



PUBLIC
CONTRACTING
INSTITUTE

CONTRACT CLOSEOUT

It's Not Over Till Somebody Sings

publiccontractinginstitute.com * 202.775.7240

Topics

- Introduction
- Closeout Timeframes and Overview
- Contract Types and Closeout
 - Fixed Price Contracts
 - Cost Plus Contracts
 - Other Contracts
- Contract Administration
- Closeout Procedures
- Quick Closeout
- Administrative Unilateral Closeout

Topics (contd.)

- Related Issues
 - Audits
 - Terminations
 - Other Compliance Concerns

Contract Documentation

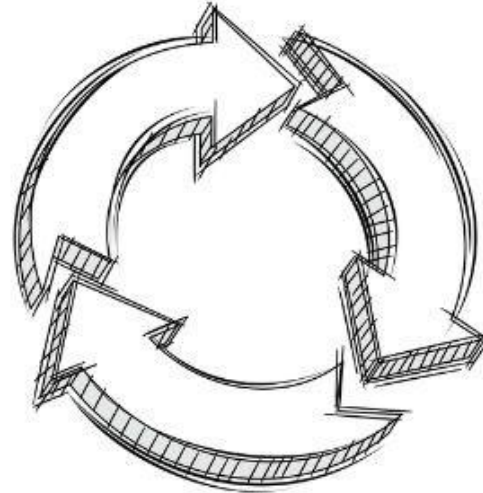
- Contract files
 - Serve as a history of contract
 - records of all contractual actions
 - includes letters, memos, emails, invoices, reports
 - provides background for decisions
 - records facts that will be relevant if there is dispute
- In reality it may be three files
 - *Contracting office file* (from planning, competition, evaluation, determination of responsibility, price/cost evaluation to award) FAR 4.803(a)(1)-(42).

Contract Documentation

- *Contract administration office file* (from beginning of performance, obtaining required certifications, vetting of bonds or other insurance, quality assurance, property administration, contract mods or stop work orders, to final inspection) FAR 4.803(b)(1)-(20).
- *Paying office file* (including contract modifications, bills, invoices, vouchers, supporting documents, record of payments or receipts and anything else related to contract payments) FAR-4.803(c)(1)-(4)
- Files may be kept separately, or together.
- Contractor should maintain similar files.

Contract Life Cycle

- **Contract Life Cycle:**
 - Acquisition Planning (Mkt Research, Contract type, acquisition strategy)
 - Pre-award – requirements, proposal evaluation, negotiation
 - Award – contract, notifying vendors, addressing mistakes and protests
 - Post Award – contract admin – modifications –contract performance, payment, termination or **closeout**



Contract Stakeholders

- Contract Stakeholders
 - Government Stakeholders
 - Requiring organization (end user)
Program Office
 - Finance office
 - Contracting Officer
 - Contractor Stakeholders
 - Company or organization that performs the contract or provides the items or services, including subcontractors
 - Institution (bank) that provides funding for the contractor (“source of funding”)



Contract Closeout

What is Contract Closeout to You?

What is Closeout?

- Process of completing all performance, financial, and administrative requirements for both contractor and Government.
- Closeout preparation begins at AWARD.

Why is Closeout Important?

Contract Closeout is like cleaning up the Stadium after the Championship Game is over:

1. It's not exciting;
2. It's not glamorous; but
3. It is necessary;
4. There are some advantages to tackling it sooner; and
5. The longer you wait, the harder it is.

Why is Closeout Important?

- Allows contractors and Government to officially close the Contract.
- For the Government:
 - Identify excess funds such as disallowed direct costs or when final indirect rates are lower than the interim rates used;
 - Identifies monies, for whatever reason, that can be de-obligated (e.g. funding left on unused CLINs);
 - Identify (e.g. liquidated damages) and obtain repayment from contractor;

NOTE: Annual appropriation funds expire after 5 years. Delays in settling claims and completing closeout can easily result in the loss of necessary funding.

- Provides clear picture of lessons learned and facilitates better planning for future contracts with a similar scope.

Why is Closeout Important?

- For contractors:
 - ensure that they are paid in full, including any holdbacks. For example, cost type fixed fee, T&M and LH contracts contain clauses (FAR 52.216-8; 52.232-7) allowing the Government to withhold 15% of fixed fee or \$100,000 (whichever is less), or 5% of amounts due for labor up to \$50,000. Unless the Government agrees to waive these withhold requirements shortly before or after award, Contractors will be unable to bill for these final amounts due for several years.
 - Ensure recover any monies due because final indirect rates are higher than the interim rates used.
 - It can mitigate time and expense that accumulates when no one is properly monitoring contract closeout.
 - It ensures that all accounting records properly and correctly reflect performance.
- Starts the clock
 - Audit clause – 3 years from Contract completion for Government to inspect records
 - Statute of Limitations: contractor or government claims must be filed within six years after the accrual of the claim. (FAR 33.206)
- Slacking now may result in a crisis later.

Who are the Closeout Players?

- Contracting Officer or Administrative Contracting Officer (“ACO”), with support from:
 - Defense Contract Management Agency (“DCMA”)
 - Defense Finance & Accounting Service (“DFAS”)
 - Buying Activity
 - Defense Contract Audit Agency (“DCAA”)
 - Legal Counsel
 - Defense Criminal Investigative Service (“DCIS”), DoD Inspector General (“IG”) or Department of Justice (“DOJ”), if necessary
- Contractor (Contracting Officer/Project Mgr/Finance Department)

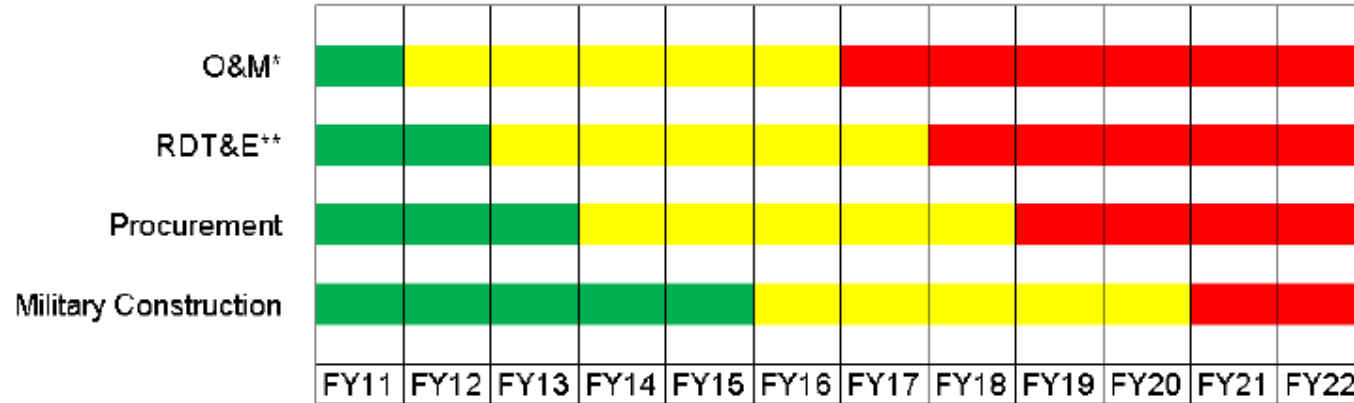
Closeout Terms to Know

- Overage (*think: over age*)
 - Contract is not closed-out within time standards.
- Current Funds
 - Funds can be obligated and used for payment.
- Expired Funds
 - Funds cannot be obligated for new requirements but can pay current obligations.
- Cancelled Funds
 - Funds can no longer pay any obligations.

Closeout Terms to Know

- Dormant
 - Contract cannot be closed because of litigation, bankruptcy, or investigation.
- Excess Funds
 - Funds relating to a specific line item or deliverable that was not performed in the contract.
- Remaining Funds
 - Funds left on contract due to price variances, roundings, or cost underruns when all performance has been completed.
- Replacement Funds
 - Funds needed to cover cancelled appropriations.

Closeout Terms to Know



*Operations & Maintenance

**Research, Development, Test & Evaluation

Who Initiates Contract Closeout?

It depends. It varies by agency.

- Some agencies notify the contractor
- Some agencies wait for the Contractor to notify the agency
- Some agencies have their own local forms to aid the process.

Closeout Process Overview

- Timing
- Completion
- Performance
- Administrative/Financial

Timing of Closeout: FAR 4.804-1(a)

	Type	Closeout Timeframe	Contract Type
1.	Contracts Under the Simplified Acquisition Threshold (“SAT”) (\$150,000, except DOD, see Class Dev. 2018-O0013)	Upon Receipt of Item or Service and Final Payment	
2.	FFP Contracts Above SAT	6 Months from evidence of physical completion.	Firm Fixed Price
3.	Contracts Requiring Settlement of Indirect Cost Rates	36 Months of evidence of physical completion	FPI, Cost+, T&M, Labor Hour
4.	All other contracts	20 Months of evidence of physical completion.	FP Redetermination, FP EPA, and Basics/BOA’s

Timing of Closeout (Cont'd)

- FAR 4.804-1(a) regarding timing of closeout uses word “should”
- Process often takes longer
- During litigation or appeal, no closeout—goes dormant
- Significant events can delay to process. Today, besides accommodating Government shutdowns, furloughs, sequestration and other budget cuts, expect significant delays due to COVID-19.

Performance Completion

FAR 4.804-4 Physically Completed Contracts

- Work completed
 - Contractor has made all deliveries of items/supplies
 - Contractor performed/provided all services
- Work Accepted by the Government
 - Inspected supplies/deliverables
 - Accepted all services provided
- Contract term and any exercised options have expired
- Or, Government has terminated the complete contract (for convenience or default)

Administrative Completion

FAR 4.804-5 Procedures for Closing Out Contract Files

- After receiving evidence of physical completion, the contract administration office initiates administrative closeout of the contract.
- Once delivery/performance is complete, the contract administration office must accomplish the following closeout administrative actions. There are 15 steps described in FAR 4.804-5(a)

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(1) Ensure disposition of classified material is completed.

- Must be dispositioned in accordance with security regulations and accounted for by the contractor.
- Can be accomplished when a final **DD Form 254**, DoD Contract Security Classification Specification, is issued indicating disposition, or contractor provides written certification that all data has been properly processed. See DODD 5220.22-M, National Industrial Security Program Operating Manual for additional information regarding disposition and retention.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(2) Receive final patent report, if required.

- If contract includes FAR 52.227-11, Patent Rights—Ownership by the Contractor, or 52.227-13, Patent Rights—Ownership by the government, a final patent report must be submitted by the contractor, preferably on a **DD Form 882**, Report of Inventions and Subcontracts.
- Must be submitted within 3 months after physical completion of the contract.
- If contract includes DFARS 252.227-7039, Patents—Reporting of Subject Inventions, a Final report is required within 2 months after completion of the contract work.
- Government should clear Final patent report within 60 days of receipt. If not received (after notification given to contractor), CO may still proceed with closeout.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(3) Receive final royalty report. (See FAR 52.227-9)

- If contract includes FAR 52.227-9, Refund of Royalties clause, a final royalty report must be submitted by the contractor stating the royalties paid or required to be paid.
- Report must be submitted before final contract payment.

(4) Ensure there is no outstanding value engineering change proposal (VECP).

- If contract includes FAR 52.248-1, Value Engineering, the ACO must verify there are no outstanding VECPs requiring payment or disposition before closing the contract.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(5) Receive and file plant clearance report.

- Plant clearance officer must prepare a **SF 1424**, Inventory of Disposal Report.
- The SF 1424 identifies any lost or otherwise unaccounted for property and any changes in quantity or value of the property made by the contractor after submission of the initial inventory disposal schedule.
- SF 1424 is provided to the ACO or, for termination inventory, to the termination contracting officer, with a copy to the property administrator.

Administrative Completion

- Closeout Administrative Actions (FAR 4.804-5)

(6) Ensure property clearance report is received and recorded.

- Government furnished property not consumed must be dispositioned at the end of the contract.
- Property acquired or manufactured by the contractor, but excess to the contract at completion, may become government property under certain conditions. This property also must be inventoried and returned to the Government if applicable before the contract can be closed out.
- FAR Subpart 45.6 provides procedures for proper disposition of government property, include reporting requirements for all government property.
- Government will review the report and provide specific instructions to ship, leave in place, or scrap the property.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(7) Settle all interim or disallowed costs.

- Disallowed costs refers to those costs identified by an audit as unallowable under the Cost Principles, determined to be unreasonable in amount, contrary to CAS or not properly allocable to the contract and which the contractor and contracting officer must reach an agreement.
- Interim costs refer to those costs for which final amounts have not yet been determined/audited because of delayed subcontractor submissions, inadequate or delinquent incurred cost submissions, lack of complete explanation.
- The Contracting Officer and contractor must agree as to how these amounts can be finalized and resolved.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(8) Complete price revision.

- All outstanding claims are settled.
- All modifications adding or deducting work have been negotiated and resolved.
- All interim rates have been finalized, excluding disallowed costs
- A final contract price is determined.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(9) Ensure all subcontracts are settled by the prime contractor.

- ACO must ensure:
 - all of the prime's subcontracts and purchase orders have been paid and closed before the prime contract can be eligible for closeout.
 - If appropriate, e.g. construction contracts, confirm receipt of final release and/or lien waivers from every subcontractor/vendor is received.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

- Prime contractors use closeout procedures similar to those of the Government.
- Prime contractors should ensure that all its subcontracts have been properly closed out.
 - Confirm physical completion/delivery, e.g., make sure each delivery is checked for damages and any discrepancies in quantity or damages are resolved beforehand, make sure that delivery documents, shipping documents and inspection records are all in sync;
 - Confirm all administrative actions have been completed, e.g., any subcontract terminations have been fully completed, any claims settled and any disputes resolved via whatever disputes process was required – arbitration, mediation, litigation;
 - Confirm all payments of amounts due under the subcontract or P.O., as amended via changes, claims and disputes, have been paid and any required releases or waivers have been signed and submitted. There should be no open liabilities between the Prime contractor and its subcontractors;
 - Confirm that all documentation is properly preserved and all required documentation has been provided, e.g., warranties by third parties, etc.
 - Try not to enter into subcontracts that must be closed out.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(10) Settle prior year indirect cost rates (Cost type contracts).

- Determination of final overhead rates is dependent on a review of the contractor's incurred direct and indirect costs. FAR 52.216-7 requires the contractor to submit a final indirect cost proposal to the Government within 180 days of the close of its fiscal year.
- ACO must work with DCAA on the contractor's indirect rates and must determine whether all overhead rates that apply to a contract have been negotiated.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

- Contractor is not eligible to submit a final voucher until all applicable indirect costs and overhead rates have been negotiated or established.
- Once final annual indirect cost rates are settled for all years of a physically complete contract, contractor must submit a completion invoice or voucher reflecting the settled amounts and rates within 120 days unless an extension has been approved, in writing, by the CO.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(11) Resolve litigation/claims/disputes/terminations.

- All open actions and liabilities, e.g. open proposals, request for equitable adjustments, claims and litigation (Armed Services Board of Contract Appeals (ASBCA), Civilian Board of Contract Appeals (CBCA) or U.S. Court of Federal Claims (COFC)) must be resolved prior to contract closeout.
- Includes claims to the BCAs or COFC pertaining to challenged terminations for default or challenges to amount offered to be paid pursuant to a termination for convenience.
- Essentially, ACO and PCO must ensure any litigation and resulting cost impact is resolved under the contract before the contract is closed.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

- What about warranties? The Warranty Period may extend beyond contract completion but, that alone, will not delay to close out. Contractor remains obligated to handle warranty issues subsequent to closeout.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(12) Complete contract audit.

- Per FAR 52.216-7, the Contractor is to submit a final indirect cost rate proposal to the Contracting Officer or Cognizant CO.
- The Contractor is to submit the final indirect cost rate proposal within 6 months following the expiration of each of its fiscal years. The proposal must be adequately supported.
- The Government auditor will audit the proposal (after determined to be adequate) and prepare an advisory audit report for the Contracting Officer. From this, the Contracting Officer will develop a negotiation position.
- The Contractor and Contracting Officer shall execute a written agreement setting forth the final indirect cost rates. The agreement will not change any monetary ceiling, contract obligation or specific cost allowance or disallowance provided for in the contract.
- The agreement with the final indirect cost rates *shall* be incorporated into the contract.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(13) Ensure receipt of contractor's closing statement.

- Essentially a Release of Claims.
- “Release of Claims, Contract No. _____.
- 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.”
- Must be signed by a corporate officer, and contain corporate seal, if the contractor has a corporate seal.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(14) Submit contractor's final invoice, and ensure final voucher has been paid.

- For cost type contracts, the Contractor shall submit a completion invoice or final voucher within 120 days after settlement of final annual indirect cost rates for all years of a physically complete contract.
- ACO's review/approval of final voucher includes verification that: all contractual requirements have been satisfied; any fee adjustments have been completed; contract funding limits have not been exceeded; any DFAS offsets have been identified and applied; the contractor's Release and Assignment is accurate; all previous contractor vouchers have been paid; and that the voucher is identified as a "Final Voucher."
- After (15) below, final payment will be made via MOCAS (Mechanization of Contract Administration) where DCMA administers the contract but DFAS pays or via Vendor pay when DCMA is not involved (for DoD contracts).

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

(15) Complete contract funds review and deobligate excess funds.

- ACO must determine whether any unliquidated funding remains on the contract, and whether those funds are “excess” or “remaining” to the contract requirements.
- Remember, for Firm Fixed Price contracts, there should be no excess funds to de-obligate; the contractor is entitled to bill for the full amount of the contract price. However, some FFP contracts may contain cost reimbursable Contract Line Item Numbers (“CLIN”) that may contain excess funds.
- If DoD, identify the DFAS office responsible for the payments and obtain a payment history for each fiscal year of the contract. It should include all Accounting Classification Reference Number (ACRN) and CLINs. DFAS tracks the ACRNs and the Contracting Officer tracks the CLINs.

Administrative Completion

Closeout Administrative Actions (FAR 4.804-5)

- Compare the contractor invoices and payments made to the contract modifications and funding actions. Both sides – contractor/government – should reflect the same history of obligations, de-obligations and expenditures. Any discrepancies should be resolved.
- When the dollar disparities are too insignificant to warrant expending manhours to resolve, the final de-obligation modification may include verbiage “de-obligate any remaining funds on this contract.”
- Excess funds relate to a specific line item or deliverable that was not performed on the contract. A contract mod may be issued to de-obligate any excess funds.
- Remaining funds are funds left on a contract due to price variance, rounding or cost overrun after all contract performance required by the contract has been completed and paid in full. PCO is responsible for notifying the funding office of any remaining funds.

Administrative Completion

FAR 4.804-5 -- Procedures for Closing Out Contract Files

- After the 15 actions listed in FAR 4.804-5(a) are verified, the ACO prepares a **contract completion statement** which contains the following information:
 - Contract administration office name and address (if different from the contracting office).
 - Contracting office name and address.
 - Contract number and last modification number.
 - Contract last call or order number.
 - Contractor name and address.
 - Dollar amount of excess funds, if any.

Administrative Completion

FAR 4.804-5 -- Procedures for Closing Out Contract Files

Contents of the **contract completion statement (continued)**:

- Voucher number and date, if final payment has been made.
- Contractor 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.
- Date.

Administrative Completion

FAR 4.804-5 -- Procedures for Closing Out Contract Files

- When the statement or DD Form 1594 (Contract Completion Statement) is completed, the CO must ensure that --
 - The signed original is placed in the contracting office contract file; and
 - A signed copy is placed in the appropriate contract administration file if administration is performed by a contract administration office (i.e. DCMA).

Approach to Closeout

Steps every Government Closeout Analyst should consider:

1. Confirm/Collect/Review the Contract Files: perform a 'due diligence' to know what is in them otherwise searching them each time something is needed will take longer;
2. Identify/Find the right Government COs and CORs and Contractor Points of Contact by sorting through the staff turnover, retirements and transfers to avoid chasing down the wrong people and prolonging the process;
3. Recognize that the Contract being closed out is no longer a top priority for COs/CORs and engage in continuous follow-up in a professional, if persistent, manner; and
4. Do *all* the math by validating and following the obligated amounts and confirming the invoices to verify all amounts paid. Make sure the math is correct when it involves paying out additional funds or de-obligating excess funds.
5. Prepare a letter to the contractor identifying any excess funds on the contract, by fiscal year, and request confirmation. Also request any documents missing from the Government files.

Indirect Rates

- What are indirect rates?
 - An equitable, logical and consistent process of allocating costs not directly associated with a project, contract or award
 - The “rate” is a percentage that is added to project cost
 - Allows for full costing, (e.g., fringe, overhead, G&A, etc.)

Indirect Rates

- When do contractors need indirect rates?
 - Cost reimbursable contracts
 - Time and Materials (T&M) contract – particularly where burdens are applied to the “M” piece of the contract
 - Fixed Price Contracts
 - Where cost or pricing data is required
 - When there is an incentive fee component
 - Contract Closeout
- Contract Terminations or requests for Equitable Adjustments

Lifecycle of Indirect Rates

- Forward Pricing Rates
 - Used for estimating indirect costs for future government work
 - Represents the best estimate of indirect cost rates
- Billing rates
 - Used for interim billing of costs
 - Established by Contracting Officer based on contractor billing rates submission or recent evaluation of rates
 - Can be influenced by auditor input
 - Should be updated at beginning of each fiscal year
- Final Indirect Rates (Proposed)
 - Contractor must submit its actual rates via an incurred cost proposal within 6 mo. of year end
 - Rates may or may not be audited by DCAA or other audit entity
- Negotiated or audit determined rates
 - Agreed upon rates between CO and contractor
 - Used for billings, contract close out and determination of final incentive fee/award fee

Documents for Indirect Rates

- Incurred Cost Proposal (ICS):
 - Required by FAS 52.216-7 Allowable Cost and Payment
 - Used to finalize claimed costs per fiscal year on flexibly priced contracts
- Cumulative Allowable Costs Worksheet (CACWS):
 - CACWS is a summary schedule of cumulative allowable costs for each open flexibly priced contract through the last Contractor fiscal years where the indirect costs rates have been settled
 - CACWS may contain sufficient detail for ACOs to close contracts without individual contract audit closing statements
 - Once DCAA has verified, Contractors no longer have to provide the level of cost/rate detail on the SF1035 when submitting final vouchers for closeout
- Cumulative Payment History:
 - Contractor records used to determine over/under billing
- Final Invoice

Existing Quick-Closeout Procedure

FAR 42.708: a process used to settle indirect costs for a specific contract or group of contracts, *in advance of the determination of final indirect cost rates*

- Negotiated settlement between CO and contractor for specific contract, task order or delivery order if:
 - The specific contract, task or delivery order is *physically complete*.
 - For Cost Type, Time & Material (“T&M”) or Labor Hour (“LH”) contracts containing a Limitation of Cost/Limitations of Funds clauses, , a contract is considered physically complete when the contractor’s performance has caused it to reach the cost ceiling.
 - The amount of unsettled costs “relatively insignificant”. (Does not exceed *lesser* of \$1,000,000 or 10 percent of the total contract, task order, or delivery order amount.)
 - The cumulative unsettled indirect costs 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 contract for that fiscal year. Although the CO may waive this restriction based upon the risk assessment.

Existing Quick-Closeout Procedure

- CO must perform a risk assessment to determine whether quick-closeout is appropriate. The assessment should include:
 - Review/consideration of the Contractor's accounting, estimating and purchasing systems;
 - Any cognizant contract auditors' concerns (about the contractor or its accounting)
 - Any "other pertinent information" such as:
 - Comparative analysis of prior years' indirect rates that show that the contractor has made changes to its indirect rate structure or the indirect rates have fluctuated significantly;
 - There have been mergers or acquisitions that affected the contractor's indirect rates; or
 - The Contract contains special contract provisions limiting contractor recovery of otherwise allowable indirect costs under cost reimbursement or T&M contracts.

Existing Quick-Closeout Procedure

- CO and Contractor must negotiate the contractor's indirect rates.
- Determinations are final for that contract, delivery or task order.
- No further adjustments can be made to other contracts for over or under recoveries of costs allocated or allocable to a contract covered by the agreement when a subsequent final audit of the direct costs or indirect cost rates results in higher or lower rates than agreed for Quick closeout.
- Indirect cost rates agreed upon for Quick Closeout cannot be used a binding precedent on other contracts.

Existing Quick-Closeout Procedure

Contractor Considerations:

To Encourage Use of Quick Closeout, a Contractor should prepare and present to the Contracting Officer:

- Confirmation/Detail the physical completion for any contract, task or delivery order, including (if applicable) subcontracts and purchase orders with deliverables.
- Prepare its own comparative analysis of final fiscal year indirect rates to prior periods to demonstrate stability
- Prepare a narrative explanation to explain why nothing should prevent the quick closeout procedure from being used; and

Confirm that its business systems (accounting, estimating & purchasing) are adequate/satisfactory before advocating for a Quick Closeout.

Consider the savings of not having to prepare an incurred cost submission and supporting an audit as well as the time involved to wait for the normal procedures to conclude.

Existing Quick-Closeout Procedure

Consider the benefits of accomplishing closeout shortly after completion when program managers, contract administrators and accounting staff are still available and are still familiar with the contract performance/details, e.g. they still have fresh memories.

Quick Closeout Process allows for both flexibility and judgment by Contracting Officers. Not surprisingly, there is a lot of inconsistency as to how various Contracting Officers exercise their flexibility/judgment.

Contractor preparedness and persistence is the best way to achieve positive results in closing out contracts quickly when possible and receiving the outstanding cash sooner rather than later.

DOD's Changes to Quick Closeout

- DoD published a Memo on May 3, 2019 (effective immediately) instructing DoD COs and DCMA ACOs to deviate from current quick closeout in FAR 42.708
- Changes the current limits of the lesser of \$1,000,000 or 10% of unsettled direct and indirect costs of a contract, TO or DO to a single, increased threshold of \$2,000,000
- Memo also allows DCMA ACOs to negotiate settlement prior to the determination of final direct costs and indirect rates, regardless of dollar value.

New DFARS 204.804 Closeout of Contract Files

- DoD issued final rule April 30, 2019
- Implements section 836 of the NDAA for FY 2017 and section 824 of the NDAA for FY 2018
- Applies to contracts at least 17 years prior to current fiscal year
- Estimated 11,300 contracts qualify for this rule
 - Half of these were awarded to small businesses
- No new reporting, recordkeeping or other compliance requirements on any small entities

New DFARS 204.804 Contract Closeout

- Expedited closeout of contracts applies when:
 - No outstanding supplies or services due, AND
 - Contract records are not reconcilable due to
 - Payment records have been lost or destroyed, or
 - The time needed to establish the amount owned is disproportionate to the amount at issue

DFARS 204.804(3)(i)(A)-(C).

New DFARS 204.804 Contract Closeout

To close these *old* contracts, ACOs may:

- Seek a negotiated settlement for a contract or group of contracts; or
- Offset remaining contract balances with balances in other line items within the same contract, regardless of the year or type of appropriation obligated or whether the appropriation to fund such contract line item has closed. DFARS 204.804(3)(iii)(A)
- Offset remaining contract balances with balances on other contracts, regardless of the year or type of appropriations obligated or whether such obligations have closed. DFARS 204.804(3)(iii)(B)
- The ACO will issue a contract MOD which must be signed by the contractor and the Government.
 - If a group of contracts are being closed out, only one signed modification by the contractor and government is necessary that addresses the group settlement
 - All other contracts in the group can be modified without the contractor's signature DFARS 204.804(3)(ii)(A)-(B)

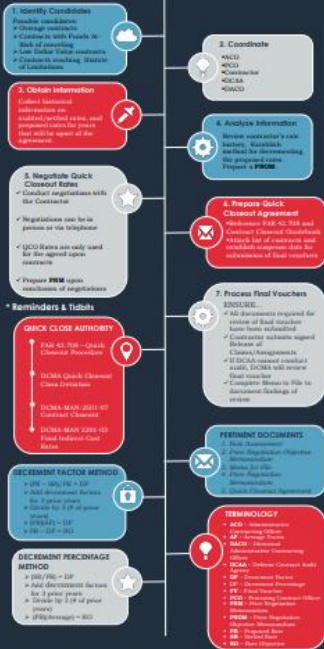
DCMA Quick Closeout

- DCMA's Manual 2501-07, effective January 14, 2019, discusses Contract Closeout, including Quick Closeout. Refers to FAR 42.708.
 - Replaces DCMA INST-135.
- Paragraph 13. 1 provides: The QCO process offers an alternative to holding contracts open until final indirect 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 QCO to the maximum extent possible.***
- Paragraph 13.2 provides for Early Closeout of delivery/task orders under Indefinite Delivery Contracts before indirect rates have been settled to avoid cancelling funds or overage contracts. Performance must be physically complete and the amount of unsettled direct and indirect costs is relatively insignificant.

DCMA Go To GUIDE QUICK CLOSEOUT

This quick reference tool is designed to assist you with the Quick Closeout process. You can expect to find general steps along with pertinent information. Consider this a yellow brick road to success for the Quick Closeout process.

* 7 Steps to Quick Closeout



INSIGHTS FOR SUCCESS
Quick Closeout is **EMPOWERED** by Review Leadership. You and DCAA, supported and reinforced. You **WANT** to succeed!

DCMA MAX 2011-07
Final Invoiced Case Study

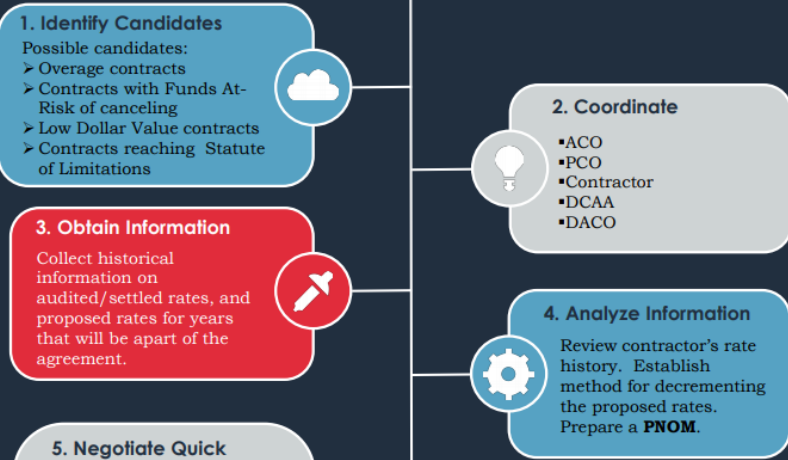
AMAZING THINGS CAN HAPPEN
Don't Expect 100% and be **GRATEFUL** for DCAA. Prepare each and every day. Consistently strive for **ONE TEAM, ONE VOICE**.



DCMA Go To GUIDE QUICK CLOSEOUT

This quick reference tool is designed to assist you with the Quick Closeout process. You can expect to find general steps along with pertinent information. Consider this a yellow brick road to success for the Quick Closeout process.

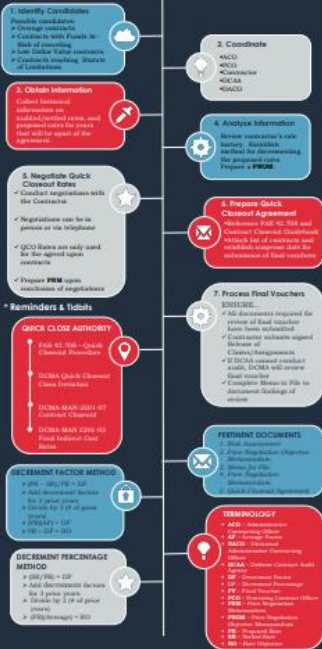
* 7 Steps to Quick Closeout



DCMA Go To GUIDE QUICK CLOSEOUT

This quick reference tool is designed to assist you with the Quick Closeout process. You can expect to find ground steps along with pertinent information. Consider this a yellow brick road to success for the Quick Closeout process.

* 7 Steps to Quick Closeout



TAKEAWAYS FOR SUCCESS

Quick Closeout is **ENDORSED** by Senior Leadership. You are **100%** supported and reinforced. You **HAVE** top cover!

Want to learn more or get more details? Check out DCMA's Resource Page!

DCMA MAN 2501-07 Contract Closeout

AMAZING THINGS CAN HAPPEN

Don't forget YOU are the **CHANGE AGENTS** for DCMA. Improve each and every day. Constantly strive for **ONE TEAM, ONCE VOICE!**

DCMA-MAN 2201-03 Final Indirect Cost Rates

DECREMENT FACTOR METHOD

- $(PR - SR) / PR = DF$
- Add decrement factors for 3 prior years
- Divide by 3 (# of prior years)
- $(PR) / (Average) = RO$
- $PR - DF = RO$

DECREMENT PERCENTAGE METHOD

- $(SR / PR) = DP$
- Add decrement factors for 3 prior years
- Divide by 3 (# of prior years)
- $(PR) / (Average) = RO$

PERTINENT DOCUMENTS

- Risk Assessment
- Price Negotiation Objective Memorandum
- Memo for File
- Price Negotiation Memorandum
- Quick Closeout Agreement

TERMINOLOGY

- ACO** - Administrative Contracting Officer
- AF** - Average Factor
- DACO** - Divisional Administrative Contracting Officer
- DCAA** - Defense Contract Audit Agency
- DF** - Decrement Factor
- DP** - Decrement Percentage
- FV** - Final Voucher
- PCO** - Procuring Contract Officer
- PNN** - Price Negotiation Memorandum
- PNOM** - Price Negotiation Objective Memorandum
- PR** - Proposed Rate
- SR** - Settled Rate
- RO** - Rate Objective

TAKEAWAYS FOR SUCCESS

Quick Closeout is **ENDORSED** by Senior Leadership. You are **100%** supported and reinforced. You **HAVE** top cover!

Want to learn more or get more details? Check out DCMA's Resource Page!

DCMA-MAN-2501-07
Contract Closeout

DCMA-MAN 2201-03
Final Indirect Cost Rates

AMAZING THINGS CAN HAPPEN

Don't forget YOU are the **CHANGE AGENTS** for DCMA. Improve each and every day. Constantly strive for **ONE TEAM, ONCE VOICE!**

Expediting Contract Closeout

- New final DFARS rule effective May 20, 2021
- Designed to save administrative costs for both the contractor and government
- DoD plans to apply clause to solicitations and contracts, including those valued at or below the SAT and to acquisitions of commercial items, including COTS items
- **252.204-7022 Expediting Contract Closeout**
 - As prescribed in [204.804-70 Contract clause.](#), use the following clause:
 - (a) At the conclusion of all applicable closeout requirements of Federal Acquisition Regulation 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.

Administrative Unilateral Closeout

The Government uses a process referred to as Administrative Unilateral Closeout in those situations when the contractor is unable or unwilling to proceed with Closeout. The authority for such action is FAR 42.705-1 (Contracting Officer Determination Procedure).

Examples of Problem Contract Closeout include:

A. Contractor No Longer in Business:

1. The Government takes every reasonable measure to locate the contractor or its principals, e.g., check the telephone directory, the internet website, certified mail, return receipt requested, check with other Government officials who may have used the contractor, SAM.gov and the Bankruptcy Court dockets.
2. Document the file to show every attempt made to locate the contractor. If unsuccessful, initiate Administrative Unilateral Closeout, by doing the following:
 - a. Confirm physical completion with the correct Government Point of Contact.

Administrative Unilateral Closeout

- b. Confirm any contract payments made to the contractor, including requesting a payment history from the cognizant DFAS office if DoD.
- c. Check with DCAA to determine the status of any indirect cost rate settlement if the contract is cost type or has cost CLINS.
- d. Determine whether the contract was terminated for default or convenience.
- e. Check any other pertinent information relative to the contract, including subcontract costs, litigation, etc.
- f. Final check with agency legal office to determine if the agency/activity has done other business with the contractor.
- g. Review all available data to determine the final contract price and any excess funds that can be de-obligated from the contract.
- h. Issue a unilateral SF30 Modification of Contract to de-obligate excess funds and formally closeout the contract. Before signature, coordinate the draft modification with leadership and legal office.

Administrative Unilateral Closeout

B. Contractor Fails to Submit Indirect Cost Data

1. The contractor is required to submit a final indirect cost proposal to the Government within 6 months following the expiration of each of its fiscal years. If the contractor does not submit its proposal in a timely manner, the Government can take steps to protect the Government interest.
2. The Contracting Officer should issue letters requesting submission and, if unsuccessful, schedule a meeting with the contractor to advise that its continued non-responsiveness will result in a billing decrement.
3. If continued non-receipt, and the contract is physically complete, the Contracting Officer should consider proceeding with unilateral determination of indirect cost rates (FAR 42.703-2(c)) and a unilateral determination of the final contract cost.

NOTE: This only makes sense when (1) the Contract is NOT a fixed price contract; and (2) there is an expectation of excess funds to be de-obligated.

Administrative Unilateral Closeout

C. Contractor in Bankruptcy

When notified, per FAR 42.9, that a contractor has filed for bankruptcy, the Contracting Officer:

1. Determines the impact of the bankruptcy on the Government and its interests;
2. Furnishes the bankruptcy notice to the Legal Office, the Contract point of contact, and, if appropriate, the cognizant, DFAS, DCAA and DCMA offices.
3. Determines whether to file a claim against the contractor. Any such Proof of Claim is filed in the Bankruptcy court by DFAS if a DoD contract.



Administrative Unilateral Closeout

4. Once a bankruptcy petition is filed, an automatic stay goes into effect. The stay precludes contract closeout unless the stay is lifted. Government attorneys work with the debtor's trustee to obtain relief where closeout is in the best interests of the Government.
5. Initiate all the steps articulated above to pursue an Administrative Unilateral Closeout and determination of final contract price (and de-obligation of any excess funds).

Closeout Process ~ The Quick and Dirty Version (Gov't)

- Verify contract completion
- Obtain all forms, reports, and clearances
- Resolve outstanding issues
- Initiate final payment (or collect overpayment)
- De-obligate excess funds (or request additional funds)
- Prepare contract completion statement
- Prepare past performance input
- Contract file disposition (e.g., storage and ultimately disposal)

Other developments...

- *Shrinking the Government Workforce:* In 2020 DCMA planned a reduction in workforce due to budget pressure. A portion of this reduction targeted contract closeout employees.
- *Automating the Closeout Process:* In January 2021, it was reported that the IRS is building a Contract Administration Bot to automate contract administration functions and to assist with contract closeout documentation
- *Contracting Closeout Out:* In April 2021, Washington Headquarters Services (DoD's admin office) awarded a \$111M 5 year contract to the National Industries for the Blind to support contract closeout activities from seven (7) locations throughout the country.

Fixed Price Contracts

- Follow Closeout Checklist
- Consider Warranty issues but don't delay closeout



Fixed Price Checklist

FIXED PRICE CLOSEOUT CHECKLIST

Action	Completed	Date
Final Acceptance Received?		
Final Acceptance Entered in MOCAS?		
LISSR Data Balanced (Line Items)?		
PSCN Data Entered ("Production Complete" in R8 Remarks field)?		
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? (55 Code)		
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?		

Cost Type Contracts

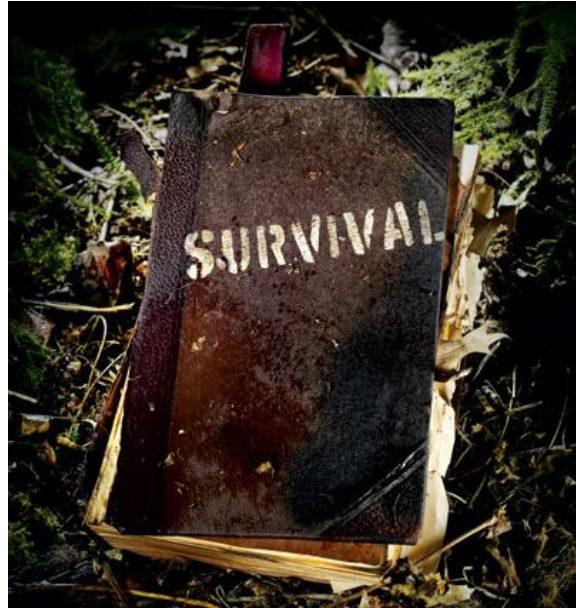
- Follow Closeout Checklist
- Biggest stumbling block is finalizing indirect cost rates
 - Contractor must submit all Incurred Cost Submissions
 - DCAA must audit and issue audit report
- Delays always occurred: DCAA claims that it is current with Incurred Cost Audits. DCMA now has the bulk of the backlog
- Contracting Officer (with DCAA assistance) negotiate final indirect rates with Contractor
- Once rates are finalized, Contractor can finalize its costs and submit a completion voucher
- Final modification with reflect the final cost and add/subtract funds to equal final cost

IDIQ Contracts

- Task or Delivery Orders may be complete long before the Contract expires
- Consider Early Closeout and Quick Closeout of individual Task/Delivery Orders to avoid cancellation of funds.

Surviving Audits

- Government Audit Rights
- The Audit Process
- Dealing with the Government Auditors
- Resolving Audit Disputes



Government Audit Rights

- What can be examined? (FAR 52.215-2)
 - “. . .books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.”
 - “...all records and other evidence sufficient to reflect properly all costs claimed to have been incurred...directly or indirectly...[to] include inspection of the Contractor’s plants...”



The Audit Process

1. Audit Planning – performed by auditor in advance
2. Audit Request – identifies dates and requested data
3. Entrance Conference – Review audit objectives. This is Contractor’s first opportunity to influence audit.
4. Field Work – review of contractor-provided data and follow-up interrogatories/data requests.
5. Preliminary Findings and Conditions – Conditions may be “significant” or “insignificant,” “satisfactory” or “unsatisfactory.”
6. Interim Conference(s) between auditor and contractor

This is the Contractor’s primary opportunity to influence the audit!

The Audit Process

7. Exit Conference – Discussion of Findings and Conditions. There should be no surprises.
8. Contractor's Response/Rebuttal – Concur or disagree with each Condition.
9. Auditor's Response – Discussion of the Contractor's response/rebuttal.
10. Audit Report Issued
11. Contracting Officer Action (If Required) – The CO or ACO can, but rarely does, overrule DCAA or other outside (contracted) audit firm.
12. Dispute Resolution at Board of Contract Appeals or Court of Federal Claims (if required)

The best time to challenge audit findings/conditions is before they are put into writing!

Dealing with Government Auditors

- What to do during a routine audit...
 1. Strive to establish rapport
 2. Keep relationship non-adversarial, respectful, and professional
 3. Ask that data request and interrogatories be put into writing
 4. Manage access in organized and systemic manner
 5. Document all meetings and telephone conversations
 6. Ensure all notes are filed and saved
 7. Maintain structured environment
 8. Obtain copies of all audit reports and internal planning documents
 9. Consider long-term relationship with auditor – establish credibility

Dealing with Government Auditors

- What *NOT* to do during a routine audit...
 1. Refuse to provide access to any requested record that is relevant to the scope of the audit
 2. Create unreasonable delays in scheduling the entrance conference
 3. Create unreasonable delays in providing access to needed data or personnel
 4. Restrict reproduction of necessary evidentiary matter
 5. Establish a pattern of failure to comply with agreed-to dates for furnishing data
- Each of these situations may be considered to be “denial of access”

Resolving Audit Disputes

1. Understand the auditor's point of view
2. Ensure that all relevant facts/circumstances are understood
3. If DCAA is correct, concur with finding and withdraw claim or cost

--Maintain integrity and credibility



Resolving Audit Disputes

4. If DCAA is incorrect, prepare and document rebuttal
 - Maintain professional tone
 - Avoid attacking the auditor
5. Assess “Fall-back” positions and potential compromises
 - Is this battle worth fighting?
 - What will it cost you to win it?

Termination for Default (T4D)

- FAR 52.249-8: “The Government may... by written notice of default to the contractor terminate this contract in whole or in part if the contractor fails to –
 - Deliver the supplies or perform the services within the time specified...
 - Make progress so as to endanger performance of the contract...
 - Perform any of the other provisions of this contract...”



T4D - Consequences

- Government is not liable for the cost of unaccepted work
- Contractor is liable for the excess costs of procurement of the same or similar supplies or services
 - Government has a duty to mitigate
- May affect responsibility determination
- May lead to negative past performance evaluations



T4D Process

- Letter of Concern is often the initial expression of concern
- Cure notice (required unless time for performance has passed)
 - 10 day grace period to cure
- Show cause notice (optional)
- CO should consider alternatives to T4D
 - Revise delivery schedule
 - Agree to no cost termination settlement
 - Allow contractor to continue to perform via subcontractor
- Letter of Termination is often identified as a Final Contracting Officer's Decision
- Contract is modified to confirm termination (thereby allowing CO to deobligate funding)
- Contractors option is to file an Appeal – BCA or COFC
- If T4D is found to be wrongful, it will be converted to a Termination for Convenience, allowing contractor recovery of costs of performance.

T4D – Contractor Defenses

- No ground for termination existed
- CO did not consider all relevant information or relied on erroneous information
- Improper motive is present (Bad Faith)
- Government waived right to terminate
- Substantial compliance by contractor
- Improper procedure followed by Government



Termination for Convenience (T4C)

- FAR 52.249-2(a): “The Government may terminate performance of work under this contract in whole, or from time to time, in part if the Contracting Officer determines that it is in the Government’s interest.”
- Mandatory clause (Christian Doctrine)
- Government may terminate without cause (e.g. for its convenience)
- Contractor may recover costs and reasonable profit, but not expected future profits.



Termination for Convenience (T4C)

- Unique to Government Contracts
- Limited only if termination is in “bad faith” (Government may not use T4C to dishonor contract with impunity.) (*Torncello v. U.S.*, 681 F.2d 756 (Fed. Cir. 1982))
- Contractor must submit termination cost proposal within one year of termination date
- If the Government (TCO) and Contractor cannot settle, contractor converts its termination proposal into “termination claim,” requesting a Final Decision.
- Interest (on termination proposal) does not begin to run until it is converted into a claim.

Termination Settlements

- Contractor is entitled (unless contract is for commercial items) to:
 - Contract price for work delivered and accepted
 - Cost for work not delivered, plus reasonable profit thereon, unless it is a “loss contract.”
 - Settlement Expenses (including legal and accounting)
 - Not lost profits

Archive

- Complete file maintained by agencies
 - Periods stated in chart at FAR 4.805 (range from 1 year to 6 years and 3 months)
- Failure to properly store records can have disastrous effects
 - Documents get lost/print fades on hard copies
 - Electronic storage systems become corrupted, lost, or obsolete
 - Contracting officials and employees move, retire or cannot be located
- Contractors should keep their own files for the same reasons. *Do you trust the Government to store a record that might protect you?*
 - Typically required to retain documents for 4 years after final payment
 - Should consider keeping for the 6 years 3 months after final payment so that the documentation is available to defend against Government claims.

Final Word

- Be prepared
- Establish and maintain good record-keeping habits NOW

QUESTIONS?

Appendix A: Contract Types

- Two Primary Contract Types:
 - Fixed Price Arrangements
 - “Profit” discussions
 - Cost Reimbursement Arrangements
 - “Fee” discussions

	Cost/T&M	Fixed Price
Promise	Best effort	Shall deliver
Risk to contractor	Low	High
Risk to gov't	High	Low
Cash flow	As incurred	On delivery
Financing	None	Progress/performance payments
Administration	Max gov't control	Min gov't surveillance

Contract Types

Fixed Price

FAR 16.2

Firm Fixed Price (FFP)

Fixed Price Incentive (FPI)

 Firm Target (FPIF)

 Successive Targets (FPIS)

Fixed Price Level of Effort (FP LOE)

Fixed Price Award Fee

Fixed Price w/ Redetermination

 Economic Price Adjustment

 Prospective Price Redetermination

 Retroactive Price Redetermination

Cost Reimbursable

FAR 16.3

Cost Sharing

Cost Plus Fixed Fee (CPFF)

Cost Plus Incentive Fee (CPIF)

Cost Plus Award Fee (CPAF)

Firm Fixed Price

Defined:

- Provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract.
- Places on Contractor maximum risk and full responsibility for all costs and resulting profit or loss.
- Maximum incentive on Contractor to control costs and perform effectively
- Minimum administrative burden on parties
 - No detailed cost reports to customer

Fixed Price Incentive

Defined:

- Provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total cost to the target cost
- Final Price is subject to a price ceiling (negotiated up front)
- Two (2) Types
 - Fixed Price Incentive, Firm
 - Fixed Price Incentive, Successive Target

When Applied:

- When a straight FFP contract is not suitable
- Contractors assumption of a degree of cost responsibility will provide a positive profit incentive for cost control and performance
- When other incentives (technical performance or delivery) are being used.

Cost Plus Fixed Fee

- A cost reimbursement contract that provides for payment to the contractor of all allocable and allowable costs incurred PLUS a negotiated fee that is fixed at definitization
- Fixed Fee does not vary with the actual costs of performance
 - Assuming no changes to initial baseline
- Fee may be increased as a result of changes to the workscope that are outside of the original contract requirements
 - Considered a “fee bearing” equitable adjustment
- Fee may be decreased as a result of changes to the workscope that remove effort that was part of the contract

Cost Plus Incentive Fee

- Provides for an initially negotiated fee to be adjusted later based on relationship of actual costs to target costs.
- Similar to FPI except no ceiling price in CPIF
 - all allocable and allowable costs reimbursed
- Opportunities for increases or decreases in fee intended to motivate the contractor for efficient performance

Cost Plus Award Fee

- A cost reimbursement contract that provides for a fee consisting of:
 - A base amount fixed @ negotiation of the contract - does not vary with performance
 - An award amount that the contractor may earn in whole or in part based on performance
- CPAF contracts provide for evaluation of contractor performance at stated intervals and the award of fee (or not) based on this performance
 - Regular intervals provides feedback on the quality of performance
 - Allows contractor the opportunity to address short comings or continue positive aspects

T&M Contracts

- A cross between fixed price and cost reimbursable
 - Fixed Price nature: Has fixed hourly rate for reimbursement of labor
 - Cost Type nature: Material and ODC reimbursed at cost
Labor reimbursed at fixed rate but based on number of hours incurred
- Allows for the reimbursement of labor based on hours incurred at a predetermined hourly rate
 - Includes all burdens and profit
- Allows for the reimbursement of all material and ODC at cost plus applicable burdens - but no fee/profit on material/ODC
- Contract limits set in terms of dollars to be expended.
 - Contractor should have flexibility to utilize different labor categories
 - Contractor cannot exceed ceiling except at own risk

Indefinite Delivery Contracts

- Used when there is recurring need, but cannot determine precise deliveries and/or quantities.
- Indefinite Delivery
 - Must receive a specific quantity over stated time period.
- Indefinite Quantity
 - Must order within stated limits, Minimum and Maximum, during a specified period.
- Requirements
 - Must order all needed specified items or services from the Contractor.

GSA Federal Supply Schedule

- GSA sets up multiple ID/IQ vehicles for:
- Task orders (services)
- Delivery orders (supplies)
- All are placed against the basic contract
- No purchase limits
- Easy for the user: tailored and can issue large or small orders.

Other Contracts

- Letter Contracts
 - Authorizes contractor to start immediately – NTE amount, must definitize in 180 days
- Blanket Purchasing Agreements (BPA)
 - Charge accounts with qualified sources
 - Orders can't exceed Simplified Acquisition Threshold
- Basic Agreements, Basic Ordering Agreements
 - Not contracts
 - Terms to be included in future contracts (e.g., method for pricing, ordering process)

Appendix B: Contract Closeout FAR/DFARS Clauses

CLAUSE	TITLE
FAR 3.1003	Subpart 3.10 –Contractor Code of Business Ethics and Conduct
FAR 4.705	Specific Retention Records
FAR 4.803	Contents of Contract Files
FAR 4.804-1	Closeout by the Office Administering the Contract
FAR 4.804-2	Closeout of the Contracting Office Files if Another Office Administers the Contract
FAR 4.804-4	Physically Completed Contracts
FAR 4.804-5	Procedures for Closing Out Contract Files
FAR 4.805	Storage, Handling, and Disposal of Contract Files
FAR 27.303	Subpart 27.3 – Patent Rights Under Government Contracts
FAR 32.606	Subpart 32.6 – Contract Debts
FAR 42.1502	Subpart 42.15 – Contractor Performance Information
FAR 42.705	Final Indirect Cost Rates
FAR 42.705-1	Contracting Officer Determination Procedure
FAR 42.708	Quick Closeout Procedure

Contract Closeout Applicable FAR/DFARS Clauses

CLAUSE	TITLE
FAR 45.600	Subpart 45.6 – Reporting, Reutilization, and Disposal
FAR 48.101	Subpart 48.1 – Policies and Procedures
FAR 52.204-2	Security Requirements
FAR 52.215-2	Audit and Records - Negotiation
FAR 52.216-7	Allowable Cost and Payment
FAR 52.216-8	Fixed Fee
FAR 52.216-9	Fixed Fee – Construction
FAR 52.216-10	Incentive Fee
FAR 52.227-1	Authorization and Consent
FAR 52.227-9	Refund of Royalties
FAR 52.227-11	Patent Rights – Ownership by the Contractor
FAR 52.227-13	Patent Rights – Ownership by the Government
FAR 52.232-7	Payments under Time and Materials and Labor Hour Contracts
FAR 52.248	Value Engineering Provisions and Clauses

Contract Closeout Applicable FAR/DFARS Clauses

CLAUSE	TITLE
FAR 52.249-2	Termination for Convenience of the Government (Fixed Price)
FAR 52.249-8	Default (Fixed Price Supply and Service)
DFARS 204.804-2	Closeout of Contract Files
DFARS 252.232.7003	Electronic Submission of Payment Requests and Receiving Reports

Appendix C: DCMA Overage Reasons Codes

- A. Contractor has not submitted final/invoice voucher
- B. Final acceptance not received
- C. Contractor has not submitted patent/royalty report
- D. Patent/royalty clearance required
- E. Contractor has not submitted proposal for final price redetermination
- F. Supplemental agreement covering price redetermination required.
- G. Settlement of subcontracts pending
- H. Final audit in process.
- I. [blank]
- J. Disallowed cost pending
- K. Final audit of Gov property pending [Obsolete]

Appendix C: DCMA Overage Reasons Codes

- L. Independent research & development rates pending
[Obsolete]
- M. Negotiation of overheard rates pending
- N. Additional funds requested but not yet received
- O. Reconciliation with paying office and contractor being accomplished
- P. Armed Services Board of Contract Appeals case
- Q. Public Law 85-804 case
- R. Litigation/investigation pending
- S. Termination in process
- T. Warranty clause action pending

Appendix C: DCMA Overage Reasons Codes

- U. [Blank]
- V. Disposition of Gov Property pending
- W. Contract modification pending
- X. Contract release and assignment pending
- Y. Awaiting notice of final payment
- Z. Disposition of classified material pending

Appendix D: Closeout Forms

CONTRACT COMPLETION STATEMENT		
1. FROM: (Contract Administration Office)		2a. PII NUMBER
		2b. LAST MODIFICATION NUMBER
		2c. CALL/ORDER NUMBER
3. TO: (Name and Address of Purchasing Office and Office Symbol of the PCO, if known)		4. CONTRACTOR IDENTITY CODE AND ADDRESS
		5. EXCESS FUNDS <input type="checkbox"/> YES <input type="checkbox"/> NO \$ _____
6a. IF FINAL PAYMENT HAS BEEN MADE, COMPLETE ITEMS 6b., AND 6c.	6b. VOUCHER NUMBER	6c. DATE
7a. IF FINAL APPROVED INVOICE FORWARDED TO D.O. OF ANOTHER ACTIVITY AND STATUS OF PAYMENT IS UNKNOWN, COMPLETE ITEMS 7b. and 7c.	7b. INVOICE NUMBER	7c. DATE FORWARDED
8. REMARKS		
9a. ALL ADMINISTRATION OFFICE ACTIONS REQUIRED HAVE BEEN FULLY AND SATISFACTORILY ACCOMPLISHED. THIS INCLUDES FINAL SETTLEMENT IN THE CASE OF A PRICE REVISION CONTRACT		
9b. TYPED NAME OF RESPONSIBLE OFFICIAL	9c. SIGNATURE	9d. DATE
FOR PURCHASING OFFICE USE ONLY		
10a. ALL PURCHASING OFFICE ACTIONS REQUIRED HAVE BEEN FULLY AND SATISFACTORILY ACCOMPLISHED. CONTRACT FILE OF THIS OFFICE IS HEREBY CLOSED AS OF:		
<input type="checkbox"/> DATE SHOWN IN ITEM 9d. ABOVE. <input type="checkbox"/> DATE SHOWN IN ITEM 10e. BELOW. (Check this box only if final completion of any significant purchasing office action extends more than three months beyond close-out date shown in item 9d. above. In such cases, submit a copy of the completed form upon final accomplishment of all purchasing office actions to the contract administration office. (Upon receipt, the contract administration office shall extend its contract file close-out date accordingly.))		
10b. REMARKS		
10c. TYPED NAME OF RESPONSIBLE OFFICIAL	10d. SIGNATURE	10e. DATE

CONTRACT CLOSEOUT CHECK-LIST <i>(Continue on reverse for any comments)</i>				1. CONTRACT NUMBER	
3. NAME OF CONTRACTOR				2. CONTRACT MODIFICATION NUMBERS <i>(if applicable)</i>	
4. DATE OF PHYSICAL COMPLETION (YYMMDD)		5. MILESTONES/CALENDAR MONTHS AFTER PHYSICAL COMPLETION <i>(FAR 4.804-1)</i>		7. FORECAST COMPLETION DATE (YYMMDD)	8. DATE ACTION COMPLETED (YYMMDD) <i>(NA if not applicable)</i>
5. ACTION ITEMS		Category 2	Category 3	Category 4	
a. DISPOSITION OF CLASSIFIED MATERIAL COMPLETED					
b. FINAL PATENT REPORT SUBMITTED <i>(Inventions Disclosures)</i> DD 882					
c. FINAL ROYALTY REPORT SUBMITTED					
d. FINAL PATENT REPORT CLEARED <i>(Inventions Disclosures)</i>					
e. FINAL ROYALTY REPORT CLEARED					
f. ISSUANCE OF REPORT OF CONTRACT COMPLETION					
g. NO OUTSTANDING VALUE ENGINEERING CHANGE PROPOSAL (VECF)					
h. PLANT CLEARANCE REPORT RECEIVED DD 1593					
i. PROPERTY CLEARANCE RECEIVED DD 1593					
j. SETTLEMENT OF ALL INTERIM OR DISALLOWED COSTS <i>(DCAA Form 1)</i>					
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 <i>(Or MILSCAP Format Identifier PK9)</i>		6	36	20	
w. OTHER REQUIREMENTS COMPLETED <i>(Specify)</i>					
9. RESPONSIBLE OFFICIAL					
a. TYPED NAME <i>(Last, First, Middle Initial)</i>			b. TITLE		
c. SIGNATURE <i>(Sign only upon completion of all actions)</i>				d. DATE SIGNED (YYMMDD)	

REPORT OF INVENTIONS AND SUBCONTRACTS
(Pursuant to "Patent Rights" Contract Clause) (See Instructions on back)

Form Approved
OMB No. 9000-0095
Expires Jan 31, 2008

The public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (9000-0095). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ORGANIZATION. RETURN COMPLETED FORM TO THE CONTRACTING OFFICER.

1.a. NAME OF CONTRACTOR/SUBCONTRACTOR		c. CONTRACT NUMBER		2.a. NAME OF GOVERNMENT PRIME CONTRACTOR		c. CONTRACT NUMBER		3. TYPE OF REPORT (X one)	
								a. INTERIM b. FINAL	
b. ADDRESS (Include ZIP Code)			d. AWARD DATE (YYYYMMDD)		b. ADDRESS (Include ZIP Code)			d. AWARD DATE (YYYYMMDD)	
								4. REPORTING PERIOD (YYYYMMDD)	
								a. FROM	
								b. TO	

SECTION I - SUBJECT INVENTIONS

5. "SUBJECT INVENTIONS" REQUIRED TO BE REPORTED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)

NAME(S) OF INVENTOR(S) <i>(Last, First, Middle Initial)</i>	TITLE OF INVENTION(S)	DISCLOSURE NUMBER, PATENT APPLICATION SERIAL NUMBER OR PATENT NUMBER	ELECTION TO FILE PATENT APPLICATIONS (X)				CONFIRMATORY INSTRUMENT OR ASSIGNMENT FORWARDED TO CONTRACTING OFFICER (X)	
			d. (1) UNITED STATES		d. (2) FOREIGN		e.	
			(a) YES	(b) NO	(a) YES	(b) NO	(a) YES	(b) NO
a.	b.	c.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

f. EMPLOYER OF INVENTOR(S) NOT EMPLOYED BY CONTRACTOR/SUBCONTRACTOR		g. ELECTED FOREIGN COUNTRIES IN WHICH A PATENT APPLICATION WILL BE FILED	
(1) (a) NAME OF INVENTOR <i>(Last, First, Middle Initial)</i>	(2) (a) NAME OF INVENTOR <i>(Last, First, Middle Initial)</i>	(1) TITLE OF INVENTION	(2) FOREIGN COUNTRIES OF PATENT APPLICATION
(b) NAME OF EMPLOYER	(b) NAME OF EMPLOYER		
(c) ADDRESS OF EMPLOYER <i>(Include ZIP Code)</i>	(c) ADDRESS OF EMPLOYER <i>(Include ZIP Code)</i>		

SECTION II - SUBCONTRACTS (Containing a "Patent Rights" clause)

6. SUBCONTRACTS AWARDED BY CONTRACTOR/SUBCONTRACTOR (If "None," so state)

NAME OF SUBCONTRACTOR(S)	ADDRESS (Include ZIP Code)	SUBCONTRACT NUMBER(S)	d. FAR "PATENT RIGHTS"		DESCRIPTION OF WORK TO BE PERFORMED UNDER SUBCONTRACT(S)	f. SUBCONTRACT DATES (YYYYMMDD)	
			(1) CLAUSE NUMBER	(2) DATE (YYYYMM)		(1) AWARD	(2) ESTIMATED COMPLETION
a.	b.	c.			e.		

SECTION III - CERTIFICATION

7. CERTIFICATION OF REPORT BY CONTRACTOR/SUBCONTRACTOR (Not required if: (X as appropriate))

I certify that the reporting party has procedures for prompt identification and timely disclosure of "Subject Inventions," that such procedures have been followed and that all "Subject Inventions" have been reported.

<input type="checkbox"/> SMALL BUSINESS or <input type="checkbox"/> NONPROFIT ORGANIZATION			
a. NAME OF AUTHORIZED CONTRACTOR/SUBCONTRACTOR OFFICIAL <i>(Last, First, Middle Initial)</i>	b. TITLE	c. SIGNATURE	d. DATE SIGNED

Appendix E: DCMA Quick Closeout Deviation



DCMA Manual 2501-07

Contract Closeout

Office of Primary Responsibility	Contract Maintenance Capability
Effective:	January 14, 2019
Releasability:	Cleared for public release
Implements:	DCMA-INST 2501, "Contract Maintenance," August 14, 2017
Incorporates:	DCMA-INST 115, "Patents and Royalties," August 9, 2016 DCMA-INST 124, "Contract Property Management," January 26, 2016
Incorporates and Cancels:	DCMA-INST 135, "Contract Closeout," March 8, 2016
Internal Control:	Not Applicable
Labor Codes:	Located on the Resource Page
Resource Page Link:	https://360.dcma.mil/sites/policy/CM/SitePages/2501-07r.aspx
Approved by:	David H. Lewis, VADM, USN, Director

Purpose: This issuance, in accordance with the authority in DoD Directive 5105.64:

- Implements policy established in DCMA Instruction 2501.

<https://360.dcma.mil/sites/policy/CM/SitePages/2501-07r.aspx>