



DEPARTMENT OF DEFENSE  
Defense Contract Management Agency

# INSTRUCTION

## Voluntary Refunds

Contracts Directorate  
DCMA-AQC

DCMA-INST 113  
July 1, 2013

*Validated Current with Administrative Changes July 8, 2014*

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**1. PURPOSE.** This Instruction:

- a. Reissues DCMA Instruction (DCMA-INST) 113, “Voluntary Refunds” (Reference (a)).
- b. Updates policy, assigns roles and responsibilities, and provides procedures for administration and oversight of voluntary refunds.
- c. Complies with DoD Directive (DoDD) 5105.64, *“Defense Contract Management Agency (DCMA)”* (Reference (b)).
- d. Was developed based on guidance from various sources including Defense Federal Acquisition Regulation Supplements (DFARS) and associated content located on the Procedures, Guidance and Information (PGI) Web site. See the References page for a comprehensive list of guidance used during development of this Instruction.

**2. APPLICABILITY.** This Instruction applies to all DCMA activities unless higher-level regulations, policy, guidance, *waiver*, or agreements take precedence; e.g., *DCMA International Directorate* and Special Programs *Directorate* activities). *For classified contracts with security requirements, exceptions to this Instruction shall be in accordance with supplemental instructions maintained by the Special Programs Directorate.*

**3. MANAGERS’ INTERNAL CONTROL PROGRAM.** This Instruction contains managers’ internal control provisions that are subject to evaluation and testing as required by DCMA-INST 710 “Managers’ Internal Control Program” (Reference (c)). *Flowcharts for primary processes are at Appendix A. The process flowchart is located on the resource Web page for this Instruction.*

**4. RELEASABILITY – UNLIMITED.** This Instruction is approved for public release.

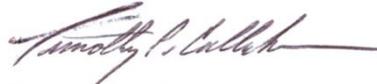
**5. PLAS CODE(S).**

- a. Process: 142 – Voluntary Refunds.
- b. Programs: ACAT/Other Customers (when applicable).

c. Other National, Training and Travel; Local Programs (when applicable).

**6. POLICY RESOURCE WEB PAGE.** <https://home.dcma.mil/policy/113r>

**7. EFFECTIVE DATE.** By order of the Director, DCMA, this Instruction is effective immediately.



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**TABLE OF CONTENTS**

<b>REFERENCES</b> .....	4
<b>CHAPTER 1 – POLICY</b>	
1.1. Policy .....	5
<b>CHAPTER 2 – ROLES AND RESPONSIBILITIES</b>	
2.1. Administrative Contracting Officer (ACO) .....	6
2.2. CMO Contracts Director or CACO/DACO Group Director .....	6
2.3. CMO Counsel .....	6
2.4. DCMA Contracts Directorate Voluntary Refunds Policy Advocate .....	6
<b>CHAPTER 3 – PROCEDURES</b>	
3.1. Soliciting Voluntary Refunds .....	7
3.2. Accepting Unsolicited Voluntary Refunds .....	7
3.3. Receiving Solicited or Unsolicited Voluntary Refunds .....	8
<b>APPENDIX</b>	
— <del>Appendix A. Process Flow</del> .....	<del>9</del>
<b>GLOSSARY</b>	
Definitions .....	9
Acronyms .....	10

**REFERENCES**

- (a) DCMA-INST 113, "Voluntary Refunds," May 2012 (hereby canceled)
- (b) DoDD 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) DCMA-INST 710, "Managers' Internal Control Program," *April 21, 2014*
- (d) DFARS PGI 242.7100, Voluntary Refunds
- (e) DFARS 242.7100, Voluntary Refunds

## **CHAPTER 1**

### **POLICY**

#### **1.1. POLICY.** It is DCMA policy:

1.1.1. To request voluntary refunds only after determining that no contractual remedy is readily available to recover the amount sought and acceptance of unsolicited refunds does not prejudice remedies otherwise available to the Government (DFARS PGI 242.7100 (Reference (d))).

1.1.2. The contract management office (CMO) contracts director, or the corporate administrative contracting officer/divisional administrative contracting officer (CACO/DACO) group director is delegated the approval authority to solicit voluntary refunds

## CHAPTER 2

### ROLES AND RESPONSIBILITIES

**2.1. ADMINISTRATIVE CONTRACTING OFFICER (ACO).** The ACO is responsible for:

2.1.1. Ensuring reimbursements are properly returned to the Government when the contractor voluntarily offers them.

2.1.2. Assessing the impact of accepting a voluntary refund by obtaining and considering financial, technical, property, and other advice from subject matter experts.

2.1.3. Preparing and submitting a written memorandum with the rationale for soliciting or accepting a refund to the CMO counsel.

2.1.4. Obtaining approval for the solicitation of voluntary refunds from the CMO contracts director or CACO/DACO group director.

2.1.5. Ensuring all checks received from the contractor for a solicited or unsolicited refund are kept in a secure location.

**2.2. CMO COUNSEL.** Before a voluntary refund is solicited or accepted, the counsel is responsible for reviewing the ACO's memorandum, the contract, and related data to confirm there are no readily available contractual remedies, and also advise if the proposed action would jeopardize or impair the Government's rights.

**2.3. CMO CONTRACTS DIRECTOR OR CACO/DACO GROUP DIRECTOR.** The CMO contracts director or CACO/DACO group director is responsible for approving the solicitation of voluntary refunds.

**2.4. DCMA CONTRACTS DIRECTORATE VOLUNTARY REFUNDS POLICY ADVOCATE.** The policy advocate is responsible for maintaining an electronic file of voluntary refunds received by the ACO. The file shall include the letter from the ACO identifying the voluntary refund with the contract number.

## CHAPTER 3

### PROCEDURES

#### **3.1. SOLICITING VOLUNTARY REFUNDS.**

3.1.1. The ACO determines that one or more of the following conditions exists during or after contract performance (DFARS PGI 242.7100 (Reference (d))):

3.1.1.1. Contractor overcharged under a contract.

3.1.1.2. Contractor inadequately compensated the Government for the use of Government-owned property.

3.1.1.3. Contractor inadequately compensated the Government in the disposition of contractor inventory.

3.1.1.4. Retention of the amount in question by the contractor or subcontractor would be contrary to good conscience and equity.

3.1.2. The ACO prepares package requesting a voluntary refund from a contractor. Prior to issuing a solicitation for a voluntary refund, the ACO must obtain approval from the CMO contracts director or the CACO/DACO group director. Upon approval, the ACO will draft a memorandum to ~~General~~ **CMO** counsel detailing the need to solicit the voluntary refund.

3.1.3. CMO counsel will review the ACO's memorandum, the contract, and related data to confirm that there are no readily available contractual remedies and to advise if the proposed action would jeopardize or impair the Government's rights (DFARS PGI 242.7100 (Reference (d))).

3.1.4. Upon the completion of the review by CMO counsel, the ACO will send the voluntary refund request to the contractor.

#### **3.2. ACCEPTING UNSOLICITED VOLUNTARY REFUNDS.**

3.2.1. The contractor notifies the ACO that a refund is due to the Government. The ACO completes a full review of the impact of the refund. The ACO prepares a memorandum with the rationale for accepting the refund. The ACO submits the memorandum to the CMO counsel for review.

3.2.2. CMO counsel will review the ACO's memorandum, the contract, and related data to confirm that there are no readily available contractual remedies and to advise if the proposed action would jeopardize or impair the Government's rights (DFARS PGI 242.7100 (Reference (d))).

3.2.3. The ACO notifies the contractor that the Government will accept the refund.

### **3.3. RECEIVING SOLICITED OR UNSOLICITED VOLUNTARY REFUNDS.**

3.3.1. A contract modification, rather than a check, is the preferred method for ~~receiving~~ *effecting* solicited or unsolicited refund before final payment (DFARS PGI 242.7100 (Reference (d))). The ACO credits the contract by issuing a modification to reduce the contract amount. After consulting the buying command, the ACO issues a modification to deobligate the funds. A deobligation is the downward adjustment of the obligation recorded in a contract document. It is caused by factors such as (1) termination of a part of the project, (2) reduction in material prices, (3) cost under-run, or (4) correction of recorded amounts.

3.3.2. If the voluntary refund is submitted by check, the ACO advises the contractor to make the check payable to the agency that awarded the contract (DFARS PGI 242.7100 (Reference (d))).

3.3.2.1. The ACO prepares Cash Collection Voucher, DD Form 1131. The refund check shall be kept in a secure location until it is sent via certified mail with the DD Form 1131 to the payment office or, in the event of a subcontract, to the ACO for the prime contract.

3.3.2.2. Send a copy of the check and a letter identifying the voluntary refund with the contract number and where possible, the appropriation and account number to be credited, to the procuring contracting officer. The ACO shall send a copy of the letter identifying the voluntary refund with the contract number to the Contracts Directorate voluntary refunds policy advocate.

## **GLOSSARY**

### **DEFINITIONS**

**Voluntary Refunds.** A voluntary refund is a payment or credit (adjustment under one or more contracts or subcontracts) to the Government from a contractor or subcontractor that is not required by any contractual or other legal obligation (DFARS 242.7100 (Reference (e))).

**GLOSSARY****ACRONYMS**

ACO	administrative contracting officer
CACO	corporate administrative contracting officer
CMO	contract management office
DACO	divisional administrative contracting officer
DCMA-INST	DCMA Instruction
DFARS	Defense Federal Acquisition Regulation Supplement
DoDD	DoD Directive
PGI	Procedures, Guidance and Information
PLAS	Performance Labor Accounting System