site)

Training:

- Quick Closeout training is posted on the DAU Community of Practice (CoP) website at: <https://www.dau.edu/cop/ca/SitePages/About.aspx>



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