



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

IMMEDIATE POLICY CHANGE

Contract Closeout

Contracts Directorate
OPR: DCMA-AQ

DCMA-INST 135 (IPC-2)
March 8, 2016

1. **POLICY.** This Immediate Policy Change implements changes to DCMA-INST 135, “Contract Closeout,” April 14, 2014.
2. **PURPOSE.** This IPC adds requirements regarding Financial Improvement and Audit Readiness (FIAR).
3. **APPLICABILITY.** This IPC applies to all DCMA activities that prepare, manage, review, validate, approve, and use DCMA policies.
4. **NEW GUIDANCE.**
 - a. Change the following reference to read as:
 - (ad) DCMA Memorandum #~~13-288 15-193~~, “DCMA Quick-Closeout Class Deviation,” ~~September 18, 2013~~ *September 10, 2015*
 - b. Change paragraph 3.1.3. to read:

3.1.3. Within 60 days of physical completion, the ACO/functional specialist will conduct a review of all flexibly priced contracts/*orders over the simplified acquisition threshold* in MOCAS for data integrity. *For the purposes of this policy, flexibly priced contracts are defined as all contract types except for no-cost (k), firm-fixed-price (J), fixed-price with economic price adjustment (K) and fixed-price- award-fee (M).* The ACO/functional specialist will check the unliquidated obligation (ULO) balances against contract/order source documentation (payment records, modifications). Contractor invoices and payment records can be used to assist with validation of disbursements and reconciliation. Any data integrity errors found will be documented on a DCMA Form 1797, Request for MOCAS Action/Information (located on the Resource Page of this Instruction) and routed to the applicable party (identified in the DCMA Trusted Agent Procedural Guide) (Reference (h)) for correction. *The ACO/functional specialist will add this data integrity review as a milestone to the contract closeout checklist. The ACO/functional specialist will sign and date the checklist to document when this data integrity milestone is completed. To avoid closing a contract prematurely when signing an MCC checklist, the ACO/functional specialist may make a copy of the MCC checklist in Adobe and sign that copy. An*

March 8, 2016

electronic signature is preferred. This signature applies only to this data integrity milestone. The checklist will be signed again when the ACO closes the contract.

c. Change paragraph 3.2.1. to read:

3.2.1. Using the Contract Closeout Check List as a guide to ensure all closeout actions have been satisfactorily accomplished, functional specialists shall take actions to close the contract/order while awaiting the settlement of overhead rates or in litigation. ***By signing the checklist when a contract is ready for administrative closure, an ACO is certifying that all contract closeout actions have been completed and that documentation exists for those actions.*** Actions that may be applicable to all contract/order types, depending on the terms and conditions of the contract, include:

d. Add the following to the Glossary – Definitions:

Flexibly Priced contracts. Contracts with either Cost-type with the following codes R, S, T, U, & V, fixed-price incentive fee coded L, fixed-price re-determinable coded A, time-and-material coded Y, and labor-hour coded Z. The exceptions are No cost contracts coded Blank, firm-fixed price coded J, fixed-price with economic price adjustment coded K and fixed-price award fee coded M.

5. LABOR WORKLOAD CODE(S):

- a. Process Code: D7000 Closeout (General)***
- b. Agency and Local Codes: When applicable***

6. RELEASABILITY – UNLIMITED. This IPC is approved for public release and is located on DCMA's Internet Web site, www.dcma.mil/policy.

7. EFFECTIVE DATE. By order of the Director, DCMA, this IPC is effective immediately and shall remain in effect until rescinded, superseded, or incorporated in a DCMA policy, whichever is sooner.



Timothy P. Callahan
Executive Director, Contracts



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

IMMEDIATE POLICY CHANGE

Contract Closeout

Contracts Directorate
OPR: DCMA-AQ

DCMA-INST 135 (IPC-1)
March 4, 2015

1. **POLICY.** This Immediate Policy Change (IPC) implements changes to DCMA-INST 135, "Contract Closeout," April 14, 2014.
2. **PURPOSE.** This IPC adds requirements regarding dormant funds, excess funds, and incorporates guidance previously released under memorandum 14-227.
3. **APPLICABILITY.** This IPC applies to all DCMA activities that prepare, manage, review, validate, approve, and use DCMA policies.
4. **NEW GUIDANCE.**
 - a. Change the Reference page as follows:
 - (ad) DCMA Memorandum #~~11-40113-288~~, "DCMA Quick-Closeout Class Deviation," ~~October 25, 2011~~ *September 18, 2013*
 - *Add: (af) DCMA-INST 124, "Contract Property Management," March 31, 2014*
 - b. Paragraph 1.1.3. is changed as follows: 1.1.3. The **MOCAS** Contract Closeout Check List is used ~~as guide~~ to ensure all closeout actions have been satisfactorily accomplished. When completed, the Contract Closeout Check List is required to be signed by the ACO.
 - c. Insert new paragraph 2.3.5.: *2.3.5. ACO will notify the buying activity within 30 calendar days of identifying excess funds that need to be deobligated. The ACO shall coordinate with procurement contracting officer (PCO) to ensure excess funds are deobligated.*
 - d. Change the current paragraph 2.3.5. to 2.3.6. and replace with the following: *2.3.6. Use Quick-closeout as appropriate. The ACO should negotiate the settlement of indirect costs for a specific contract/order or group of contracts/orders in advance of the determination of final indirect cost rates. The ACO should coordinate Quick-Closeout efforts with the Divisional Administrative Contracting Officer (DACO) and DCAA or any other party with an interest prior to entering into negotiations.*

e. Insert new paragraph 2.8.: **2.8. HOST NATION AUDITOR. *Host Nation is responsible for outside the continental United States (OCONUS) audits where DCAA does not have authority to act or does not have access to contractors' records, the audits and CACWS described in 2.7.1. and 2.7.2. respectively, shall be done in accordance with higher level regulations, policy, guidance, waiver or agreements (e.g., Host Nation).***

f. Paragraph 3.1.1.4. is changed as follows: 3.1.1.4. An Indefinite Delivery Contract (IDC) provides for issuance of individual work orders ***that have associated dollar values***. IDCs are identified by the letter D in the 9th position of the contract/order number (example, N00019-12-D-3456). The FDD entered in MOCAS for an IDC should be the expiration date of the basic contract. Each order under an IDC must be closed individually. ***NOTE: Task and Delivery Orders under IDCs are not assigned individually for property administration. Accordingly, task and delivery orders under IDCs do not require individual property clearance. If Government contract property is involved, see DCMA-INST 124, Contract Property Management (Reference (af)).*** When orders are issued under the IDC contract, the FDD of the IDC shall be updated to reflect the latest delivery date applicable to any of the orders issued in MOCAS section 1. ACO/CA shall input into the R5 or R6 line of the Remarks Data Record the ordering period expiration date of the IDC. After the FDD has expired, the IDC should remain in MOCAS section 1 until all orders are closed. If all orders are in MOCAS section 2, ACO/CA should update the IDC to reflect the latest Estimated Completion Date to close all orders. After the last order under the IDC is closed, the IDC will be manually moved from MOCAS section 1 to section 2. The ACO will complete a Contract Closeout Check ***List*** and close the IDC using the MMC eTool or close the IDC in MOCAS applying a G and F NLA in the same cycle.

g. Paragraph 3.2.1.5.1. is changed as follows: 3.2.1.5.1. When a contract/order has been terminated for convenience, the TCO establishes a termination ~~docket in the Termination Automation Management System (TAMS)~~. The ACO/functional specialist should move the contract/order to MOCAS section 3 until all open actions and liabilities are resolved by the TCO. Upon execution of a settlement agreement, the TCO shall issue a modification and close the termination docket. The ACO should ensure the contract/order is moved to MOCAS section 5 and that DFAS has taken action to close the contract/order. ACO/CA shall verify contract/order is closed in ~~Electronic Document Workflow (EDW)~~ ***the official Record Management System.***

h. Paragraph 3.2.1.6. is changed as follows: 3.2.1.6. Excess, ~~and~~ Remaining, and Dormant Funds. When identifying excess funds, the ACO shall consider the type of contract/order, clauses within the contract/order, and the reason for the excess funds (e.g., if indirect rates have not been settled for a cost reimbursement type contract, the ACO should retain enough funding to make payment on the final voucher). Generally, fixed price contracts/orders have a ULO balance of \$0.00 when the contract/order becomes physically complete. However, there are instances where the contract/order allows for variances in quantity shipped, the contractor has rounded on the invoice, or performance on a specific Contracting Line Item Number (CLIN) was not necessary (e.g., fixed funds provided for maintenance or service on computer hardware). A review is conducted to determine if funds are excess or ~~remaining~~ on contract/order. Upon completion of the review, the circumstances that caused the funds balance will dictate whether

funds can be deobligated via modification, ~~or~~ removed automatically in MOCAS via the Q-Final process, **or via notification to the PCO.**

i. Paragraph 3.2.1.6.1. is changed as follows: 3.2.1.6.1. Excess funds are funds relating to a specific line item or deliverable that was not performed on a contract/order. The functional specialist shall **notify the buying activity within 30 days of identifying excess funds that need to be deobligated and shall** deobligate all excess funds by contract/order modification. For contracts/orders administered in the MOCAS system, the modification shall be fully processed before proceeding with the MCC eTool Final Pay NLA procedure.

j. Insert new paragraph 3.2.1.6.1.1.1.: **3.2.1.6.1.1.1. Prior to making an excess funds determination, the ACO/functional specialist shall confirm the contractor's proposal is determined adequate by the DCAA/Host Nation Auditor. When determining which funds are excess, the ACO/functional specialist will consider the amounts claimed for the contract/order in the proposal as well as any fee withholds if applicable. If the proposal does not identify cost claimed on an individual contract/order basis, the ACO/functional specialist will validate the cost claimed for the contract/order with the contractor.**

k. Paragraph 3.2.1.6.1.2. is changed as follows: 3.2.1.6.1.2. This review will be documented on an Excess Funds Determination form (see the Resource Page of this Instruction) **and retained in the contract file.** This review and documentation is required to be performed on all contracts/orders meeting the above criteria whose final proposals have been received within the 60-day period prior to the effective date of this guidance and for all such contracts/orders whose final proposals are received in the future.

l. Insert new paragraph 3.2.1.6.3.: **3.2.1.6.3. Dormant funds are funds where no obligations, adjustments, contract modifications, disbursements, or withdrawals have occurred within 120 days after the period of performance has expired. Additionally, commitments and obligations are defined as dormant in the case of contracts that are physically complete for 12 months or more, and for which the period of performance has expired.**

3.2.1.6.3.1. The ACO shall issue a Dormant Funds Notification form within 30 calendar days, identifying to the PCO that the contract is complete and no further financial transactions will occur (see the Resource Page of this Instruction).

3.2.1.6.3.2. Dormant funds that have been classified as "cancelled" will be identified by the ACO by November 15th of each year using the Dormant Funds Notification form. The ACO will send the Dormant Funds Notification to the PCO that no further actions will be taken by the ACO to clear cancelled funds.

m. Paragraph 3.2.3.3.3. is changed as follows: 3.2.3.3.3. This action is complete when applicable indirect cost rates have been settled or the DCAA **Sampling Low Risk ACO** Memorandum has been issued.

March 4, 2015

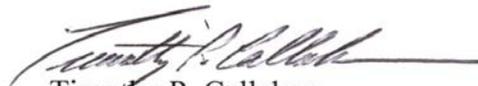
n. Paragraph 3.2.3.4.4. is changed as follows: 3.2.3.4.4. FAR 52.216-7 (Reference (y)) and FAR 52.232-7, Payments under Time and Materials and Labor Hour Contracts (Reference (ab)), *and cost type contracts* requires the contractor to execute and deliver:

o. Paragraph 3.3.1. is changed as follows: 3.3.1. The ACO will use the Quick-Closeout procedures to the maximum extent possible. FAR 42.708 (Reference (u)) provides guidance regarding the use of quick-closeout procedures. The FAR requirement effective June 30, 2011 states *that in order to be eligible for use of quick closeout procedures*, the amount of unsettled direct and indirect costs to be allocated to any one contract, task, or delivery order is relatively insignificant (i.e., does not exceed the lesser of \$1 million or 10 percent of the total contract, task order, or delivery order amount) *and the contract, task order, or delivery order is physically complete*.

p. Paragraph 3.3.1.3. is changed as follows: 3.3.1.3. ACOs should coordinate with the DCAA auditors and DACO prior to establishing a Quick-Closeout rate agreement. A DACO shall coordinate with the corporate administrative contracting officer (CACO) and/or other affected DACOs to determine if negotiating quick-closeout rates could restrict the CACO's or other DACO's ability to negotiate corporate or division cost flow-downs (especially those negotiated under the DCMA Quick-Closeout Class Deviation (Reference (ad)) (currently effective from ~~October 25, 2014~~ *September 18, 2013* through September 30, ~~2013~~ *2015*).

5. RELEASABILITY – UNLIMITED. This IPC is approved for public release and is located on DCMA's Internet Web site, www.dcma.mil/policy.

6. EFFECTIVE DATE. By order of the Director, DCMA, this IPC is effective immediately and shall remain in effect for 180 days from the date of signature or until rescinded, superseded, or incorporated in a DMCA policy, whichever is sooner.



Timothy P. Callahan
Executive Director, Contracts



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Contract Closeout

Contracts Directorate
DCMA-AQCF

DCMA INST 135
August 6, 2013

Administratively reissued, April 14, 2014

SUMMARY OF CHANGES. *The term “contract(s)” has been changed to read “contract(s)/order(s)” where applicable. Under 3.2.1.2.3. the statement “cognizant patent counsel” is deleted and replaced with “designated service representative.” The process flowchart is moved to the Contract Closeout Resource Web page.*

1. PURPOSE. This Instruction

- a. Revises DCMA Instruction (DCMA-INST) 135, “Contract Closeout” (Reference (a)).
- b. Establishes policies and assigns responsibility for the closeout of contracts as defined in Federal Acquisition Regulation (FAR) 4.804 (Reference (b)).
- c. Implements DCMA policy pursuant to references on page 3.
- d. Is established in compliance with DoD Directive 5105.64 (Reference (c)), and all references listed.

2. APPLICABILITY. This Instruction applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence (e.g., International (DCMAI) and Special Programs (DCMAS) activities).

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 (d)). The process flowchart is located at *the Contract Closeout Resource Web page*.

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

5. POLICY RESOURCE PAGE. <https://home.dcma.mil/policy/135r>

6. PLAS CODE(S).

- a. Process: 181 – Contract Closeout.

- b. Programs: ACAT/Other Customers (when applicable).
- c. Other National; Training and Travel; Local Programs (when applicable).

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



Timothy P. Callahan
Executive Director
Contracts

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REFERENCES**(Hyperlinks are available on the Policy Resource Page)**

- (a) DCMA-INST, “Contract Closeout,” March 2012 (hereby canceled)
- (b) FAR 4.804, “Closeout of Contract Files”
- (c) DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
- (d) DCMA-INST 710, “Managers’ Internal Control Program,” September 12, 2011
- (e) DCMA-INST 552, “Information Security,” August 2004
- (f) DFARS 204.804, “Closeout of Contract Files”
- (g) DFARS PGI 204.804, “Closeout of Contract Files”
- (h) DCMA Trusted Agent Procedural Guide, September 2012
- (i) FAR 52.227-11, “Patent Rights – Ownership by the Contractor”
- (j) FAR 52.227-13, “Patent Rights – Ownership by the Government”
- (k) DFARS 252.227-7039, “Patents – Reporting of Subject Inventions”
- (l) FAR 52.245-1, “Government Property”
- (m) FAR 52.216-4, “Economic Price Adjustment – Labor and Material”
- (n) FAR 52.216-6, “Price Redetermination – Retroactive”
- (o) FAR 52.216-10, “Incentive Fee”
- (p) FAR 52.216-16, “Incentive Price Revision – Firm Target”
- (q) FAR 52.216-17, “Incentive Price Revision – Successive Targets”
- (r) FAR 52.227-9, “Refund of Royalties”
- (s) FAR 42.801, “Notice of Intent to Disallow Costs”
- (t) DCMA-INST 128, “Disallowance of Costs,” December 2011
- (u) FAR 42.708, “Quick-closeout Procedure”
- (v) FAR 42.705-1, “Contracting Officer Determination Procedure”
- (w) FAR 42.705-2, “Auditor Determination Procedure”
- (x) DCMA-INST 125, “Final Overhead Rates,” April 12, 2013
- (y) FAR 52.216-7, “Allowable Cost and Payment”
- (z) FAR 42.705(b), “Final Indirect Cost Rates”
- (aa) FAR 33.211, “Contracting Officer’s Decision”
- (ab) FAR 52.232-7, “Payments under Time-and-Materials and Labor-Hour Contracts”
- (ac) DCMA-INST 106, “Public Vouchers,” May 2004
- (ad) DCMA Memorandum #11-401, “DCMA Quick-Closeout Class Deviation,” October 25, 2011
- (ae) DCMA-INST 120, “Pricing and Negotiation,” July 31, 2012

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy that:

1.1.1. The administrative contracting officer (ACO) close contract files within FAR-mandated time standards.

1.1.2. The ACO begins closeout process after confirming that all supplies and services have been delivered/completed.

1.1.3. The Contract Closeout Check List is used as guide to ensure all closeout actions have been satisfactorily accomplished. When completed, the Contract Closeout Check List is required to be signed by the ACO.

1.1.4. A contract shall not be closed if the contract is in litigation, under investigation, or pending a termination action (FAR 4.804-1(c) (Reference (b))).

1.1.5. Protecting information is critical and integral when conducting the processes associated with this Instruction. DCMA personnel are responsible for protecting classified and controlled unclassified information (CUI) entrusted to them. Prudent steps shall be taken to ensure final disposition of classified and CUI per DCMA and DoD policy. These procedures vary based on the type, access, and nature of the material involved. Refer to DCMA-INST 552, "Information Security" (Reference (e)) for guidance in the control, transmission, destruction, and storage of such material.

CHAPTER 2

RESPONSIBILITIES

2.1. CONTRACT MANAGEMENT OFFICE (CMO) COMMANDER/DIRECTOR/ CONTRACTS DIRECTOR. The CMO commander/director/contracts director shall ensure the ACO and contract administrators follow FAR, Defense Federal Acquisition Regulation Supplement (DFARS) and contractual requirements when closing contracts.

2.2. CONTINGENCY CONTRACTING ADMINISTRATION SERVICES (CCAS). Responsibilities of the head of the contracting activity for contingency contract closeout are addressed at DFARS 204.804(2) (Reference (f)).

2.3. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO shall:

2.3.1. Lead the contract closeout process, including coordinating with DCMA personnel, Defense Finance and Accounting Service (DFAS) (or other appropriate payment offices), buying activity personnel, Defense Contract Audit Agency (DCAA) (or other audit agencies), the contractor, and as necessary, the Office of Counsel, Defense Criminal Investigative Service, Inspector General, and the Department of Justice.

2.3.2. Review and determine if the contract is physically complete (FAR 4.804-5(a)) (Reference b)).

2.3.3. Notify the buying activity when all contract/*order* administration office closeout actions are complete (DFARS Procedures Guidance Information (PGI) 204.804-2(1)(iv)) (Reference (g))).

2.3.4. Notify the buying activity when a contract/*order* cannot be closed within the FAR mandated time standard (DFARS PGI 204.804-1(2)) (Reference (g))). This notification shall include the reason for the delay and the new estimated closeout date (ECD).

2.3.5. Use Quick-closeout as appropriate. The ACO should negotiate the settlement of indirect costs for a specific contract/*order* or group of contracts/*orders* in advance of the determination of final indirect cost rates. The ACO should coordinate Quick-Closeout efforts prior to entering into negotiations.

2.4. FUNCTIONAL SPECIALIST OR CONTRACT ADMINISTRATOR (CA). The functional specialist or CA shall:

2.4.1. Use the MOCAS Contract Closeout (MCC) eTool to track/record closeout actions on the contract closeout check list, and generate/process Final Pay Notice of Last Actions (NLA) for fixed price contracts and cost reimbursement contracts administered in Mechanization of Contract Administration Services (MOCAS), with the exception of Other Disbursing Offices (ODO) (see paragraph 3.4 of this Instruction).

2.4.2. Ensure that the correct current R2 delay overage code is input into the MOCAS system when the contract/*order* becomes overage and the code is updated as the contract/*order* moves through the closeout process. The functional specialist shall input an office of primary responsibility (OPR) code in the R9 remark line when R2 delay overage reason codes F, H, M, P, V, or W are used.

2.5. TERMINATION CONTRACTING OFFICER (TCO). The TCO shall:

2.5.1. Settle contracts/*orders* that are terminated for convenience.

2.5.2. Resolve all open actions and liabilities relating to terminations prior to closeout.

2.5.3. Issue settlement agreement or determination.

2.6. DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS). DFAS is responsible for closing MOCAS part B contracts/*orders*, those firm-fixed priced contracts/*orders* with funding less than \$100,000 when final payment has been made.

2.7. DEFENSE CONTRACT AUDIT AGENCY (DCAA). DCAA is responsible for:

2.7.1. Performing an audit of the annual submission of the contractor's overhead cost proposals and providing a report of findings to the ACO.

2.7.2. Establishing a Cumulative Allowable Cost Worksheet (CACWS), a summary schedule of cumulative allowable costs for each open flexibly priced contract/*order*.

CHAPTER 3

PROCEDURES

3.1. PERFORM AN INITIAL REVIEW OF PHYSICALLY COMPLETE CONTRACTS AND IDENTIFY CLOSEOUT ACTIONS.

3.1.1. Review and determine if the contract/*order* is physically complete.

3.1.1.1. Except as provided in paragraph 1.1.4, the time standards for closeout of contracts/*orders*, when closeout is accomplished by the office administering the contract/*order*, are as follows (FAR 4.804-1) (Reference (b))):

3.1.1.1.1. Files for contracts/*orders* using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment.

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

3.1.1.1.3. Files for contracts/*orders* requiring settlement of indirect cost rates should be closed within 36 months of the month in which the contracting officer receives evidence of physical completion.

3.1.1.1.4. Files for all other contracts/*orders* should be closed within 20 months of the month in which the contracting officer receives evidence of physical completion.

3.1.1.2. For the purposes of closeout, when a contract/*order* contains mixed type contract line items (fixed-price and cost-reimbursement), the functional specialist shall treat the contract/*order* as a cost-reimbursement type contract.

3.1.1.3. A Basic Ordering Agreement (BOA) is an agreement against which individual orders are issued. The delivery orders issued under the agreement are contracts. BOAs are identified by the letter G or H in the 9th position of the contract/*order* number (example, N00024-12-G-2345). For BOAs, the Final Delivery Date (FDD) entered in MOCAS should be the expiration date of the ordering period. When orders are issued under the contract/agreement, the FDD of the BOA shall be updated to reflect the latest delivery date applicable to any of the orders issued in MOCAS Section 1. ACO/CA shall input into the R5 or R6 line of the Remarks Data Record the ordering period expiration date of the BOA. After the ordering period has expired, the BOA should remain in MOCAS section 1 until all delivery orders are closed. Upon expiration of the ordering period and closeout of all orders, the ACO will request a trusted agent move the BOA from MOCAS section 1 to section 2 and process closeout using the MCC eTool or close the BOA in MOCAS applying a G and F NLA in the same cycle. Each delivery order under the BOA must be closed individually.

3.1.1.4. An Indefinite Delivery Contract (IDC) provides for issuance of individual work orders. IDCs are identified by the letter D in the 9th position of the contract/*order* number (example, N00019-12-D-3456). The FDD entered in MOCAS for an IDC should be the expiration date of the basic contract. Each order under an IDC must be closed individually. When orders are issued under the IDC contract, the FDD of the IDC shall be updated to reflect the latest delivery date applicable to any of the orders issued in MOCAS section 1. ACO/CA shall input into the R5 or R6 line of the Remarks Data Record the ordering period expiration date of the IDC. After the FDD has expired, the IDC should remain in MOCAS section 1 until all orders are closed. If all orders are in MOCAS section 2, ACO/CA should update the IDC to reflect the latest Estimated Completion Date to close all orders. After the last order under the IDC is closed, the IDC will be manually moved from MOCAS section 1 to section 2. The ACO will complete a Contract Closeout Checklist and close the IDC using the MMC eTool or close the IDC in MOCAS applying a G and F NLA in the same cycle.

3.1.1.5. Contracts/*orders* administered in MOCAS that have been partially terminated shall remain in section 1 until performance of the non-terminated portion has been completed.

3.1.1.6. Contracts/*orders* administered in MOCAS that are in litigation or under appeal shall remain in section 3 until the litigation or appeal is resolved. Contracts/*orders* in section 3 should be monitored for changes in status to ensure data integrity and timely closeout.

3.1.2. Prepare and provide the required interim contract completion statement (DD Form 1594, Contract Completion Statement, or Agency equivalent) (located on the Resource Page of this Instruction) to the buying activity when the contract/*order* is physically completed (DFARS PGI 204.804-2(1)(i) (Reference (g))). For contracts/*orders* administered in MOCAS, part A, an electronic version of the DD Form 1594 (Military Standard Contract Administration Procedures (MILSCAP) Format Identifier Interim PK9, Contract Physical Completion, or Electronic Data Interchange (EDI) Transaction 567) is automatically generated and sent to the buying activity when a contract/*order* moves to section 2.

3.1.3. Within 60 days of physical completion, the ACO/functional specialist will conduct a review of all flexibly priced contracts in MOCAS for data integrity. The ACO/functional specialist will check the unliquidated obligation (ULO) balances against contract/*order* source documentation (payment records, modifications). Contractor invoices and payment records can be used to assist with validation of disbursements and reconciliation. Any data integrity errors found will be documented on a DCMA Form 1797, Request for MOCAS Action/Information (located on the Resource Page of this Instruction) and routed to the applicable party (identified in the DCMA Trusted Agent Procedural Guide) (Reference (h)) for correction.

3.1.4. For contracts/*orders* valued above the simplified acquisition threshold, identify the necessary closeout actions to be taken using the DD Form 1597, Contract Closeout Check List (located on the Resource Page of this Instruction), (DFARS PGI 204.804-1(2) (Reference (g))).

3.1.4.1. For contracts/*orders* administered in MOCAS, the MCC eTool automatically generates a check list for physically complete contracts/*orders*. As closeout actions are completed and recorded in MOCAS, the MCC check list is automatically updated.

3.1.4.2. The MCC eTool streamlines the closeout process by reducing the number of screens the user navigates in order to close a contract. It allows the functional specialist to track the closeout process, generates a current closeout check list, updates R2 overage reason codes, and generates and processes Final Pay NLAs.

3.2. PERFORM CLOSEOUT ACTION.

3.2.1. Using the Contract Closeout Check List as a guide to ensure all closeout actions have been satisfactorily accomplished, functional specialists shall take actions to close the contract/*order* while awaiting the settlement of overhead rates or in litigation. Actions that may be applicable to all contract/*order* types, depending on the terms and conditions of the contract, include:

3.2.1.1. Security. When the contract/*order* is classified or contains requirements for handling classified documents (DD Form 254, DoD Contract Security Classification Specification (located on the Resource Page of this Instruction)), the ACO shall ensure that classified material has been dispositioned in accordance with Government security regulations and accounted for by the contractor. If there is a DD Form 254, the Defense Security Service (DSS) should be notified that the contract/*order* is complete and classified material should be disposed of properly. (Link to DSS is located on the Resource Page of this Instruction.) Disposition of classified material may be considered complete when a final DD Form 254 is issued indicating disposition, or the contractor provides written certification that all data has been properly processed. The cognizant Industrial Security Office address may be found on the contract/*order* DD Form 254. The ACO does not need to receive confirmation or certification of completed actions from the security office in order to proceed with closeout. When a contract/*order* with classified material is closed and a final contract completion statement has been issued, all classified material approved for retention by the contractor is under the cognizance of the procurement contracting officer (PCO) and the Industrial Security Office. The ACO shall ensure the prime contractor has cleared all DD Forms 254 from subcontractors performing under the prime contract/*order*.

3.2.1.2. Patents. When a contract/*order* contains a patent rights clause, FAR 52.227-11, FAR 52.227-13, or DFARS 252.227-7039 (References (i), (j), and (k)), the ACO shall obtain a final patent report from the contractor, as required by the clause, preferably on a DD Form 882, Report of Inventions and Subcontracts. The report should be submitted within 3 months after physical completion of the contract/*order*. The ACO shall forward the report to the buying activity for action. FAR 4.804-5(a)(2) (Reference (b)) states the final patent report should be cleared within 60 days of receipt and, if the patent report is not received, the contracting officer may proceed with closeout procedures upon consultation with agency legal counsel. The patent report should list all patent claims made under the contract/*order* or certify that there were no inventions (a negative report), and list all subcontracts which include a patents right clause or certify that no subcontracts were issued with this requirement.

3.2.1.2.1. If the contract/*order* contains FAR 52.227-11, Patent Rights – Ownership by the Contractor (Reference (i)), a final patent report is required only if there is an invention.

3.2.1.2.2. If DFARS 252.227-7039, Patents – Reporting of Subject Inventions (Reference (k)), is also in the contract/*order*, a final report is required within 3 months after physical completion.

3.2.1.2.3. The PCO should forward the clearance request and patent report to the ~~cognizant patent counsel~~ *designated service representative* for review and clearance.

3.2.1.2.4. If the final patent report is negative, the ACO may include language in a letter to the PCO, including a statement such as “if the PCO fails to issue a response within 60 days, patent clearance shall be deemed to have been issued” (see exception at paragraph 3.2.1.2.5. of this Instruction). If this letter option is pursued, prior to generation of this letter, the ACO should:

3.2.1.2.4.1. Proactively verify information on the negative DD Form 882, Report of Invention and Subcontracts, and include the basis for the opinion (progress report, labor report, interim patent reports, comments from quality assurance specialists/program integrators, final technical reports, etc.) in the request for patent clearance letter.

3.2.1.2.4.2. Document aggressive follow-up on the status of the pending request for patent clearance during the 60-day period.

3.2.1.2.4.3. If desired, include an invitation to the PCO/patent counsel to provide an opportunity for them to voice their objection to the 60-day response.

3.2.1.2.5. If the DD Form 882 contains a report of patentable subject inventions or if the ACO has reason to believe that a negative DD Form 882 has failed to disclose an invention, the ACO should not impose 60-day suspense for a patent clearance response.

3.2.1.3. Property Clearance. When a contract/*order* contains FAR 52.245-1, Government Property (Reference (l)), the functional specialist shall coordinate with the assigned Government property administrator (PA) or plant clearance officer to ensure Government property provided to the contractor was properly disposed. For contracts/*orders* in MOCAS, upon completion of all contract property disposition actions, the assigned PA shall initiate closeout action in Contract Property Administration System (CPAS), which will automatically generate the MOCAS R9 code 55. For contracts/*orders* not in MOCAS, a DD Form 1593, Contract Administration Completion Record will be completed.

3.2.1.4 Price Revision. When the contract/*order* contains clauses for economic price adjustments (FAR 52.216-4, Economic Price Adjustment – Labor and Material (Reference (m)), price redetermination (FAR 52.216-6, Price Redetermination – Retroactive (Reference (n)), or incentives (FAR 52.216-10, Incentive Fee (Reference (o))); FAR 52.216-16, Incentive Price Revision – Firm Target Reference (p)), or FAR 52.216-17, Incentive Price Revision – Successive Targets (Reference (q)), adjustments in price may be necessary. The ACO should review the contract/*order* terms to identify any restrictions or limitations on the items eligible for adjustment.

3.2.1.4.1. Economic Price Adjustment. The ACO will review a contractor's notification of an increase or decrease in rates of pay for labor or unit prices for material, which the contractor must submit within 60 days after such change, but no later than final payment. When an adjustment is necessary, the ACO shall negotiate a price adjustment, issue a bi-lateral modification, and document the negotiation to complete this action.

3.2.1.4.2. Price Redetermination. Upon receipt of a redetermination proposal submitted by the contractor in accordance with the contract redetermination clause at FAR 52.216-6 (Reference (n)), the ACO shall negotiate to re-determine fair and reasonable prices and issue a "bi-lateral" contract modification and document the negotiation prior to complete this action.

3.2.1.4.3. Incentives. Contracts/*orders* containing incentive clauses may be subject to submission and negotiation of cost elements that will be used in the formula for the incentive arrangement. For an incentive contract/*orders*, the ACO shall ensure that all overhead rates applicable to the contract/*order* have been negotiated and the contractor is eligible to submit its re-pricing settlement proposal. The ACO shall issue a modification, in accordance with the contract/*order* clause, to complete this action.

3.2.1.5. Termination. A contract/*order* may be terminated for convenience or terminated for default. The DCMA TCO settle contracts/*orders* that are terminated for convenience, and the buying activity settles contracts/*orders* that are terminated for default.

3.2.1.5.1. When a contract/*order* has been terminated for convenience, the TCO establishes a termination docket in the Termination Automation Management System (TAMS). The ACO/functional specialist should move the contract/*order* to MOCAS section 3 until all open actions and liabilities are resolved by the TCO. Upon execution of a settlement agreement, the TCO shall issue a modification and close the termination docket. The ACO should ensure the contract/*order* is moved to MOCAS section 5 and that DFAS has taken action to close the contract/*order*. ACO/CA shall verify contract/*order* is closed in Electronic Document Workflow (EDW).

3.2.1.5.2. Upon receipt of a no-cost termination settlement modification for a contract/*order* administered in MOCAS, DFAS is responsible for moving the contract/*order* to MOCAS section 5. The ACO should ensure that DFAS takes action to close the contract/*order*, which completes this action.

3.2.1.5.3. The buying activity maintains the termination docket for contracts/*orders* terminated for default.

3.2.1.6. Excess and Remaining Funds. When identifying excess funds, the ACO shall consider the type of contract/*order*, clauses within the contract/*order*, and the reason for the excess funds (e.g., if indirect rates have not been settled for a cost reimbursement type contract, the ACO should retain enough funding to make payment on the final voucher). Generally, fixed price contracts/*orders* have a ULO balance of \$0.00 when the contract/*order* becomes physically

complete. However, there are instances where the contract/*order* allows for variances in quantity shipped, the contractor has rounded on the invoice, or performance on a specific Contracting Line Item Number (CLIN) was not necessary (e.g., fixed funds provided for maintenance or service on computer hardware). A review is conducted to determine if funds are excess or remaining on contract/*order*. Upon completion of the review, the circumstances that caused the funds balance will dictate whether funds can be deobligated via modification or removed automatically in MOCAS via the Q-Final process.

3.2.1.6.1. Excess funds are funds relating to a specific line item or deliverable that was not performed on a contract/*order*. The functional specialist shall deobligate all excess funds by contract/*order* modification. For contracts/*orders* administered in the MOCAS system, the modification shall be fully processed before proceeding with the MCC eTool Final Pay NLA procedure.

3.2.1.6.1.1. Within 60 days of receiving the contractor's final incurred cost/indirect rate proposal for a physically complete, flexibly-priced contract/*order* for the final year of contract performance, the ACO/functional specialist will notify the PCO of excess funds available for de-obligation, or document the reason for retention of ULO entire balance. This requirement applies to all physically complete, flexibly-priced contracts/*orders* when:

The ULO is > or = 25 percent of the obligated amount and is greater than \$250,000; or
The ULO is > or = \$5 million

3.2.1.6.1.2. This review will be documented on an Excess Funds Determination form (see the Resource Page of this Instruction). This review and documentation is required to be performed on all contracts/*orders* meeting the above criteria whose final proposals have been received within the 60- day period prior to the effective date of this guidance and for all such contracts/*orders* whose final proposals are received in the future.

3.2.1.6.2. Remaining funds are funds left on a contract/*order* due to quantity variances or price rounding and where all contract/*order* performance as required by the contract/*order* has been completed and paid in full. For contracts/*orders* administered in the MOCAS system, the functional specialist shall annotate the ACO notebook with a remark stating, "\$XX.XX (amount of remaining funds) funds are remaining funds and should be Q-Finalled." When the Final Pay NLA is processed using the MCC eTool, the annotation enables the Q-Final process in MOCAS, which automatically clears the remaining funds and proceeds with closing. Prior to a contract/*order* moving to section 5, when there is a ULO balance MOCAS automatically generates a Q-Final transaction to reduce the ULO to zero. The payment office reviews the list of closed contracts/*orders* to determine which contracts/*orders* shall be reopened and/or adjusted for financial reconciliation, etc. The payment office automatically reopens or moves the reopened contracts/*orders* to section 4. If ACO assistance is required, the payment office will contact the ACO directly.

3.2.2. Fixed Price Contracts. Actions that may be applicable to fixed price type contracts/*orders*, depending on the terms and conditions of the contract/*order*, include:

3.2.2.1. Royalty Report. When a contract/*order* contains FAR Clause 52.227-9, Refunds of Royalties (Reference (r)), the contract/*order* price may include certain amounts for royalties payable by the contractor, subcontractor, or both. Before final payment can be made, the ACO shall review a statement provided by the contractor of royalties paid or required to be paid in connection with performing the contract/*order* and subcontracts/*orders* thereunder together with the reasons.

3.2.2.1.1. If royalties were included in the contract/*order* price and are determined by the ACO to be properly chargeable to the Government and allocable to the contract/*order*, then the contractor will be compensated and this action is complete.

3.2.2.1.2. If royalties were included in the contract/*order* price and were not in fact paid by the contractor, or are determined by the ACO not to be properly chargeable to the Government and allocable to the contract/*order*, then the contract/*order* price shall be reduced. Repayment or credits to the Government shall be made as the ACO directs, completing this action.

3.2.2.2. Final Payment. For contracts/*orders* in MOCAS Part B with funding equal to or less than \$25,000, when a final payment is made, the contract/*order* automatically moves to section 5 and then to section 8. When the contract/*order* enters section 8, no further action is required by the functional specialist.

3.2.2.2.1. For contracts/*orders* in MOCAS Part B with funding greater than \$25,000 but not exceeding \$99,000, DFAS is responsible for closing the contract/*order* within 6 months and any excess funds are deobligated automatically. If DFAS encounters a problem closing the contract/*order*, the functional specialist may need to assist; otherwise, DFAS is responsible for closing the contract/*order* within the 6-month time standard and ensuring the contract/*order* moves to section 5 and then to section 8. When the contract/*order* enters section 8, no further action is required by the functional specialist or DFAS.

3.2.2.3. For all other MOCAS administered contracts/*orders*, except ODOs (see paragraph 3.4.), the ACO shall review the contract/*order* to identify excess funds and use the MCC eTool (see MCC eTool Computer Based Training) to generate and process a Final Pay NLA, ensuring the contract/*order* moves to section 5 and then to section 8. When the contract/*order* enters section 8, no further action is required by the functional specialist or DFAS.

3.2.2.4. When the Final Pay NLA has been processed in MCC, the information is transmitted to MOCAS and an electronic contract completion statement is generated and sent to the buying activity, an R9 Remark FMNLA PROCESSED (indicating date of final payment) is generated.

3.2.3. Close Other Than Fixed Price Contracts. Actions that may be applicable to cost reimbursement type contracts/*orders*, depending on the terms and conditions of the contract/*order*, include:

3.2.3.1. Interim or Disallowed Costs. The ACO shall ensure that all interim or disallowed costs are settled under the contract/*order* prior to closeout. In accordance with FAR 42.801 (Reference (s)) and DCMA-INST 128, “Disallowance of Cost” (Reference (t)), at any time during the performance of a cost reimbursement contract/*order*, the ACO may issue a notice of intent to disallow costs. When costs have been suspended or disapproved under a cost reimbursement contract/*order*, either the ACO or DCAA (DCAA Form 1) may issue a Notice of Costs Suspended and/or Disapproved Under Cost Reimbursement Contracts.

3.2.3.2. Subcontract Costs. The prime contractor is responsible for auditing subcontractors and generally closes subcontracts using procedures similar to the Government. The functional specialist shall ensure that the prime has settled subcontractor costs before closing a contract/*order*. DCAA may issue a qualified indirect cost audit report indicating that audit of certain subcontract costs has not been completed. When the subcontract costs (direct or indirect) are considered to be immaterial, the functional specialist may proceed with contract closeout.

3.2.3.3. Indirect Cost Rates. Functional specialists shall ensure that indirect cost rates are settled covering the contract/*order* period of performance. The ACO shall not close a cost reimbursement type contract until all applicable indirect cost rates are settled, or unless Quick-Closeout Procedures are used to settle the indirect costs (see FAR 42.708 (Reference (u)), and paragraph 3.3 of this Instruction). Indirect Cost Rates may be established on the basis of ACO determination procedure FAR 42.705-1 (Reference (v)) or by auditor determination procedure FAR 42.705-2 (Reference (w)), in accordance with DCMA-INST 125, “Final Overhead Rates” (Reference (x)). The contractor is not eligible to submit a final voucher until all the applicable indirect costs and overhead rates have been negotiated and established.

3.2.3.3.1. FAR 52.216-7, Allowable Cost and Payment (Reference (y)), requires the contractor to submit an adequate final indirect cost rate proposal for the establishment of final indirect cost rates. See the DCMA-125 (Reference (x)), for guidance on obtaining the final indirect cost rate proposals and required ACO actions when the proposal submissions are late or inadequate.

3.2.3.3.2. When indirect cost rates are determined by DCAA, it is important that CMOs team with their DCAA counterparts to ensure audit plans for completing audits of final indirect cost rates and requesting submission of final vouchers are consistent with CMO plans for closing contracts/*orders* in a timely manner. DCAA will not prioritize or schedule final indirect cost rate proposal audits for contractors that have not submitted timely, adequate final indirect cost rate proposals unless part of the DCAA Sampling Plan (see Resource Page of the Instruction for details). Contractors still need to submit final proposals under the sampling plan, see DCMA-INST 125 (Reference (x)).

3.2.3.3.3. This action is complete when applicable indirect cost rates have been settled or the DCAA Sampling Memorandum has been issued.

3.2.3.3.4. When closing a flexibly priced contract/*order* using final rates from DCAA Sampling Initiative memorandums, the ACO or CA should manually input the R9 code, 80 - Contracts closed under DCAA Low-Risk Final Indirect Rate Initiative to MOCAS. The input

should occur before the contract/*order* is closed. This will help determine the number of contracts/*orders* being closed with rates from the DCAA Sampling Initiative and show the benefits of the Sampling Initiative.

3.2.3.4. Contractor's Final Voucher Submission with Supporting Documents. The contractor must submit a completion invoice or voucher reflecting the settled amounts and rates within 120 days of the following:

3.2.3.4.1. In accordance with FAR 42.705(b), Final Indirect Cost Rates (Reference (z)), within 120 days after settlement of the final indirect cost rates for all years of a physically complete contract/*order*.

3.2.3.4.2. If the Contracting Officer receives a DCAA Sampling Memorandum, documenting that, based on a risk assessment and a proposal adequacy evaluation, the proposal is deemed low-risk (DCAA Sampling Memorandum). The Contracting Officer shall send a copy to the Contractor using the template located on the Resource Page instructing the Contractor to submit a final voucher package within 120 days of receipt.

3.2.3.4.3. The ACO may authorize, in writing, an extension to the 120-day requirement. In accordance with DCMA-INST 125 (reference (x)), the ACO should only grant contractors due date extensions if the contractor submits a written request for an extension based on exceptional circumstances (FAR 42.705-1(b) (Reference (v))). If the ACO grants an extension, the ACO shall prepare a written memorandum for record (MFR) to document the exceptional circumstances and rationale for approving the extension. The ACO shall provide DCAA a copy of the MFR. In accordance with FAR 42.705 (Reference (z)), when the contractor fails to submit a completion invoice or voucher within the specified time period, the contracting officer should:

3.2.3.4.3.1. Unilaterally determine the amounts due to the contractor under the contract/*order*. The contracting officer determination shall be issued as a final decision in accordance with FAR 33.211, Contracting Officer's Decision (Reference aa)).

3.2.3.4.3.2. Record the determination in a unilateral modification to the contract/*order*.

3.2.3.4.4. FAR 52.216-7 (Reference (y)) and FAR 52.232-7, Payments under Time and Materials and Labor Hour Contracts (Reference (ab)), requires the contractor to execute and deliver:

3.2.3.4.4.1. An assignment to the Government of refunds, rebates, credits, or other amounts (including interest, if any) properly allocable to costs for which the contractor has been reimbursed by the Government under the contract/*order*.

3.2.3.4.4.2. A release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under the contract/*order* (some exceptions exist, see FAR 52.216-7 (Reference (y)) and FAR 52.232-7 (Reference (ab))).

3.2.3.4.4.3. A Standard Form 1034, Public Voucher for Purchases and Services Other Than Personal (located on the Resource Page of this Instruction) marked as completion or final or a WAWF Final Cost Voucher. The functional specialist shall review the final voucher package to ensure all closing documents have been obtained, are in order, and properly executed. The functional specialist shall immediately contact the contractor if required documents are missing or improperly completed. Upon submission of a proper final voucher package, this action is complete.

3.2.3.5. Contract Final Audit. The CACWS is a summary schedule of cumulative allowable costs for each open flexibly priced contract/*order* through the last contractor fiscal year for which indirect cost rates have been settled. If DCAA has established a CACWS, the ACO should use the CACWS to determine the allowable costs for the contract/*order*. The CACWS also indicates if the contract/*order* is physically complete and provides the status of assist audits to prime contractors and contracting officers. Use of the CACWS significantly reduces resources necessary to close out a contract/*order*.

3.2.3.6. Final Voucher. ACOs may review final vouchers instead of requesting DCAA to review final vouchers if the ACO determines the contract/*order* to be low risk. The ACO will conduct a risk assessment of the contract/*order* and DCMA will review the final voucher for those contracts/*orders* determined to be low risk. DCMA will continue to request DCAA review the final voucher for those contracts/*orders* that are determined to be higher risk. The criteria to determine whether the contract/*order* is low risk are:

3.2.3.6.1. A CACWS has not been prepared.

3.2.3.6.2. The ACO believes the contract/*order* value and complexity are acceptable for DCMA to review the final voucher if: risk factors are not present; subcontract costs on the contract/*order* have been settled and cognizant ACO has determined the applicable business systems (accounting and purchasing) are approved or deficiencies do not impact the final voucher; and cognizant contracting officer has not identified unsettled disallowances, outstanding legal actions, open insurance claims, defective pricing issues, Armed Services Board of Contract Appeals (ASBCA) cases, or other unresolved items affecting the contract/*order*.

3.2.3.6.3. Indirect rates or Quick-Closeout rates are established for all years covered by the contract/*order* period of performance.

3.2.3.7. Final Voucher and Identification of Final Excess Funds. DCMA-INST 106, "Public Voucher" (Reference (ac)) provides guidance on the specific steps for processing the completion/final voucher. When all administrative contract closeout actions are complete, the ACO shall approve and forward the final voucher to DFAS for certification and payment in accordance with the DCMA-INST 106 (Reference (ac)). A final review of contract/*order* funds is performed to determine if any remaining funds exist. Remaining funds are funds left on contract/*order* due to price rounding or cost underruns where all contract/*order* performance as required by the contract/*order* has been completed and paid in full. When the final voucher is processed for payment, this annotation enables MOCAS to use the Q-Final process,

automatically clear the remaining funds, and proceed with closing the contract/*order*. (See paragraph 3.2.1.6. for additional information about the Q-Final Process).

3.2.3.8. Final Payment. The functional specialist shall ensure that the final voucher has been processed by the payment office. Contracts/*orders* that are administered in MOCAS, upon final payment, shall be moved to section 5 and then to section 8.

3.2.3.8.1. If a final voucher has been paid, but the contract/*order* remains open, the ACO should verify that all prior vouchers have been paid and the payment was coded as a final payment (type 1 code) in the disbursement history. If this is the case, the ACO may use MCC to generate and process a Final Pay NLA.

3.2.3.8.2. For contracts/*orders* with MOCAS type 2 coded payments with remaining funds left on the contract/*order*, the ACO should ensure that the remaining funds were annotated on the ACO notebook before using the MCC etool to generate and process a Final Pay NLA.

3.2.3.9. Reopen Contracts. Contracts/*orders* closed in MOCAS may be reopened either manually by DFAS, automatically by MOCAS, or by ACO Direct Input. Each month contracts/*orders* reopen because MOCAS data discrepancies were not resolved prior to closure. The R5 line in MOCAS shows the date and reason the contract/*order* was reopened. In many instances, the ACO is not notified when or why these contracts/*orders* reopen. The ACO/CA should periodically review the reopen list of contracts/*orders*, research the reopen reason, try to resolve any issues in MOCAS, and update the ACO Notebook Remarks accordingly.

3.3. USE QUICK-CLOSEOUT AS APPROPRIATE.

3.3.1. The ACO will use the Quick-Closeout procedures to the maximum extent possible. FAR 42.708 (Reference (u)) provides guidance regarding the use of quick-closeout procedures. The FAR requirement effective June 30, 2011 states the amount of unsettled direct and indirect costs to be allocated to any one contract, task, or delivery order is relatively insignificant (i.e., does not exceed the lesser of \$1 million or 10 percent of the total contract, task order, or delivery order amount).

3.3.1.1. DCMA has issued a Class Deviation (Reference (ad)) authorizing ACOs to close specific contracts prior to the establishment of final indirect cost rates, regardless of dollar value or the percent of unsettled indirect costs allocable to the contract (or Task Order or Delivery Order). This deviation may be used provided the contractor has submitted a final certified indirect cost rate proposal for the subject contract/*order* that has been audited by the DCAA. In selected instances, the ACO may waive the incurred cost audit requirement when compelling reasons exist. The decision to waive the audit must be made by the ACO cognizant of establishing the Quick-Closeout rate agreement in consultation with DCAA. ACOs are encouraged to use this deviation to the maximum extent possible.

3.3.1.2. The ACOs shall obtain input from the contractor on the affected contract(s) */order(s)* and reach an agreement on the list of contracts/*orders* to be covered by Quick-Closeout. ACOs who administer contracts/*orders* affected by unsettled rates shall provide the

list of affected contracts/*orders* along with justification for using quick-closeout rates to the divisional administrative contracting officer (DACO).

3.3.1.3. ACOs should coordinate with the DCAA auditors and DACO prior to establishing a Quick-Closeout rate agreement. A DACO shall coordinate with the corporate administrative contracting officer (CACO) and/or other affected DACOs to determine if negotiating quick-closeout rates could restrict the CACO's or other DACOs ability to negotiate corporate or division cost flow-downs (especially those negotiated under the DCMA Quick-Closeout Class Deviation (Reference (ad)) (currently effective from October 25, 2011 through September 30, 2013)).

3.3.1.4. The cognizant ACO (typically DACO) responsible for settling final indirect rates with a company or division shall negotiate quick-closeout rates if they are determined appropriate. The ACO responsible for contract closeout shall seek reaching quick-closeout rates prior to establishment of an agreement by the cognizant ACO. The responsible contracting officer shall develop the quick-closeout rates in accordance with the quick-closeout procedures discussed in the DCMA Contract Closeout Guidebook (see Resource Page of this Instruction).

3.3.1.5. Once an agreement is reached for the affected contract(s) */order(s)*, the responsible ACO shall develop the quick-closeout rates and prepare a price negotiation objective memorandum (PNOM) in accordance with DCMA policies on DCMA-INST 125 (Reference (x)) and DCMA-INST 120 "Pricing and Negotiation – Contracts" (Reference (ae)). The PNOM may be tailored to fit the specific requirements of quick-closeout procedures.

3.3.1.6. The determination of final indirect costs under quick-closeout procedures is final for the contracts/*orders* it covers and no adjustments are made to other contracts/*orders* for over or under recoveries of costs allocated or allocable to the contracts/*orders* covered by the advance agreement for quick-closeout rates. Additionally, indirect cost rates used in the quick-closeout of a contract/*order* are not considered a binding precedent when establishing the final indirect cost rates for other contracts/*orders*.

3.4. CLOSEOUT OTHER DISBURSING OFFICE (ODO) CONTRACTS.

3.4.1. DCMA provides contract administration services for contracts/*orders* that are not paid through MOCAS. These contracts/*orders* are typically referred to as ODOs and closeout varies slightly from traditional primary administration.

3.4.1.1. DCMA ACOs are not able to perform the funds review at the time of physical completion as required by FAR. Defense Logistics Agency (DLA) has retained the responsibility for closeout of the function required by FAR 4.804-5(a)(14), FAR 4.804-5(a)(15), FAR 4.804-5(b)(9) (Reference (b)), and DFARS PGI 204.804-2(1)(iv) (Reference (g)). All other closeout actions should be performed. DLA ODOs close automatically if they are in MOCAS part A and coded correctly. The criteria for DLA Auto Closeout is as follows:

3.4.1.1.1. Contract is in CAR section 2.

3.4.1.1.2. Dept Code = S.

3.4.1.1.3. Contract Level Pay Office = 9.

3.4.1.1.4. R-9 Remark Contains 70.

3.4.1.1.5. Physical Completion Date is at least 30 days prior to the date the contract/*order* moved to section 2.

3.4.1.1.6. Payment Office Department of Defense Activity Address Code (DoDAAC), SL4701, is stated in the line of accounting. (**Note:** Previous DoDAACs used by DLA Payment Office include S33181, S33184, S44073, S36054, SC0100.)

3.4.1.2. If the ACO wants to prevent automatic closeout of a DLA ODO contract/*order*, enter code 56 in the R9 remarks field. Code 56 will cause the contract/*order* to bypass the automatic closeout process and the ACO/functional specialist should follow the normal process for closeout of contract/*order*.

3.4.1.3. DCMA does not have an agreement with other activities regarding our administration of ODO contracts/*orders*. For ODO contracts/*orders* other than DLA ODOs, verification should be made with the payment office that final payment has been made and that the ULO balance equals zero. The criteria for non-DLA ODO closeout is as follows:

3.4.1.3.1. Ensure all non-DLA ODOs have the R9 remark code 54.

3.4.1.3.2. Ensure all ACO/PCO modifications and DD Forms 250, Material Inspection and Receiving Report or WAWF Receiving Report are entered into MOCAS.

3.4.1.3.3. Verify that the Line Item Schedule Summary Record is balanced.

3.4.1.3.4. Ensure all contractual actions have been completed.

3.4.1.3.5. Contract payment office has verified that final payment has been made and that the ULO balance equals zero. The sources for payment information are as follows: Pay Office, My Invoice, PCO.

3.4.1.3.6. Contract/*order* shall be manually closed using MCC eTool to generate and process a Final Pay NLA. A DD Form 1594 must be completed and sent to the buying activity.

3.5. CLOSING NON-PROCUREMENT INSTRUMENTS (NPI).

3.5.1. Grants, agreements, and other transactions (OT) are referred to collectively as NPI. When closing NPI, special attention should be made to property issues, payment issues, and patent/royalty/march-in right issues. Although NPI (OTs, including Technology Investment

Agreements) are not covered by the FAR/DFARS, the DCMA closeout process is generally the same as for contracts/*orders*. ACOs should ensure that all necessary closeout actions are accomplished within 36 months of expiration of the agreement.

3.5.1.1. Unique file documentation requirements may exist for OTs and similar agreements. The file should include the following:

3.5.1.1.1. An invention disclosure spreadsheet, or similar information.

3.5.1.1.2. A property list spreadsheet, or similar information.

3.5.1.1.3. Evidence of Government program manager certification that all milestones have been satisfactorily completed and that all deliverable items/reports have been accepted.

3.5.1.1.4. Evidence of Administrative Grant Officer review of expenditures/cost share contributions and verification of these amounts as appropriate.

3.5.1.1.5. Evidence that the recipient sent copies of required reports/documents to the Defense Technical Information Center, when required by the agreement.

3.5.1.1.6. A closeout check list or closeout worksheet or similar information.

3.5.1.1.7. A closeout memorandum or DD Form 1594 that addresses all pertinent closeout actions.

3.6. CLOSING SUPPORT CONTRACTS. When support contracts/*orders* administered in MOCAS (assignment code S or T) are ready to be closed, the functional specialist shall move the contract/*order* from section 1 to section 5 through the MOCAS YCU2 screen and then hit summary edit. Manual closeout of Support contracts is required.

3.7. MAINTAINING DORMANT CONTRACTS. If a contract/*order* has been moved to section 3 due to dormancy, the ACO shall ensure that the appropriate dormancy reason code has been entered into MOCAS. These codes shall be reviewed and updated as necessary to ensure the system reflects current contract/*order* status. For example, a contract/*order* was originally moved to section 3 awaiting review by the ASBCA and when the appeal was denied, the contractor filed for bankruptcy. Accordingly, the Dormancy Reason Code should be updated from BCA to BKRPT. In addition, if the closeout date is expected to exceed the overage date, the functional specialist shall enter an estimated closeout date and overage reason code in MOCAS and update as necessary.

3.8. CLOSEOUT NOTIFICATIONS TO BUYING ACTIVITIES.

3.8.1. The ACO shall notify the buying activity when all contract administration office closeout actions are complete per DFARS PGI 204.804-2(q)(iv) (Reference (g)). For contracts/*orders* administered in MOCAS, the system automatically generates PK9 notices to the

buying activity. For contracts/*orders* not administered in MOCAS, a DD Form 1594 or Agency equivalent, should be used to notify the buying activity of closeout progress.

3.8.1.1. Physical Completion. For contracts/*orders* administered in MOCAS, an electronic version of the DD Form 1594 (MILSCAP Format Identifier PK Notice or EDI Transaction) (located on the Resource Page of this Instruction) is automatically generated and sent to the buying activity when a contract/*order* moves to section 2.

3.8.1.2. Overage and R2 Remarks. The ACO shall notify the buying activity when a contract/*order* cannot be closed within the FAR mandated time standard per DFARS PGI 204.804-2(2) (Reference (g)). This notification shall include the reason for the delay and the new ECD for closeout. For contracts/*orders* administered in MOCAS, functional specialists shall use MCC eTool to update R2 overage reason codes. The ACO/CA shall input every applicable R2 code into MOCAS, and then as the ACO/CA works through the contract/*order* the codes will be removed. If more than one code is applicable, enter codes in order of significance. Up to nine reason codes may be included. Suffix all codes with a blank (e.g., A B C, not as ABC). Reason codes cannot be entered if the ECD is prior to the Overage Date. The reason code and ECD should reflect the current closeout status of the contract/*order*. For contracts/*orders* administered in MOCAS, a PK Notice is automatically generated and sent to the buying activity when the functional specialist enters or updates an overage reason code and estimated closing date. To provide a better explanation as to why the contract/*order* is overage, information may be added in the ACO notebook. The functional specialist will ensure that the most current code is input into the MOCAS system as the contract/*order* moves through the closeout process. The functional specialist shall input OPR code in the R9 remark line when certain R2 Delay overage reason codes (F, H, M ,P, V, or W) are used. The OPR codes (70 series) are:

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

3.8.1.3. Final Contract Completion. For contracts/*orders* administered in MOCAS, a PK9 Notice is automatically generated and sent to the buying activity as follows:

3.8.1.3.1. Contracts Using Simplified Acquisition Procedures – based upon physical completion.

3.8.1.3.2. Fixed Price Contracts – based upon final payment and ACO Certification (processing of Final Pay NLA in MCC eTool).

3.8.1.3.3. Cost Reimbursement Contracts – based upon ACO signature on the final voucher and processing of the final voucher for payment (processing of a Final Pay NLA in MCC eTool).

3.8.1.3.4. All Other Contracts – based upon final payment and ACO Certification
(processing of a Final Pay NLA in MCC eTool).

GLOSSARY

DEFINITIONS

Closed. All administrative actions, including final payment, have been completed and all disputes have been settled. A contract is considered to be closed on time when closeout is achieved within the FAR-mandated time standard.

Cost reimbursement contracts. Contract under which allowable and reasonable costs incurred by a contractor in the performance of a contract are reimbursed in accordance with the terms of the contract.

Fixed Price contracts. Contract that provides for a price which is not subject to any adjustment unless certain provisions are included in the contract. These contracts are negotiated usually where reasonable definite specifications are available, and costs can be estimated with reasonable accuracy. A fixed price contract places minimum administrative burden on the contracting parties, but subjects the contractor to the maximum risk arising from full responsibility for all cost escalations.

Non-MOCAS contracts. Contract administered in a system other than MOCAS (e.g., System for Integrated Contract Management (SICM)).

Overage. The contract was not closed within the FAR-mandated time standard.

Physically Complete. The contractor has completed the 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.

ACRONYMS

ACO	Administrative Contracting Officer
ASBCA	Armed Services Board of Contract Appeals (ASBCA)
BOA	Basic Ordering Agreement
CA	Contract Administrator
CACWS	Cumulative Allowable Cost Worksheet
CACO	Corporate Administrative Contracting Officer
CMO	Contract Management Office
CUI	Controlled Unclassified Information
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DD	Defense Department
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DODAAC	Department of Defense Activity Address Code
DSS	Defense Security Service
ECD	Estimated Closeout Date
EDI	Electronic Data Interchange
FAR	Federal Acquisition Regulation
FDD	Final Delivery Date
IDC	Indefinite Delivery Contract
MCC	MOCAS Contract Closeout
MFR	Memorandum for Record
MILSCAP	Military Standard Contract Administration Procedures
MOCAS	Mechanization of Contract Administration Services
NLA	Notice of Last Action
NPI	Non-Procurement Instruments
ODO	Other Disbursing Office
OPR	Office of Primary Responsibility
OT	Other Transactions
PA	Property Administrator
PCO	Procurement Contracting Officer

PGI	Procedures Guidance Information
PLAS	Performance Labor Accounting System
PNOM	Price Negotiation Objective Memorandum
TCO	Termination Contracting Officer
ULO	Unliquidated Obligation