



***A PRIMER
ON THE
CLOSEOUT PROCESS***

FAR/DFARS

- **Specific regulations regarding closeout of contract files may be found at --**
 - FAR 4.804, Closeout of contract files;
 - DFARS 204.804, Closeout of contract files;
 - DFARS PGI 204.804, Closeout of contract files; and
 - DoDD 5220.22, National Industrial Security Program
 - FAR/DFARS Clauses for specific contract
- Contract closeout is delegated to DCMA in accordance with FAR 42.302(a)(65) -- *Accomplish administrative closeout procedures.*

CONTRACT CLOSEOUT TIME STANDARDS

FAR 4.804 sets specific time periods for closing contracts.

The time period for closing a contract is based upon both the ***type of contract*** and the ***date of physical completion***.

TIME STANDARDS - FAR 4.804

Contract Type

Contracts using simplified property acquisition procedures

All other Fixed Priced contracts

Contracts requiring settlement of indirect cost rates

(Cost-Reimbursable Contracts; DCMA includes T&M and LH Contracts)

All other Contract types

Calendar Months

Evidence of receipt of and final payment

6 months after physical completion

36 months after physical completion

20 months after physical completion

CLOSEOUT TERMS-

It is important to understand the definition of specific closeout terms commonly used in DCMA.

- **Physically Complete*** - A contract is considered physically complete when:
 - The Contractor has completed required deliveries and the Government has inspected and accepted the supplies, or the Contractor has performed all services, and the Government has accepted these services, and
 - All option provisions, if any, have expired, or
 - The Government has given the contractor a “Notice of Complete Contract Termination.”
- **Overage** – A contract is considered to be overage when it has not been closed within FAR-mandated time standards.

CLOSEOUT TERMS-

- ***Closed*** – A contract is considered to be closed when all administrative actions, including final payment, has been completed and all disputes have been settled.
- ***Closed On Time*** – A contract is considered to be closed on time when closeout is achieved within FAR-mandated time standards.



WHY BOTHER WITH OLD CONTRACTS

Continuing liability for Contractors.

Or

The clock is ticking

Avoid hits to current year funds.

The longer you wait, the harder it will be

INITIAL REVIEW OF PHYSICAL COMPLETION

- Fixed Price Contracts –
 - Did the Contractor complete all deliveries (supply or service)?
 - Did the Government inspect and accept all deliveries (supply or service)?
 - Where Change Orders issued under the contract?
 - Do all items on the Line Item Schedule & Shipment Record balance? (Quantity Ordered equals Quantity Shipped/Accepted)
 - Has a final acceptance document (e.g., “Z” shipment number) been received and entered in MOCAS ?
 - Have all option provisions, if any, expired?
 - Has all data lines been delivered?

INITIAL REVIEW OF PHYSICAL COMPLETION

- **Cost Reimbursable Contracts –**
 - Is there evidence of physical completion as received from the Buying Activity (Contracting Officers Representative (COR)) or as required by contract clauses?
 - Have all option provisions, if any, expired?
 - Has a final acceptance document (e.g., “Z” shipment number) been received and entered in MOCAS?
 - Has all data lines been delivered?



OTHER CONTRACT RELATED ISSUES

Special Provisions

Schedule H

Open Claims

Warranties

CONTRACT CLOSEOUT CHECKLIST

DD FORM 1597 is the best tool to use.

CONTRACT CLOSEOUT CHECKLIST <small>(Use a separate page to attach any comments.)</small>				1. CONTRACT NUMBER	
3. NAME OF CONTRACTOR				2. CONTRACT MODIFICATION NUMBERS (if applicable)	
4. DATE OF PHYSICAL COMPLETION (YYYYMMDD)	5. MILESTONE/CALENDAR MONTHS AT 100% PHYSICAL COMPLETION (AS APPLICABLE)			6. FORECAST COMPLETION DATE (YYYYMMDD)	7. DATE ACTION COMPLETED (YYYYMMDD) <small>(if not applicable)</small>
	Category 1	Category 2	Category 3		
8. DESCRIPTION OF CLASSIFIED MATERIAL COMPLETED					
9. FINAL PATENT REPORT SUBMITTED <small>(Attach to this board)</small>	DD 992				
10. FINAL ROYALTY REPORT SUBMITTED					
11. FINAL PATENT REPORT CLEARED <small>(Attach to this board)</small>					
12. FINAL ROYALTY REPORT CLEARED					
13. ISSUANCE OF REPORT OF CONTRACT COMPLETION					
14. NO COSTS CHARGED VALUE ENGINEERING CHANGE PROPOSAL COSTS					
15. PLANT CLEARANCE REPORT RECEIVED <small>DD 1593</small>					
16. PROPERTY CLEARANCE RECEIVED <small>DD 1593</small>					
17. SETTLEMENT OF ALL INTERIM OR DISALLOWED COSTS <small>(See last page of)</small>					
18. PRICE REVISION COMPLETED					
19. SETTLEMENT OF SUBCONTRACTS BY THE PRIME CONTRACTOR					
20. PRIME YEAR OVERHEAD RATES COMPLETED					
21. CONTRACTOR'S CLOSING STATEMENT RECEIVED					
22. FINAL SUBCONTRACTING PLAN REPORT SUBMITTED					
23. TERMINATION DOCKET COMPLETED <small>DD 1593</small>					
24. CONTRACT ADJUST COMPLETED					
25. CONTRACTOR'S CLOSING STATEMENT COMPLETED					
26. FINAL VOUCHER SUBMITTED <small>SF 1034</small>					
27. FINAL PAID VOUCHER RECEIVED <small>SF 1034</small>					
28. FINAL REMOVAL OF EXCESS FUNDS RECOMMENDED					
29. ISSUANCE OF CONTRACT COMPLETION STATEMENT <small>(See last page of contract award file)</small>	G	30	33		
30. OTHER REQUIREMENTS COMPLETED (Specify)					
31. RESPONSIBLE OFFICIAL					
32. TYPED NAME (Last, First, Middle Initial)			33. TITLE		
34. SIGNATURE (Sign only upon completion of all items)				35. DATE SIGNED (YYYYMMDD)	

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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 <i>(VECP)</i>						
h. PLANT CLEARANCE REPORT RECEIVED DD 1593						
i. PROPERTY CLEARANCE RECEIVED DD 1593						

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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					
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t. FINAL PAID VOUCHER RECEIVED SF 1034					
u. FINAL REMOVAL OF EXCESS FUNDS RECOMMENDED					
v. ISSUANCE OF CONTRACT COMPLETION STATEMENT <i>(Or MLSCAP 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 <i>(YYYYMMDD)</i>	

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ISSUES PREVENTING CLOSEOUT

Contractor is:

No Longer in Business

**Unable to Submit Supporting Indirect Cost
Data**

ISSUES PREVENTING CLOSEOUT

Contractor Has:

Failed to Submit Indirect Cost Data

Failed to Submit Final Invoice/Voucher

Or

Can't do account reconciliation

(-ULOs)



STRATEGIC APPROACHES

Understand what's in your backlog.

-Fixed Type

-Cost Type

-Hybrid

**If substantial backlog, you need a
dedicated team**



STRATEGIC APPROACHES

Wield your power

Creative Solutions (Negotiated Settlement)

IPT

(a must for substantial backlog)

BASIC INSTRUMENTS

Basic Instruments include –

- Basic Ordering Agreements (BOAs)
- Indefinite Delivery Contracts (IDCs)

BOAs and IDCs are handled differently when it comes to contract closeout.

- **A BOA is an agreement -- not a “contract”**
 - the delivery orders issued under the agreement are the true contracts.

SUMMARY

- ❖ Use Closeout as a learning opportunity
 - ❖ (like conducting an autopsy)
- ❖ Closeout is a team sport
 - ❖ (DCAA, DCMA, PCO, TCO, Contractor, DFAS)
- ❖ Can't eat the elephant in one bite.
 - ❖ Strategy is critical along with creative business solutions.



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