



DCMA Manual 2501-07

Contract Closeout

Office of Primary Responsibility	Contract Maintenance Capability
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Purpose: This issuance, in accordance with the authority in DoD Directive 5105.64:

- Implements policy established in DCMA Instruction 2501.

- Assigns responsibilities and provides and defines procedures for executing contract closeout.
- Identifies a Resource Page for additional information related to contract closeout. The Resource Page includes hyperlinks to stated references, additional administrative guidance, related correspondence, form letters, training materials, and focal point names(s), etc. The Resource Page enables enterprise-wide sharing of dynamic information.

SUMMARY OF CHANGES

Substantive changes have been made to this Manual. The purpose of the substantive changes are to provide more clear and detailed information. The following identifies the most notable changes:

- Section 4.1 is revised to clarify data integrity actions required for fixed price and flexibly priced contracts
- Section 4.2 is revised to delete DFARS 252.246-7000, Material Inspection and Receiving Report (MIRR) Clause
- Section 4.5 is revised to clarify procedures required for destination acceptance

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This Manual applies to all DCMA Organizational elements. DCMA Special Programs Directorate is required to comply with the intent of the manual, without the use of automation (i.e., Mechanization of Contract Administration Services (MOCAS)).

1.2. POLICY. It is DCMA policy that:

a. DCMA administered contracts are closed within Federal Acquisition Regulation (FAR) mandated timelines.

b. The Contract Closeout process begins after confirmation that all supplies and services have been delivered, accepted or completed.

c. The Contract Closeout Checklist is used to ensure all closeout actions have been satisfactorily accomplished. The DD Form 1597/MOCAS Contract Closeout (MCC) 1.5 eTool, "Contract Closeout Checklist," is required to be periodically updated and is required to be signed by the Administrative Contracting Officer (ACO).

d. In accordance with FAR 4.804-1(c), a contract must not be closed if it is in litigation, under appeal, or pending a termination action.

e. Execute this Manual in a safe, efficient, effective, and ethical manner.

f. It should be noted that all discussion of "contract closeout" in this Manual refers to the administrative closeout of the contract file, as addressed in FAR 4.804. The actual contract (the enforceable agreement between the parties) is not "closed" except by expiration or completion of all obligations of the Government and the contractor. Some contract remedies may become unavailable before the file is ready to be closed; some other remedies may still be available to either party after the file has been "closed."

SECTION 2: RESPONSIBILITIES

2.1. CONTRACT MANAGEMENT OFFICE (CMO) COMMANDER/DIRECTOR/ CONTRACTS DIRECTOR/SUPERVISOR. The CMO commander/director/contracts director/supervisor must 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 in DFARS 204.804 and any applicable PGI procedures.

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

a. 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, DCMA's Office of the General Counsel, Defense Criminal Investigative Service (DCIS), Inspector General (IG), and the Department of Justice (DOJ).

b. Review and determine if the contract is physically complete (FAR 4.804-4(a)).

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

d. Notify the buying activity when a contract/order cannot be closed within the FAR mandated time standard (DFARS PGI 204.804-2(2)). This notification must include the reason for the delay and the new estimated closing date (ECD).

e. When applicable, use Quick Closeout (QCO) in accordance with (IAW) FAR 42.708. However, the ACO must first 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 must coordinate QCO efforts IAW DCMA Final Indirect Cost Rates, QCO Rates procedures.

f. Verify completion of all closeout actions and sign the DD Form 1597 or MCC 1.5 eTool, and place a signed copy in the Official Contract File.

g. When applicable, request evaluation of the annual submission of the contractor's overhead cost proposals.

h. When applicable, request an audit report of findings or low-risk rate agreement letter, or other DCAA product (i.e. disengagement memo, decrement memo, unilateral recommendation memo).

2.4. ACO OR CONTRACT ADMINISTRATOR (CA). The ACO or CA will:

a. Use the Contract Closeout Application to track and record closeout actions on the contract closeout checklist. Generate/process Final Pay Notice of Last Actions (NLA) for fixed-priced contracts and cost-reimbursement contracts administered in MOCAS, with the exception of all Other Disbursing Office (ODO) contracts.

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

2.5. TERMINATION CONTRACTING OFFICER (TCO). The TCO will complete all actions delineated in DCMA Manual (DCMA-MAN) 2501-06, "Terminations," and notify the ACO before the ACO can proceed with closing contracts terminated for convenience.

SECTION 3: INTRODUCTION TO CONTRACT CLOSEOUT

3.1. INTRODUCTION. The Defense Contract Management Agency (DCMA) Contract Closeout manual describes steps for successful contract closeout, continuous performance improvement, and customer satisfaction. The objective of this Manual is to institutionalize practices to close contracts/orders in a timely manner. The Contract Closeout manual provides instructions on standard closeout. It addresses solutions for problem closures using methods such as QCO, early closeout, unilateral rate determination, and unilateral administrative closeout. Recommended techniques, samples and tools are developed with the ACO/CA and functional specialist (PT) in mind. Sample letters, modifications and memos to file and other job aids are available on the contract closeout Resource Page. DCMA leads the contract closeout process and coordinates with all parties to complete all administrative actions, settles all disputes, and ensures final payment has been made. Communication and information sharing is key to timely contract closeout. Contract Closeout occurs when all the terms of a contract/order have been met and all administrative actions are completed, all disputes settled, and final payment has been made. This includes those administrative actions that are contractually required; i.e. property, patents and royalties. This Manual provides step-by-step procedures, techniques, and guidance to effectively execute the procedures in FAR 4.804-5, “Procedures for Closing Out Contract Files.”

3.2. CLOSEOUT TIME STANDARDS. FAR 4.804-1(a)(2) through (a)(4) provides standard timeframes for closing physically complete contracts. A contract is considered physically complete when the contractor has completed performance and the Government has inspected and accepted all supplies and services. The closeout timeframes for different contract types are set out in Table 1 as follows:

Table 1. Standard Closeout Timeframes

Timeframes	MOCAS Codes and Contract Types
3 Months	FIXED PRICE UNILATERAL
6 Months	J FIRM FIXED PRICE
20 Months	A FIXED PRICE REDETERMINATION K FIXED PRICE W/ECONOMIC PRICE ADJUSTMENT O OTHER – BASIC ORDERING AGREEMENT/BLANKET PURCHASE AGREEMENT/INDEFINITE DELIVERY Z LABOR HOUR L FIXED PRICE INCENTIVE
36 Months	R COST-PLUS AWARD FEE S COST CONTRACT T COST SHARING U COST-PLUS-FIXED-FEE V COST PLUS INCENTIVE FEE Y TIME AND MATERIALS NON-PROCUREMENT INSTRUMENTS (NPI)

a. Firm Fixed Price (FFP) contracts must be closed no later than 6 months after the physical completion date. Cost Reimbursement and Time and Material (T&M) contracts require

settlement of indirect cost rates and must be closed not later than 36 months after the physical completion date. Purchase orders identified in the 9th position of the contract number per FAR 4.1603 and DFARS 204.1603 will close 3 months after the final shipment has been processed. All other contract types including Labor Hour (LH), must be closed no later than 20 months after the physical completion date. Fixed Price Unilateral Contracts will go overage 3 months after final acceptance date.

b. Contracts/orders using simplified acquisition procedures must be considered closed when the Contracting Officer (CO) receives evidence of receipt of deliverable and final payment. A completed closeout checklist is not required for closeout unless Paragraph 3.2.b(1) Part A applies.

(1) Part A. MOCAS Part A contracts at the simplified acquisition threshold (SAT) or higher or below the simplified acquisition threshold with special provision codes other than Special Provision Code T or W will need a completed closeout checklist via Contract Closeout Application or a completed DD Form 1597.

(2) Part B. MOCAS Part B contracts are closed by the Defense Finance and Accounting Service (DFAS) to include contracts/orders (firm-fixed price contracts/orders that are \$500,000 or less in value with no special provisions or requirements except for Special Provision Code T or W) when final payment has been made.

3.3. OVERAGE CONTRACT CODING. Contracts are considered overage when they remain open beyond the FAR standard timeframes. The ACO and/or CA are required to assign an R2 overage delay reason code and input an ECD for MOCAS Part A, Section 2 contracts within 45 calendar days after the contract going overage IAW DFARS PGI 204.804-2(2). However, to be proactive, it is recommended the ACO and/or CA assign the R2 overage delay reason code 45 calendar days prior to the contract going overage, if the contract will not close prior to the overage date. Once the R2 Reason Code and ECD have been properly assigned, a PKX, Notification of Delay in Closing, is transmitted to the Procurement Contracting Officer (PCO) informing them that closeout will be delayed. The ACO or CA must input only one code at a time. The contract must be coded with the overage code for the action that is currently being worked. When that issue is resolved, update the code to the new issue prohibiting closeout. For a complete listing of the R2 overage delay reason and Office of Primary Responsibility (OPR) codes see Table 2, R2 Overage Delay Reason Codes. When assigning an R2 overage delay reason code of F, H, M, P, V, or W, the ACO/CA is required to assign an OPR code in the R9 Remark. The OPR numeric codes are used to designate who has the primary responsibility to complete the R2 coded closeout action. The ACO or CA are encouraged to place additional closeout comments in the ACO Notebook.

Table 2. R2 Overage Delay Reason Codes

R2 Codes	MOCAS/MILSCAP Description	Clarifications	OPR
A	Awaiting submission of final voucher/invoice	Contractor has not submitted a final bill for payment. For cost contracts, final indirect rates have been established.	Contractor (72)

Table 2. R2 Overage Delay Reason Codes

R2 Codes	MOCAS/MILSCAP Description	Clarifications	OPR
B	Final acceptance not received	DO NOT USE – if contract is awaiting final acceptance, move back to Section 1.	Services (71)
C	Contractor has not submitted patent report	For Patents—DD Form 882 or equivalent has not been received from the Contractor per applicable FAR clauses.	Contractor (72)
D	Patent clearance required	Contractor has submitted the final DD Form 882, or equivalent. The Form has been forwarded to the Buying Activity for approval.	Services (71)
E	Contractor has not submitted proposal for final price redetermination	Use this code until the contracting officer receives an adequate final price redetermination proposal.	Contractor (72)
F	Supplemental agreement covering final price redetermination required	Use this code while the final price redetermination proposal is being reviewed or negotiated. An OPR code is required to signify which party's actions are currently open.	Services (71) Contractor (72) DCMA (73)
G	Settlement of subcontracts pending	Pending settlement of subcontract(s); may impact final voucher submission.	Contractor (72)
H	Final audit in process	DCAA performing final Contract Audit Closing Statement on final voucher or DCMA using Cumulative Allowable Cost Worksheet (CACWS) and/or risk based approach for auditing final voucher.	DCMA (73) DCAA (74)
J	Disallowed cost pending	ACO in process of resolving DCAA Form 1 issue or similar disallowed cost issue.	DCMA (73)
K	Final audit of Gov property pending	DO NOT USE: Use Reason Code "V" for Property Issues.	N/A
L	Independent research & development rates pending	DO NOT USE: The Reason Code is obsolete for contracts after October 1992. Use Reason Code "M" for rates.	N/A
M	Negotiation of overhead rates pending	Identification of OPR combined with "M" code will provide visibility of the current O/H action (e.g., awaiting KTR proposal, audit or negotiation).	Contractor (72) DCMA (73) DCAA (74)

Table 2. R2 Overage Delay Reason Codes

R2 Codes	MOCAS/MILSCAP Description	Clarifications	OPR
N	Additional funds requested but not yet received	The PCO has been requested to provide additional funds for various reasons (e.g., cost overruns). When contract is awaiting replacement funds for canceled appropriations, use Reason Code "Y" when final invoice/voucher has been forwarded to DFAS.	Services (71)
P	Reconciliation with paying office and Contractor being accomplished	Provide visibility as to the basis for the reconciliation delay (e.g., disbursement audit in process (DFAS), obligation audit in process (DCMA), or awaiting payment history and/or information (Contractor).)	Contractor (72) DCMA (73) DFAS(75)
Q	Armed Services Board of Contract Appeals (ASBCA) case	Contract must be moved to Section 3 once the ASBCA docket number is assigned. The docket number must be entered in the R3 Remarks.	DCMA (73)
R	Public Law 85-804 case	50 USC [Chapter 29] 1431 - P.L. 85-804 applies to Extraordinary Contractual Actions.	DCMA (73)
S	Litigation/investigation pending	Either fraud investigation activity is in process, or contractual issue is not resolved or claim has been received by contracting officer. Contract must be moved to Section 3 (BCA/CIL/CLL) once contract is in Federal Courts and/or DOJ opens a case.	DCMA (73)
T	Termination in process	Mainly used for Termination for Default. DCMA provides assistance to PCO on contract history (e.g., delivery, financing payments, excess funds, reprocurement costs, etc.) Termination for Convenience contracts must be moved to Section 3.	DCMA (73)
U	Warranty clause action pending	Open warranty action(s) currently being processed IAW FAR 46.709 and -10.	DCMA (73)
V	Disposition of Gov Property pending	Identification of OPR combined with "V" will provide visibility into delay (e.g., awaiting PCO disposition instructions (Services), Contractor submittal of inventory schedules (KTR), or actions by Property Administrator (PA) and/or Plant Clearance Officer (PLCO)). PA inputs R9 55 once all property actions are closed.	Services (71) Contractor (72) DCMA (73)

Table 2. R2 Overage Delay Reason Codes

R2 Codes	MOCAS/MILSCAP Description	Clarifications	OPR
W	Contract modification pending	Contract modification awaiting Contractor signature, PCO issuance of modification or ACO modification actions.	Services (71) Contractor (72) DCMA (73)
X	Contractor Release of Assignment	DO NOT USE - This is associated with FAR 52.232-23, and is used when the Contractor has assigned its rights to be paid to a Financial Institution. This is NOT to be confused with the Contractor Assignment of Refunds, Rebates, Credits and other amounts, which is required to be submitted with the final voucher.	N/A
Y	Awaiting notice of final payment	Proper final invoice/voucher forwarded to DFAS for payment, awaiting payment.	DFAS (75)
Z	Disposition of classified material pending	Awaiting disposition instructions on classified materials from the Buying Activity. The ACO is responsible for notifying DIS that the contract is complete and classified material must be dispositioned.	Services (71)
1	Canceled Funds	DO NOT USE: Use Reason Code “Y” when final invoice/voucher has been forwarded to DFAS.	N/A
2	Appropriations in Red	DO NOT USE	N/A
3	Prevalidation Action Pending	Voucher/invoice at DFAS pending prevalidation process before payment.	DFAS (75)
6	Fee Withheld	Fee withheld awaiting resolution of issue before final payment can be made.	DCMA (73)
7	Awaiting Removal from Excess Funds	The ACO has deobligation authority.	DCMA (73)

3.4. WHAT CAN AN ACO/CA DO TO SIMPLIFY CLOSEOUT. Many closeout problems increase in difficulty over time. Taking detection to prevention actions will make the closeout process easier:

a. Complete a thorough contract receipt and review of all contract actions delegated to DCMA for administration to ensure MOCAS database integrity. See DCMA-MAN 2501-01, “Contract Receipt and Review,” and DCMA-MAN 2501-05, “MOCAS Data Integrity Screening.”

b. Ensure contract moves from MOCAS Section 1 to MOCAS Section 2 upon physical completion.

c. Make sure the contract funding, line items, special provisions, and payment instructions as well as changes resulting from modifications are correctly entered into MOCAS.

- d. Ensure documentation for shipment and payment transactions are accurate and complete in MOCAS and in Wide Area Work Flow (WAWF) formerly known as Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT).
- e. Monitor payments for accuracy, and compliance with any special payment instructions.
- f. Diligently manage and monitor the Final Overhead Rate process to ensure contractors submit their incurred cost proposals and rates are negotiated within established timeframes. See DCMA-MAN 2201-03, “Final Indirect Cost Rates.”
- g. Consider using QCO procedures to the greatest extent possible.
- h. Ensure the contractor prepares and submits all final vouchers (FV) no later than 120 calendar days after settlement of final overhead rates.
- i. Ensure the contractor executes Government property disposition procedures expeditiously.

3.5. FILE RETENTION AND MAINTENANCE. Official contract files are stored in document repositories such as the Integrated Workload Management System (IWMS) and WAWF. Documents normally filed in hardcopy folders as referenced in the FAR must be placed in IWMS and all electronically submitted documents are stored in WAWF. Retention for closed contract files and closeout files must be retained for 6 years after the final payment date. For more information on records management as it relates to Contract Closeout, please see Section 17.4 of this Manual.

3.6. MOCAS SECTION DESIGNATIONS. For the purpose of this Manual, Section refers to MOCAS Contract Administration Report (CAR) Section Numbers depicted in Table 03, MOCAS Section Numbers and Titles:

Table 3. MOCAS Section Numbers and Titles

Section #	Section Title
1	ACTIVE CONTRACTS
2	PHYSICALLY COMPLETED CONTRACTS
3	DORMANT CONTRACTS – PART A ONLY
4	PAYMENT ADJUSTMENTS
5	CLOSED CONTRACTS (DAILY PROCESSING)
8	THIS SECTION CONSISTS OF ALL CONTRACTS PREVIOUSLY MOVED TO SECTION 5
9	CLOSED CONTRACTS (MONTHLY PROCESSING)

SECTION 4: DATA INTEGRITY ACTIONS FOR MOVEMENT TO SECTION 2

4.1. INTRODUCTION TO CONTRACT CLOSEOUT DATA INTEGRITY.

a. Fixed Priced contracts. Before a Fixed Priced contract is considered physically completed and eligible to move to MOCAS Section 2, make sure all line items identified on the Line Item Schedule and Shipment Record (LISSR) are shipped and accepted via a DD250(s) with the last DD250 being a final “Z”, 2-in-1 invoice(s) with the last invoice coded with a “Z”, PCO certification (PCO Cert) with updated ACO Notebook, or other supporting documentation that all goods and services have been received. If the PCO cert, 2-in-1 invoice(s), or other supporting documentation used to support goods and services have been accepted, the LISSR will remain unbalanced and the contract can be moved to Section 2. Note: An ACO memorandum stating that all goods and services have been accepted without supporting documentation does NOT meet this requirement. Also, all modifications must be processed in MOCAS (unless generated manually by Special Programs) or documentation in the contract file why modification is missing or not processed.

b. Flexibly Priced contracts. For Flexibly Priced contracts, the LISSR is not required to be balanced. The functional specialist is required to obtain documentation to support that all work required in the contract has been completed and/or accepted by the Government prior to the contract moving from Section 1 to Section 2. Once the contract is physically complete and moved to Section 2, MOCAS will automatically transmit a Contract Completion Statement (interim PK9/EDI 567) to the contracting office (Special Programs may have to manually move the contract to Section 2 depending on the environment or data base of record).

c. Effective 1 April 2020, all contracts including flexibly priced contracts that contain DFARS 252.232-7003 clause (Electronic Submission of Payment Requests and Receiving Reports) or DFARS 252.246-7000 clause (Material Inspection and Receiving Report) must either have a balanced LISSR or all line items identified on the Line Item Schedule and Shipment Record (LISSR) are shipped and accepted via a DD250(s) (with the last DD250 being a final “Z”), 2 in 1 invoice(s) with the last invoice coded with a “Z”, PCO Cert with updated ACO Notebook, or other supporting documentation that all goods and services have been received before the contract can be moved to Section 2.

4.2. LINE ITEM SCHEDULE AND SHIPMENT RECORD (LISSR). The LISSR shows the quantity of items ordered and the quantity shipped and accepted. For example, one widget was ordered by the contract and one widget was shipped and accepted by the Government. If the contract authorizes a Quantity Variance (QV), then follow the procedures in 4.2.a. to balance the line items.

a. Quantity Variation (QV). A contract can authorize a quantity variance in items shipped pursuant to FAR 52.211-16, Variation in Quantity. When this clause is incorporated in a contract, an R9 26 Remark is present in MOCAS. The receiving reports that ships the final (under-shipped) quantity of the Contract Line Item Number (CLIN) with the variation must have a “Z” in the Advice code on the receiving report (see Figure 01, Receiving Report Example). If

the “Z” is omitted, and it is the final shipment for the contract, the receiving report must be returned to the contractor for correction. Once the corrected receiving report is received with the “Z” in the Ship Advice Code, the presence of the R9 26 Remark will allow the under shipment to process correctly and allow the contract to move to Section 2 with no further action. If the quantity shipped is over or under the variation in quantity, it needs to be negotiated between the PCO or ACO (if permitted) and the contractor. A modification must be issued to balance the LISSR.

Figure 1. Receiving Report Example

The screenshot shows a software interface for a 'Vendor - Receiving Report and Invoice COMBO'. At the top, there are tabs for 'CLIN/SLIN/ELIN', 'ACRNs', 'UID', 'MILSTRIP', and 'Batch/Lot & Shelf Life'. Below the tabs, there are several input fields: 'Item No.' (0001AA), 'Product/Service ID' (1H34562685123499X5), and 'Product/Service ID Qualifier' (KK - SPECIAL MATERIAL IDENTIFICATION CODE). A table below these fields shows 'Qty. Shipped' (25), 'Unit of Measure' (EA), 'NSP' (checkbox), 'Unit Price (\$)' (10.00), and 'Amount (\$)' (250.00). There are also fields for 'AAI', 'SDN', 'ACRN', and 'Project Code'. A 'Multiple Box Pack Indicator' dropdown is set to 'N'. A 'Special Package Markings / Special Handling Requirements' dropdown is open, showing a list of options: A - Missing Components, B - Missing Components Furnished, C - Quality Increase, D - Quality Decrease, E - Replace Shipment, F - Ship and Held in Bond at Contractors Plant, G - Shipped in Place, H - Shipped or Performed, and Z - Underrun Quantity - CLIN Shipped Complete. The 'Z' option is highlighted with a red box. At the bottom, there are buttons for 'Save CLIN/SLIN/ELIN', 'Save Draft Document', 'Previous', and 'Help'.

b. Shipped Contract Data Requirements List (CDRL). This section only applies to Exhibit Line Item Numbers (ELINs). When a CDRL is put on contract from a DD Form 1423 (A001, B001, etc.), the Block 10, "Frequency" reads "AS REQ" or "EACH SHIPMENT" and the contractor has over shipped the quantity on one of these CDRLs, the LISSR must be balanced by the Trusted Agent (TA) to correct the ON ORDER QTY to match the quantity shipped. Consider: If the quantity for an ELIN is 1 AS REQUIRED, or 1 with EACH SHIPMENT, the contractor may ship product on 5 shipments or on 1 shipment. If contractor ships once, the quantity of (1) would be correct. However, if contractor ships 5 times and the requirement is to send data with EACH shipment, the quantity on order in MOCAS must be 5. Under no circumstances will the TA change the receiving report; the change must be made in MOCAS to the CLIN and Schedule data.

c. Notice of Completion. Data items on CDRL or the DD Form 1423 that do not require a Receiving Report are consolidated into a single 'dummy' service line item in MOCAS. A DCMA Notice of Completion (NOC) must be utilized to signify completion of this item. Anyone can initiate the NOC, as long as they have the backup information.

4.3. FINAL "Z" RECEIVING REPORT DD FORM 250

In accordance with paragraph 4.1., a final shipment document (Z-DD 250 Receiving Report) must be received and entered into MOCAS upon completion of the contract/order. If the final receiving report does not have a Final Z, if source acceptance, the DCMA QAR must reject this shipment for the contractor to correct and resubmit. If the QAR signs the receiving report and realizes that the shipment number should contain a "Z", the QAR (or appropriate functional specialist) can make the shipment available for correction in WAWF. The vendor must add the "Z" to shipment number and change Final Shipment indicator to "Y" and resubmit; the QAR resigns corrected shipper.

The ACO can input notes in the ACO notebook stating it is a final DD250 or request the contractor to process a corrected DD250 with a "Z". All missing shipment issues must be corrected and resolved, and annotated in the ACO Notebook (Field in MOCAS). When the shipment numbers are not sequential, the Technical Specialist (IS/PT) must research to determine why a shipment is missing and either process the missing shipment or annotate the ACO Notebook with appropriate remarks.

4.4. ALL MODIFICATIONS PROCESSED. All modifications must be received and processed correctly in MOCAS prior to a contract/order moving to Section 2. If a contract is in Section 2 and a contract modification is required, manually move the contract back to Section 1 and process the modification prior to moving the contract back to Section 2. All missing modifications must be addressed in the ACO Notebook with remarks.

4.5. DESTINATION ACCEPTANCE. Destination acceptance documents are often delayed or not received by the payment office or CMO. Because it is their responsibility, DFAS will obtain destination acceptance. The Technical Specialist (IS/PT/ACO/CA) must request the PCO or designated POC sign the final DD 250 Receiving Report in WAWF. Until the Technical Specialist (IS/PT/ACO/CA) receives confirmation from DFAS that DFAS has received Destination Acceptance, the Technical Specialist will ensure the contract remains in Section 1. After the Technical Specialist receives such confirmation, the Technical Specialist must then balance the LISSR before they move the contract to Section 2.

4.6. FFP CONTRACTS AWAITING FINAL ACCEPTANCE. Receiving reports with a Ship To in the Continental United States (CONUS) must be entered and processed electronically in WAWF. Except for Receiving Reports shipping to Outside Continental United States (OCONUS), Destination Acceptance must be obtained in WAWF. When OCONUS final acceptance documents are not received by the payment office, DFAS is responsible to obtain the document.

SECTION 5: CONTRACT CANCELLATIONS

5.1. CANCELLING PURCHASE ORDERS. IAW FAR 13.302-4, Termination or Cancellation of Purchase Orders, unilateral small purchase orders may be cancelled at no cost to the Government via modification. See Table 04, Steps to Process Contract Cancellations.

Table 4. Steps to Process Contract Cancellations

All contracts that are cancelled will be closed using Steps 1-6. However, the person who issued the cancellation will drive the steps needed AFTER Step 6.

Step 1. Check MOCAS to make sure no shipments or payments have been processed. If shipments or payments are in processed status, the mod must be returned to the originator and must not be distributed or processed.

IF ALL MODIFICATIONS ARE PROCESSED PROCEED.

Step 2. Reduce the total contract amount to zero.

Step 3. Reduce each ACRN amount to zero (after the next MOCAS cycle is run, the ACRNs will delete).

Step 4. Annotate the R5 or R6 Remarks with: "Cancelled per mod XXXXX."

Step 5. After the 2 MOCAS cycles have run and each ACRN has been deleted, move the contract to Section 2. Note: If the contract is moved to Section 2 before the 2 cycles run, MOCAS will automatically return the contract to Section 1. Process the (Generate) "G" NLA to close the contract if it is a Part B or is a DCMAI payment only contract. Process "G" and (Final) "F" NLA to close the contract if it is a Part A. After the contract closes, the ACO/CA will still receive UYCJ03, NLA, the next day; however, report can be disregarded.

Step 6. Do not delete the line items. This is unnecessary because they will be purged automatically 14 calendar days after the contract moves to Section 5.

ACO Issued Modification

If the contract is MOCAS paid, the modification should process successfully and update MOCAS via EDI. After 2 cycles, a TA should do the Section move and NLA processing. In the event the mod does not process successfully, a direct input person (PT) needs to process the modification on line following the 6 steps listed in Table 04.

If the contract is an ODO, the modification will not successfully process (because MOCAS thinks the ACRN reduction will put the contract in a credit position). A Direct Input person (PT) needs to process the modification on line following the 6 steps listed in Table 04.

PCO Issued Modification on an ODO contract:

A direct input person (PT) needs to process the modification on-line following the 6 steps listed in Table 04.

Table 4. Steps to Process Contract Cancellations

Step 7. If ODO, the mod will not successfully process (because MOCAS thinks the ACRN reduction will put the contract in a credit position). A direct input person (PT) needs to process the modification on line, following the steps listed in Table 04. For a PCO-issued mod on an ODO order, a direct input person (PT) needs to process the modification on line following the steps in Table 04.

a. Once the cancellation modification is processed by DFAS, ACO/CA will enter the R5 Remark "Contract Cancelled per MOD P0000*.", prepare and submit a DCMA Form 1797 to the TA requesting manual movement of the contract/order to MOCAS Section 2 and proceed with normal closeout procedures. If the cancellation modification is not processed or on the MOCAS backlog, the ACO/CA will enter an ACO Notebook Remark "contract/order cancelled per MOD P0000*", and send an e-mail to the DFAS Mod Input Mailbox to have the mod processed.

b. If a Firm Fixed Priced cancellation modification was processed and the movement to Section 2 was not accomplished in 2 nightly cycles of MOCAS, the TA will not be able to move the contract to Section 2 after the Accounting Classification Reference Number (ACRN) data has dropped from the system. Any attempt to move the contract will result in an error message "financial data required." To override this error message, input an R9 54 Remark into MOCAS, and enter an ACO Notebook Remark identifying the need to input the R9 54 Remark. This will permit the contract/order to move to Section 2 and facilitate the closeout process.

5.2. MOCAS PAID CONTRACTS. DFAS will process PCO issued cancellation modifications for MOCAS-paid contracts and orders. Direct Input Person (PT) processes cancelling modifications issued by an ACO (MOCAS paid or ODO), or by a PCO on an ODO contract/order.

SECTION 6: TERMINATIONS AND LITIGATION

6.1. TERMINATIONS. A contract/order may be terminated for convenience, cause, or default. IAW FAR 4.804-1(c), a contract/order must not be closed if the contract/order is in litigation, under appeal or pending a termination action. All open actions and liabilities must be resolved prior to closeout.

a. The Government may at any time during contract performance fully or partially terminate contracts for default or for convenience.

b. The Government may terminate a contract/order for default when the contractor has materially breached the contract by failing to perform IAW contract requirements. Under termination for default, the contractor is liable for any additional costs to the Government to obtain terminated line items.

c. Complete instructions for terminations can be found in the DCMA-MAN 2501-06, "Terminations."

6.2. TERMINATION SETTLEMENT. The DCMA TCO settles contracts/orders terminated for convenience and the buying activity settles contracts/orders terminated for default.

a. When a contract/order is terminated for convenience, it is the responsibility of the CMO to send a copy of the termination modification to the Terminations Group's Inbox dcma.lee.hq.mbx.Terminations-Inbox-@mail.mil Upon receipt of the termination modification, the TCO will establish a termination docket.

(1) Partial Termination Settled. If a contract is partially terminated, and the terminated line items are settled, the contract must remain in Section 1 until the non-terminated line items are shipped and accepted. Once the contract is physically complete, it will automatically move to Section 2 and close through normal procedures.

(2) Partial Termination Not Settled. If a contract is partially terminated, and the terminated line items are not settled, but the remaining line items are complete, the contract must remain in Section 3 until the terminated line items are settled. Once the partial terminated line items are settled, the contract must be moved to Section 2 and closed through normal procedures.

b. Fully terminated contracts/orders must be moved to Section 3 (via DCMA Form 1797 to the TA). Contracts/orders moved to Section 3 must have a valid dormant reason code. The contract/order will remain in MOCAS Section 3 until all open actions and liabilities are resolved by the TCO. Upon execution of a settlement agreement, the TCO will issue a modification and close the termination docket. Upon receipt of the settlement modification the contract must be moved into Section 1, and the ACO will ensure the modification is processed correctly to ensure timely closeout.

c. When a contract/order is terminated for default, the CMO will ensure proper processing of the modification, and the contract/order will remain in MOCAS Section 1. The buying activity

maintains the termination docket for contracts/orders terminated for default. The Functional Specialist (ACO/CA) will send DCMA Form 1797 to the TA for movement to Section 2. Once contract is in Section 2, it must stay there until the PCO assesses the re-procurement charges (if any). Once settled, the ACO must proceed with normal closeout procedures.

d. For all terminated ODO contracts/orders, the Functional Specialist (ACO/CA/PT) will ensure proper processing of the termination modification. If not processed correctly, forward the modification to the DCMA Direct Input Person (PT). The TA will move contract from Section 1 to Section 2 and then take action to close the contract in the same cycle by issuing a G and F NLA.

6.3. NO-COST TERMINATION. Upon receipt of a no-cost termination settlement modification from PCO for a contract/order administered in MOCAS, DFAS is responsible for processing the PCO modification and moving the contract/order to MOCAS Section 5. The ACO must ensure that DFAS takes action to close the contract/order, which completes this action.

6.4. CODING SECTION 3 DORMANT CONTRACTS/ORDERS. The ACO must not close a contract/order if it is in litigation, under appeal, or pending termination settlement. These contracts must be assigned the appropriate dormancy code and moved to MOCAS Section 3. Once contracts are moved to Section 3, they must be reviewed periodically to update their status. For example, a contract was originally moved to Section 3 awaiting review by the Armed Services Board of Contract Appeals. When the appeal was denied, the contractor filed for bankruptcy. Accordingly, the R3 (Dormant Reason Code) must be updated from BCA to BKRPT. In addition, if the closeout date is expected to exceed the overage date, the contract must be moved into Section 2 via DCMA Form 1797 by the TA, an estimated closeout date entered into MOCAS and the contract returned to Section 3 via DCMA Form 1797 by the TA. The estimated closeout date should be revised as necessary. Coordination with assigned legal counsel is recommended to ensure current and accurate MOCAS Section 3 coding.

6.5. LITIGATION RESOLVED. The contractor, under the Disputes Clause, may appeal a decision of the contracting officer directly to the Armed Services Board of Contract Appeals (ASBCA), or the United States Court of Federal Claims. The prime contractor may sue or be sued by a subcontractor for damages related to the contract in question. The ACO/CA must ensure that the contract is moved from Section 3 once litigation is resolved. The ACO and PCO must work together to ensure that any litigation and resulting cost impact is resolved under the contract before the contract is closed. Coordination with assigned legal counsel is required to ensure current and accurate information regarding litigation status.

SECTION 7: COMMON CLOSEOUT ACTIONS

7.1. COMMON CLOSEOUT ACTIONS. All of the actions in this section can be taken on all types of contracts, if applicable. If the appropriate FAR Clause is on the contract then the respective action is required. All actions can happen simultaneously, once contract is physically complete ACO/CA will start closeout procedures.

7.2. PROPERTY CLEARANCE. When a contract/order contains FAR clause 52.245-1, Government Property, Government Property is or could be assigned to the contract. This is also indicated by the Special Provision Code (SPC) "E" in MOCAS.

a. All Government contract property accountable to a contract must be properly dispositioned in order for contract closeout to occur. Contracts with SPC "E" in MOCAS cannot be closed unless the R9 55 Remark is entered into MOCAS by the Property Administrator (PA). The R9 55 Remark, once entered into MOCAS, signifies all property actions are closed.

(1) The ACO must wait for the R9 55 Remark to be entered into MOCAS, by the Property Administrator (PA), before the contract can be closed. This could happen prior to physical completion or prior to the ACO beginning the closeout process.

(2) If the contract is in MOCAS Section 2 and a R9 55 Remark has not yet been entered in MOCAS, the ACO should first check with the PA to ensure all property actions are closed. If so, request PA to update the Defense Property Accountability System (DPAS) to reflect the correct information. If not, ACO will provide written notification to the contractor notifying them that the contract is physically complete, and all property, Government furnished and contractor acquired, assigned to the contract needs to be transferred per contract modification or dispositioned through the PLCO in a timely manner (See Resource page).

b. A Basic Ordering Agreement (BOA) is identified by a "G" in the 9th position of the contract number. Each delivery order issued under the BOA is an individual contract and any Government Property will be accountable to individual delivery orders. If the property clause is in the Basic Ordering Agreement (BOA), the requirement flows to all delivery orders. Each delivery order must have the property cleared and be closed individually.

c. An Indefinite Delivery Contract (IDC) is a contract, identified by a "D" in the 9th position of the contract number, and individual orders issued under the IDC are not considered to be individual contracts and are not to be segregated from the IDC. If the property clause is in an IDC, it does not flow to the delivery/task order level. As such, when closing property for an IDC, it must be cleared at the IDC level, not at the delivery/task order level.

d. If it is discovered the contract has property but there were no property clauses and Special Provision Code E, then a modification must be issued by ACO to incorporate the appropriate property clauses. The contractor must then disposition the property IAW FAR 52.245-1 and the PA must ensure disposal of all Government property and resolution of all property issues.

7.3. ROYALTIES. Before final payment can be made, the ACO must receive 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.

a. When the contract contains FAR 52.227-9, Refunds of Royalties, and royalties are included in the contract/order price and are determined and documented 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. For IDCs and BOAs, the clause does not automatically flow to the task order or order level. The clause has to be incorporated into each order, if applicable.

b. Upon movement of the contract to Section 2, the Functional Specialist (ACO/CA) must provide written notification and receive acknowledgement from the contractor requesting that royalties be paid.

(1) If royalties are 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 must be reduced. Repayment or credits to the Government must be made as the ACO directs, completing this action. Royalty payment must be paid prior to final payment.

(2) If a royalty payment is required and the contractor is nonresponsive, the ACO can recoup the amount of the royalty due via demand letter, prior to final payment. If, at any time within 3 years after final payment under this contract, the contractor for any reason is relieved in whole or in part from the payment of the royalties included in the final contract price as adjusted pursuant to FAR 52.227-9(d), the contractor must promptly notify the Contracting Officer of that fact and must reimburse the Government in a corresponding amount.

7.4. FINAL PATENT REPORT. If the patent clause is in an IDC, the clause does not flow to the delivery/task order level. As such, when closing patent for an IDC, it must be cleared at the IDC level, not at the delivery/task order level.

a. If the patent clause is in the BOA, the clause automatically flows to the delivery/task order level. As such, the patent must be cleared at the delivery/task order level. If the contract contains a patent rights clause, FAR 52.227-11, or 13, (Patent Rights – Ownership by the Government), a final patent report must be submitted by the contractor, on a DD Form 882, “Report of Inventions and Subcontracts,” within 3 months after physical completion of the contract. It must list all patent claims made under the contract or certify that there were no inventions and list all subcontracts which include a patents rights clause or certify that no subcontracts were issued with this requirement.

b. Upon movement of the contract to Section 2, the ACO or CA must provide written notification to and receive acknowledgement from the contractor requesting they submit a DD Form 882. If DFARS 252.227-7039, Patents--Reporting of Subject Inventions, or DFARS 252.227-7038 Patent Rights - Ownership by the Contractor (Large Business) is also in the contract, a final report is required within 90 calendar days after completion of the contracted work. The representative designated by the PCO or buying activity will provide the clearance.

c. A negative DD Form 882 is used when there are no reportable inventions claimed by the contractor or Subcontractor in association with the contract. If a negative DD Form 882 is received Block 5a and/or 6a must have "NONE" annotated in the block. If the final patent report is negative, the ACO must forward a letter, along with the DD Form 882 to the PCO and immediately deem the patent cleared. The letter must state, "The final patent report, DD Form 882, is submitted per contract requirements. Due to a negative report, the ACO has deemed the patent cleared." The letter must be signed by the ACO (digital signatures are acceptable).

d. When the contractor has disclosed an invention or patent in association with the contract, they have 90 calendar days to submit the final DD Form 882, which lists all inventions under the contract, including subcontractors (if applicable) and their reports. If the contractor discovers a new invention after submittal of the initial DD Form 882, they must submit to the government within 60 calendar days of discovery. The contractor can accomplish this by letter or DD Form 882. If there is an invention, the contractor should indicate whether they anticipate filing a Patent on the DD 882. (Please verify if these blocks are marked.) If the contractor is undecided at this time, ACO/CA should follow-up with them on a periodic basis (even though they officially have 2 years to decide). Periodic follow-up is important as the contractor may have forgotten about a disclosed invention or just decided not to file and have not notified us. Once the contractor indicates they intend to file, they have 1 year to do so. Once the contractor files with the U.S. Patents Office and receives their patent filing number, they need to complete a Confirmatory Instrument (or license). Some buying commands will accept partially completed (contingent) Confirmatory Instruments (i.e. contractors will file later or contractor has filed and not received filing number). Check with the Patent Counsel or Service Representative at the buying activity to see if they will give a patent clearance based on this contingent Confirmatory Instrument. If the contractor indicates that they are not going to file, they must notify the ACO in writing, and the ACO must forward the notification document to the Patent Counsel requesting final Patent Clearance. Once patent clearance is received, ACO/CA will annotate the R5 Remark and Contract Closeout Check List with Patent Clearance received, and the date.

e. It is important to note that the Government has a 3 year look-back period after final payment on the contract to examine the books and records of the contractor for the purpose of asserting title and/or determine ownership rights to patentable subject inventions if the final patent report is found unacceptable. The contractor has a regulatory duty to retain its books and records for 3 years after final payment on the contract. As such, if in the unlikely event an unreported invention is discovered after closure, the contract can be reopened and the invention issues addressed.

7.5. VALUE ENGINEERING CHANGE PROPOSAL (VECP). When the contract includes FAR 52.248-1, Value Engineering, the ACO verifies no outstanding VECPs requiring payment or disposition exist before closing the contract. For contracts that include a contractor's release of claims with total amount paid, the release of claims serves as the documentation for the required verification.

7.6. DISPOSITION OF CLASSIFIED MATERIALS. When the contract/order is classified or contains requirements for handling classified material (DD Form 254), "DoD Contract

Security Classification Specification,” the ACO will ensure classified material is dispositioned IAW Government security regulations and accounted for by the contractor. The prime contractor must clear all subcontracting DD Forms 254. The ACO will ensure the prime contractor clears all DD Forms 254 from Subcontractors performing under the prime contract/order.

a. When the FAR Clause 52.204-2 is in the contract, and the Security Classification Code in MOCAS (SCC-CD) is coded C, all classified documents must be dispositioned IAW Government security regulations as stated in contract terms and conditions. This is accomplished when the final DD Form 254 is completed by the contractor, indicating disposition and sent to the PCO, or the contractor provides written certification that all data was properly processed.

b. If there is a DD Form 254, the ACO must notify the Defense Security Service (DSS) when the contract/order is complete and the classified material must be disposed of properly. The cognizant DSS/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 are under the cognizance of the PCO and the Industrial Security Office.

SECTION 8: FINANCIAL ACTIONS

8.1. CUSTOMARY FINANCIAL ACTIONS. The financial actions in this section may pertain to all contract types. Contract type and clauses drive specific financial actions on each contract. During the closeout process, one or more of these financial actions are routinely performed.

8.2. FUNDS RECONCILIATION. After contracts are physically complete and ready to be closed, there may be instances where unliquidated obligated funds remain on the contract. In these instances a review must be accomplished to determine if the funds are “excess” or “remaining” to the contract requirements. Upon completion of the review, the circumstances cause the funds imbalance will dictate whether funds must be deobligated via modification because they were “excess” or Q-Finaled (See Section 8.13) because they are remaining funds. In order to determine the type of funds, the ACO must consider the type of contract/order, clauses within the contract/order, and the reason for the unliquidated funds (e.g., if indirect rates have not been settled for a cost-reimbursement type contract, the ACO must retain enough funding to make payment on the FV). 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 CLIN was not necessary (e.g., fixed funds provided for maintenance or service on computer hardware). An initial review will be conducted to determine if funds are excess or remaining on contract/order within 60 calendar days of the physical completion of a flexibly priced contract over the SAT, an ACO or CA compares the contract's ULO balance in MOCAS to contract document. The ACO or CA documents this action in a memorandum for record or on the contract closeout checklist. Documentation must be signed/dated by the ACO or CA. It is recommended that the ACO retains a ULO that equates to the adjustments needed for final overhead indirect rates when determining the initial excess funds deobligation amount (see section 8.4).

8.3. WITHHOLDS. When the ACO withholds payments as a result of a final determination to disapprove a contractor's business system, the ACO must request the CMO's TA to input MOCAS Special Provision Code “U.” The MOCAS Special Provision Code must only be input for those contracts where a payment withhold has been implemented. The withhold amount must be input into the Contract Business Analysis Repository (CBAR) e-Tool.

8.4. EXCESS FUNDS. Excess funds are funds relating to a specific line item or deliverable in excess of the amount needed for payment of that item (such as a line item not performed on a contract). An initial review will be conducted to determine if funds are excess or remaining on contract/order within 60 calendar days of the physical completion of a flexibly priced contract over SAT, an ACO or CA compares the contract's ULO balance in MOCAS to contract document. The ACO/CA must notify the PCO within 30 calendar days of identifying excess funds during initial excess funds determination. Funds should be deobligated by contract/order modification. A contract modification must be issued to deobligate excess funds on flexibly priced contracts, with PCO notification.

a. A follow-up Excess Funds determination should be conducted on flexibly priced contracts, after the ACO/CA confirms the contractor's incurred cost proposal is determined adequate by the DCAA/Non-DCAA Auditor. When determining which funds are excess, the ACO/CA 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/CA will validate the cost claimed for the contract/order with the contractor. This review and documentation is required to be performed on all contracts/orders within 60 calendar days after the final incurred cost proposal was deemed adequate, when the ULO is greater than or equal to (\geq) 25 percent of the obligated amount and is greater than \$250,000.00 (thousand) or the ULO is greater than or equal to (\geq) \$5,000,000 (million), and must be documented on an Excess Funds Determination form (see Resource Page) and retained in the contract file.

b. FAR 4.804-5 states that once a CMO receives evidence of physical completion, they will review the contract funds status and notify the PCO of any excess funds available for deobligation at the outset of the closeout process. It is recommended that this notification be done by e-mail. When excess or negative unliquidated funds exist, a funds review must be performed at the ACRN level to determine the cause.

c. If it is determined excess funds remain because of contractually acceptable unperformed work or undelivered product, the ACO must issue a modification to deobligate the excess funds and quantity. The CMO is no longer required to obtain PCO authorization prior to deobligating excess funds, however, the ACO must notify the PCO before the action is taken. Below are examples only.

(1) Deliverable CLIN. Contract required Ten (10) widgets. Eight (8) widgets have been delivered and two (2) widgets will not be delivered. Because the contract required ten (10) widgets and the contractor is not going to deliver (perform as required by contract), the funds associated with the two (2) widgets are "excess funds" and must be deobligated via modification.

(2) Non-Deliverable CLIN. Contract called for five (5) trips. Three (3) trips were accomplished and two (2) were not accomplished because two (2) trips were not performed as required by the contract. The monies associated with these two (2) trips are considered "excess funds" and must be deobligated via a modification.

8.5. NEGATIVE UNLIQUIDATED OBLIGATION. If there is a negative unliquidated obligation (NULO) at the contract or ACRN level, a request for reconciliation (DCMA Form 1797) with support documentation must be sent to DFAS explaining the discrepancy. Refer to Section 17 of this Manual for additional information.

8.6. UNLIQUIDATED WORK IN PROCESS (WIP) BALANCES. The Work in Process Unliquidated Obligation (WIP ULO) balance must equal \$0.00. Unliquidated progress payment balances must be cleared prior to closeout. In order to clear the WIP ULO, conduct research with the contractor and DFAS to determine status of balance.

8.7. FINAL PAYMENT. Final shipment and acceptance of the product/service on firm-fixed-

price contracts entitles the contractor to receive final payment. In some cases, obligated funds are no longer required because of quantity variance. Excess funds may exist on maintenance and repair contracts where the repairs cost less than originally estimated. Flexibly priced contracts require settlement of final overhead rates and incentives. Because Divisional/ACO settlement of final overhead rates with DoD contractors can be a lengthy process, it is important to conduct and initial review contracts to identify and remove excess funds at the time of physical completion. Working with the contractor, the ACO must estimate the total Government monetary liability under the contract. It is important to avoid deobligating funds that may be required for final payment. The ACO must retain a ULO that equates to the final overhead pay adjustments (calculation of costs for proposed final overhead rates), which the ACO will review for excess funds during a follow-up excess funds review.

8.8. REMAINING FUNDS. Remaining funds are those 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. The functional specialist (ACO/CA) must annotate the ACO notebook with a remark stating, “\$XX.XX (amount of remaining funds) funds are remaining funds and should be Q-Finaled.”

a. Deliverable CLIN. Contract required ten (10) widgets, ten (10) widgets were delivered. The contractor billed less than the price contained in the contract and does not plan to bill at the contract price. The money leftover is “remaining funds” and is systematically removed via the “Q-Final” process in MOCAS. ACO must annotate the ACO Notebook in MOCAS with the amount of the remaining funds and process the F NLA in MOCAS or Contract Closeout Application. This allows the mechanical removal of funds in MOCAS, alerts the PCO not to reopen the contract, and generates the PK9/EDI 567 transaction (notifies PCO that the contract is administratively closed) and identifies “remaining funds.” PCO is responsible for notifying the funding station.

b. Non-Deliverable CLIN. Contract is for travel. The number of trips is not specified and performance is complete and accepted. The money leftover is “remaining funds” and ACO must follow the “Q-Final” process to close the contract.

8.9. CODING FOR WARRANTY. A number of warranty clauses or terms and conditions may appear in DCMA-administered contracts. Some of the warranty clauses can extend well beyond the physical completion of the contract. As long as there is not a CLIN or money attached for extended warranty, the contract must not be held open just for warranty. The contractor must have a process on how to handle a warranty item, and if necessary, the contract can always be reopened through the Closed-Contract Database (CCDB). Just because a contract is closed in MOCAS does not relieve the contractor of their contractual responsibility to perform under the warranty clause. When a contract contains provisions for extended testing periods after shipment and before final notice of acceptance where final payment is withheld from contractor, the contract must be moved to MOCAS Section 3 and coded “GUA”. When a contract is moved to Section 3, the R2 indicator drops the information that had resided in the R2 overage delay reason code and transfers the information to the R6 and resides there while the contract is in Section 3. Accordingly, an NLA alert for the ACO will be generated 21 calendar days before the effective overage date, or ECD, as it appears in the R6.

8.10. DORMANT FUNDS. Funds where no obligations, adjustments, contract modifications, disbursements, or withdrawals have occurred within 120 calendar 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. If funds are under review by DCMA or DCAA for closeout, they are not considered DORMANT. As such, if you have completed an excess funds determination, there is no need to issue a Dormant Funds Notification.

a. If an excess funds determination has not been made and it is not under review by DCMA or DCAA, the ACO must issue a Dormant Funds Notification form within 30 calendar days after physical completion, identifying to the PCO that the contract is complete and no further financial transactions will occur (See Resource Page).

b. 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. See Table 05, R3 Dormant Reason Codes.

Table 5. R3 Dormant Reason Codes

CODE	EXPLANATION
BCA	Armed Services Board of Contract Appeals (ASBCA) Case
TERM-C	Termination for Convenience
PL	Public Law-Claim Pending (e.g., PL 85-804)
BKRPT	Bankruptcy
CIL	Contractor in Litigation
CLL	Under Investigation
GUA	Contract containing provisions for extended testing periods after shipment and before final notice of acceptance from an estimation where final payment is withheld from Contractor
LLD	Labor Law Determination
VE	Contingent Value Engineering Payment
DEBT	Deferred DEBT - Request for Debt DEFERRAL has been approved by the Finance Officer
NOTES:	
R3 Reason Code DEBT must be used in Conjunction with R9 - 64, Deferred Debt TERM-D (Termination for Default) is not a valid Section 3 code. Any contract moved to Section 3 must have a R3 Dormant Reason Code, no blanks	

8.11. REPLACEMENT OF CANCELLED FUNDS. Replacement funds are those needed to cover cancelled appropriations.

a. If funding is still on the contract but has since cancelled, the ACO will give pre-notification to the PCO before submitting the FV to DFAS for payment. The voucher will be held by DFAS for insufficient funds and coded “DMACT” (DFAS Merged Account) in the

invoicing screen of MOCAS. After verification, DFAS will request replacement funding from the funding activity to recertify the cancelled funds.

b. ACOs must monitor final vouchers that require replacement funds to ensure the invoice is coded as “DMACT” and included on the current DMACT list posted to the DCMA AQC 360 page (See Resource Page). Partial payments can occur against the FV which may result in premature closeout. DFAS will send a letter to the funding station requesting funds. If the funding station is unable to provide replacement funds, DFAS will send a letter to the contractor requesting they waive the request for additional funds and submit a zero-dollar FV. The ACO/CA will not deobligate funds for contracts on the DMACT list. The PCO is responsible for issuing mods to deobligate all cancelling funds.

8.12. ADDITIONAL FUNDS. When additional funds are needed on a contract, the ACO is responsible for notifying the PCO of the amount of additional funds required to complete the contract. These funds will then be obligated onto the contract by the PCO or Funding Activity. The ACO must not submit final vouchers to DFAS until additional funds have been obligated to the contract via PCO issued modification.

8.13. Q-FINAL. This is a process in which DFAS systematically removes funds via the “Q-Final” process in MOCAS. ACO must annotate the ACO Notebook in MOCAS (See Resource Page) with the amount of the remaining funds and process the Final NLA in MOCAS or the Contract Closeout Application. This allows the mechanical removal of funds in MOCAS, alerts the PCO not to reopen the contract, and generates the PK9 transaction (notifies PCO that the contract is administratively closed) and identifies “remaining funds.” PCO is responsible for notifying the funding station. Funds that are Q-Finaled are sent back to the buying activity.

SECTION 9: OTHER DISBURSING OFFICE (ODO) CLOSEOUT REQUIREMENTS

9.1. DEFENSE LOGISTICS AGENCY (DLA) ODO. 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. DLA ODOs close automatically 30 calendar days after they are moved to Section 2 if they are in MOCAS Part A, coded correctly and have no special requirements (e.g., Property). DLA ODOs require only the quantity shipped = quantity accepted and a Z shipment. DCMA ACOs are not able to perform the funds review at the time of physical completion as required by FAR. DLA has retained the responsibility for closeout of the function required by FAR 4.804-5(a)(14)-Contractor's final invoice has been submitted, FAR 4.804-5(a)(15)-Contract funds review is completed and excess funds deobligated, FAR 4.804-5(b)(9)- 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, and DFARS PGI 204.804-2(1)(iv)- Upon final payment—(A) Process a DD Form 1594, “Contract Completion Statement,” or the electronic equivalent verifying that all contract administration office actions are completed; and (B) Send the original DD Form 1594 or the electronic equivalent to the contracting office for filing in the contract file and send a copy to Electronic Document Access (EDA) and financial systems using the ANSI X12 567. See Table 06, Criteria for DLA Auto Closeout. All other closeout actions must be performed IAW the contract type.

Table 6. Criteria for DLA Auto Closeout

Department Code	Contract Level Pay Office	R9 Remark	Payment Office
S	9	70	SL4701
Note: DODAACs used by DLA Payment Office include: S33189, S33186, S33181, S33150, & S12137.			

9.2. NON-DLA ODO. DCMA does not have an agreement with other buying activities regarding our administration of ODO contracts/orders. For NON-DLA (regular) ODO contracts/orders, verification must be made with the payment office that final payment has been made and that the ULO balance equals zero. See Table 07, Criteria for Non-DLA ODO Closeout. NON-DLA ODOs must be closed using the Contract Closeout Application.

Table 7. Criteria for Non-DLA ODO Closeout

<ul style="list-style-type: none"> R9 Remark code = 54. All ACO/PCO modifications and Receiving Reports are entered into MOCAS. The Line Item Schedule Shipment Record is balanced. All contractual actions are complete. Contract payment office has verified that final payment has been made and that the ULO balance equals zero. <p>Note: The sources for payment information are as follows: My Invoice, Other Disbursing Payment Office listed on contract or the PCO.</p>
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SECTION 10: FIXED PRICE CLOSEOUT REQUIREMENTS

10.1. AUTOMATIC CLOSEOUT. IAW DFARS PGI 204.804-3(1), a firm-fixed-price contract under \$500,000 may be a candidate for automated contract closeout. For contracts over the SAT, a DD Form 1597, Contract Closeout Check List or the DD Form 1594 is required to be completed and uploaded into the official contract file when automatic contract closeout is used. As permitted by FAR 4.804-5(a), automated contract closeout allows the MOCAS system to initiate and execute the closeout action. The contract qualifies for the automated closeout if the contract has requirements listed in Table 08, Automatic Closing Requirements:

Table 8. Automatic Closing Requirements

<ol style="list-style-type: none">1. Is Firm Fixed Priced2. Does not exceed a total contract value of \$500,000 (inclusive of exercised options) AND3. Does not contain any of the following provisions requiring administrative action at closeout:<ul style="list-style-type: none">FAR 52.211-11 Liquidated Damages—Supplies, Services, or Research and DevelopmentFAR 52.216-7 Allowable Cost and PaymentFAR 52.227-9 Refund of RoyaltiesFAR 52.227-11 Patent Rights—Ownership by the ContractorFAR 52.227-13 Patent Rights—Ownership by the GovernmentFAR 52.232-16 Progress PaymentsFAR 52.232-29 Terms for Financing of Purchases of Commercial ItemsFAR 52.232-30 Installment Payments for Commercial ItemsFAR 52.232-32 Performance-Based PaymentsFAR 52.245-1 Government PropertyFAR 52.248-1 Value Engineering <p>Note: If DFAS encounters a problem closing the contract, the ACO/CA may need to assist or investigate why contract will not close. Otherwise, DFAS is responsible for closing the contract within the 6 month time standard and ensuring the contract moves to Section 5 and then to Section 8. When the contract enters Section 8, no further action is required by the ACO/CA or DFAS.</p>

10.2. FINAL INVOICE. Each contract prior to closeout must have a final invoice indicated by a "Z" in the eighth position of the invoice number; otherwise, the contract will reopen. If a "Z" is missing on a final invoice, the ACO/CA must annotate the ACO Notebook.

10.3. FIXED PRICE INCENTIVE (FPI). Prior to closing a FPI contract, the ACO must ensure the incentive was negotiated and paid. 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, the ACO must ensure all overhead rates applicable to the contract/order are negotiated and the contractor is required to submit its repricing settlement proposal. The ACO must issue a modification, IAW the contract/order clause, to complete this action.

10.4. FIXED PRICE REDETERMINATION. Upon receipt of a redetermination proposal submitted by the contractor IAW the contract redetermination clause at FAR 52.216-6, the ACO must negotiate to redetermine fair and reasonable prices, document the negotiation with a Price Negotiation Memorandum and issue a bi-lateral contract modification prior to closing a contract.

10.5. FIXED PRICE INCENTIVE FIRM. The final price of the contract is determined once the contract modification is executed. The total amount paid or to be paid on all invoices or vouchers must be adjusted to reflect the total final price, and any resulting additional payments, refunds or credits must be made promptly.

10.6. UNILATERAL PRICE DETERMINATION. If the ACO and contractor are unable to reach a bilateral agreement redetermining the price under any clause requiring price redetermination, the ACO is required to issue a unilateral final decision setting the redetermined price. In such a case, the subject contract should not be closed out pending a potential Contract Disputes Act appeal to the ASBCA or Court of Federal Claims. ACO should consult assigned legal counsel in such situations for guidance.

SECTION 11: TIME AND MATERIAL/LABOR HOUR CLOSEOUT REQUIREMENTS

11.1. TIME & MATERIAL (T&M) CONTRACTS. T&M contracts contain FAR Clause 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts, and offer unique challenges for closeout. Note the rate structure of the contract. Labor rates are expressly agreed to at the time of award and must be reflected in a schedule within the contract. In the case of an IDC, labor rates should be expressed in the contract itself rather than in individual task orders or delivery orders. The schedule must include Labor rates and personnel qualifications.

11.2. RATES, OTHER DIRECT COSTS AND TRAVEL.

a. Rates. LH rates for a T&M contract are negotiated prior to award and a labor rate sheet is included in the contract, or in the case of an IDC, is attached at the contract level, and applicable to all orders.

b. ODC & Travel CLINs. Other Direct Costs (ODC) and Travel are associated with indirect rates. Indirect final cost rates, when applicable, must be settled prior to closeout. The contractor is not eligible to submit a FV until all the applicable indirect costs and overhead rates are negotiated or established. If the costs are immaterial, there is no need to wait for final indirect cost rates. Immateriality is based on regular business acumen and determined by the ACO, and should be documented by an MFR. See DCMA-MAN 2201-03, "Final Indirect Cost Rates," for specific rate instructions.

SECTION 12: COST TYPE CLOSEOUT REQUIREMENTS

12.1. INTRODUCTION. Closing cost type contracts is similar to closing all other types of contracts with the exception of the settlement of rates, the submission of the FV, and all closing documents. Cost Contracts (includes types: Cost Plus Fixed Fee (CPFF), Cost Plus Award Fee (CPAF), Cost Sharing, and Cost Plus Incentive Fee (CPIF)). All cost type contracts are closed using the same steps/methods and information:

12.2. COST TYPE CLOSEOUT ACTIONS. Actions 12.2.a. through 12.2.j., are specific to closing Cost Type contracts.

a. Subcontracts. Prime contractors use procedures similar to those of the Government. The ACO ensure that all of the prime's subcontracts are paid and closed before the prime contract can be eligible for contract closeout.

b. Final Rates. The DACO/ACO must determine whether or not all overhead rates that apply to a contract/order are negotiated. The contractor is not eligible to submit a FV until all the applicable indirect costs and overhead rates are negotiated or established. If final rates have been established unilaterally by the DACO or ACO, the contractor may appeal the final decision of the ACO under the Contract Disputes Act. In such cases, FVs will not be submitted until the appeal is resolved by settlement or litigation and ACOs should contact assigned legal counsel for guidance.

c. Credit Voucher. Credit vouchers can be submitted electronically through WAWF, however, they cannot be credited through WAWF. DCMA utilizes the Automated Cash Collection System (ACCS) for payment of monies owed by the contractor. ACCS provides the ability for contractors to submit refunds/payments to DFAS electronically. When contracts/orders are ready to close and contractors are required to submit a refund/payment to the Government, they are encouraged to use ACCS to process a credit interim voucher. When using the ACCS, the contractor must state the Contract Number, the payment amount, CLIN and the ACRN to ensure proper and prompt posting by DFAS. After the refund/payment posts to the contract, then the contractor must submit a zero-final voucher to the ACO for review/approval.

d. Final Voucher. Once final annual indirect cost rates are settled for all years of the period of performance of a physically complete contract, the contractor must submit a FV reflecting the settled amounts and rates within 120 calendar days, unless an extension has been approved in writing by the ACO, prior to the 120 calendar day expiration date. The request for the extension must come from the contractor and be in writing. To determine whether a period longer than 120 calendar days is appropriate, the ACO must consider whether there are extenuating circumstances as listed in FAR 42.705 (b) (1) through (5), Final Indirect Cost Rates.

(1) If the contractor fails to submit a FV within the specified time period, the ACO may:

(a) Issue a Level II Corrective Action Request for non-compliance to a contract requirement.

(b) Determine the amounts due to the contractor under the contract.

(c) Record this determination in a unilateral modification to the contract.

(2) If a contractor consistently misses the 120 calendar day deadline for submitting a FV, the ACO must coordinate with the DACO/CACO (if applicable) to address systemic issues.

(3) FAR 42.705, Final Indirect Cost Rates, explicitly states the right of the ACO to unilaterally determine the final contract payment amount when the contractor does not submit the final invoice or voucher within the time specified in the FAR. The contracting officer determination must be issued as a final decision IAW FAR 33.211, Contracting Officer's Decision.

(4) Contractors are required to update their "Schedule of cumulative direct and indirect costs claimed and billed by contract and subcontract" (Schedule I) with their annual indirect cost rate proposal for audit by DCAA or third party auditors and update it within 60 calendar days after rate settlement. The contractor's ability to track cumulative allowable cost by contract is essential for an adequate billing system and necessary to ensure that cumulative amounts billed do not exceed total estimated contract cost ceilings.

(5) A Cumulative Allowable Cost Worksheet (CACWS) summarizes total cumulative allowable costs for all open flexibly priced contracts. (See Cumulative Allowable Cost Worksheet). The CACWS is designed to expedite contract closeout by eliminating the need for DCAA to evaluate the FV and prepare a separate contract evaluation closing statement. This saves time and resources for both the contractor and Government. The ACO can ensure that the total payment amount stated in the CACWS equals the total amount requested for each contract as stated in the FV payment support documentation. However, if the ACO cannot determine the cumulative allowable costs by contract using the CACWS, ACO should request DCAA to evaluate the FV.

e. Review Final Voucher. The contractor's FV must be submitted electronically in WAWF along with all closing documents as attachments. WAWF has a limitation on size of attachments. The contractor may need to send attachments exceeding the WAWF limitation by alternate means. These files should be uploaded into the agency's official record keeping system by the ACO or CA.

(1) ACOs may review final vouchers instead of requesting a DCAA review if the ACO determines that the contract is low risk. The ACO will conduct a risk assessment of the contract, and review the FV for those contracts determined to be low risk with Contract Price/Cost Analyst assistance. DCMA will continue to request DCAA review the FV for those contracts that are determined to be higher risk, See Table 9, Final Voucher Review Criteria:

Table 9. Final Voucher Review Criteria

Following are items that must be considered when reviewing a Final Voucher (FV):

- If a Cumulative Allowable Cost Worksheet (CACWS) has been prepared, and approved by DCAA, an evaluation of the FV is not needed by DCAA, the CA/ACO can review the voucher to confirm that the amounts on the FV match the CACWS.
- There will be times when DCAA cannot timely review the voucher. However, if funds are at risk of cancelling, DCAA will schedule and conduct the review. If DCAA is unavailable to conduct review, DCMA Pricing can perform the review if available.

(2) When conducting a risk assessment, the ACO must take into consideration low risk criteria as identified in Tables 10 and 11:

Table 10. Risk Assessment for Final Vouchers

- No subcontract costs on the contract or subcontractor costs have been settled
- Consider the dollar value of the contract. Higher dollar contracts may result in higher risk.
- Consider business systems to be either adequate or inadequacies do not impact the FV. Business systems that impact a FV are: Accounting, and Purchasing.
- No identified unsettled disallowances, outstanding legal actions, open insurance claims, defective pricing issues, ASBCA cases, or other unresolved items affecting the contract.

Table 11. Final Voucher Review

Overhead rates must be established for all years covered by the contract period of performance. Overhead rates can either be negotiated, determined using QCO rates, or the contracting officer can accept the Contractor's proposed rates after receipt of a DCAA adequacy review. DCMA Price/Cost Analyst are recommended to perform the Steps for FV Review:

Step 1. Verify accuracy of arithmetic – Coordinate with the Contractor to reconcile differences

Step 2. Review Contract file and identify

- a. Funding by CLIN
- b. Cost restrictions, e.g., limits on travel or overtime costs
- c. Level of Effort (LOE)

Step 3. Verify period of performance on the FV agrees with the period of performance per contract and latest modification. If dates do not agree, coordinate with the Contractor to reconcile differences.

Step 4. When applicable, the ACO may request Contractor Cost Ledgers by CLIN for the contract.

Step 5. Verify that amounts incurred by CLIN on the Contractor Cost Ledgers agree with amounts by CLIN on the FV. If amounts do not agree, coordinate with the Contractor to reconcile differences.

Table 11. Final Voucher Review

<p>Step 6. Verify amounts per CLIN on the FV do not exceed contractual funding limits. Coordinate with the Contractor to reconcile differences if funding amounts have been exceeded.</p> <p>Step 7. Review Cost Ledgers and FV Support Schedules and verify that cost restrictions have not been exceeded, (e.g., limits on travel or overtime). Coordinate with the Contractor to reconcile differences if contractual amounts were exceeded.</p> <p>Step 8. Obtain from Contractor the top-level Labor Distribution Report and verify that LOE was met. If not met, verify that the fee on the FV was adjusted. If fee was not adjusted, coordinate with the Contractor to reconcile differences.</p> <p>Step 9. Verify accuracy of rates used by Contractor to calculate costs in the FV.</p> <ul style="list-style-type: none">a. Obtain cost reports from Contractor that identify rates used to compute costs.b. Verify that costs in total on Rate Reports agree with total costs on the FV.c. Verify rates used to compute costs in the FV agree with final negotiated QCO rates. <p>Step 10. Verify that the fee on the FV agrees with contractual terms.</p> <p>Step 11. Verify the subcontract costs (if applicable) have been settled, and the ACO to the subcontractor take no exception to the costs. In some instances, the qualified audit opinion (due to another pending assist audit report) may relate to subcontract costs that are a type of ODCs. Subcontract costs typically have no impact relative to settling a prime Contractor's final indirect rates. However, the assist audit (covering subcontract costs) will likely be needed to settle specific contract costs with the prime Contractor.</p>
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f. Final Voucher Approval. Once the FV is reviewed and deemed acceptable, the ACO must approve the payment in WAWF. Personnel involved in the final payment process must be aware of the significant differences in the appointment qualifications and responsibilities for a certifying officer and a contracting officer. The buying activity Certifying Officers and DFAS Disbursing Officers depend on ACOs to support the contract payment process. They have potential for significant financial liability for erroneous payments made based on improper certifications. PCO/ACOs are the only individuals authorized to bind the Government and direct the contractor. They play a critical role to ensure the Government's interests are protected during contract performance and serve as the principal point of contact for industry and buying commands on matters pertaining to contract interpretation, execution and compliance. Considering these differences, it is important that ACOs exercise care when approving final/completion vouchers.

g. Interim or Disallowed Costs. The ACO must ensure that all interim or disallowed costs are settled under the contract/order prior to closeout.

h. Contractor's Completion Statement. IAW FAR 52.216-7(h)(2)(i)-(ii), the FV must include the release of claims and other required documents. The release of claims is a signed, dated statement from the contractor. The release of claims should match FV cumulative amount allowed to be billed including fee.

i. Results of DCMA or DCAA Final Voucher Review. If there are questioned costs, the ACO must settle and document all questioned costs (including Subcontractor costs) in a Memorandum for Record prior to approving the FV.

j. Closeout of Cost Contracts. Once all actions are complete and the FV is processed and paid by DFAS, the contract is ready to be closed.

SECTION 13: QUICK CLOSEOUT AND EARLY CLOSEOUT

13.1. QUICK CLOSEOUT (QCO). The QCO process offers an alternative to holding contracts open until final indirect cost 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. Unlike early closeout procedures, the determinations of final indirect costs under QCO procedures are final for the covered contracts and no adjustments are made to other contracts for over or under recoveries of costs allocated or allocable to the contracts covered by the advance agreement. Additionally, indirect cost rates used in the QCO of a contract are not considered a binding precedent when establishing the final indirect cost rates for other contracts.

a. In the first quarter of a Fiscal Year, ACOs with or without a corporate ACO/DACO network must identify a list of contracts/orders for potential QCO and needing QCO Rates. The listing of the potential QCO contracts/orders must be provided to the contractor, with the goal to obtain contractor agreement on the use of QCO procedures for the listed contracts. Frequently, current billing rates are used as the QCO rates. Because these rates are established by the contractor and reviewed by DCAA and the ACO, they are considered credible and can be used to invoice and close the contract at a relatively immaterial cost.

b. Pursuant to FAR 42.708, Quick-Closeout procedures to include the QCO Class Deviation or Low Value/Low Risk QCO initiative (See Resource Page) may be used if:

(1) Physical Completion. The contract/order is physically complete.

(2) Costs. The amount of unsettled direct and indirect cost to be allocated to the contract, task order, or delivery order are relatively insignificant. Direct and indirect cost amounts are insignificant when:

(a) The total unsettled direct and indirect cost to be allocated to any one contract, task or delivery order does not exceed \$2 million. NOTE: DCMA ACOs are further authorized to deviate from FAR 42.708(a)(2) and negotiate the settlement direct and indirect costs for a specific contract, task order, or delivery order to be closed in advance of the determination of final direct costs and direct rates set forth in FAR 42.705 regardless of the dollar value or percent of unsettled direct or indirect costs allocable to the contract, see class deviation 2019-O0009 dated May 03, 2019.

(b) Unless otherwise provided in agency procedures, the cumulative unsettled direct and indirect cost to be allocated to one or more contracts in a single fiscal year do not exceed 10 percent of the estimated total unsettled direct and indirect costs allocable to cost type contracts for that fiscal year. The contracting officer may waive the 10 percent restriction based upon risk assessment that considers contractor's accounting, estimating and purchasing systems, other concerns of the cognizant contract auditors, and any other pertinent information. An agreement can be reached on a reasonable estimate of allocable dollars.

(3) Identifying QCO Candidates. The ACO must maintain close coordination between DCAA and the contractor in determining QCO candidates. The candidates can be identified in multiple ways:

(a) ACO. The ACO usually is the primary person who can identify candidates for QCO. The ACO must consider the volume of contracts awaiting settlement of indirect rates and monies will be affected by cancelling funds. QCO is an excellent way to close contracts and preclude millions of dollars from cancelling. Another area that ACOs may consider is T&M type contracts. These contracts are ideal for QCO because the only redeterminable amount is usually the general and administrative (G&A) costs associated with the ODCs in the contract.

(b) DCAA. Sometimes the auditor will contact the ACO and recommend particular contracts for QCO. Oftentimes the auditor is approached by a contractor regarding QCO. When these recommendations are received, the ACO must review the contracts and any other contracts for that particular fiscal year and determine if QCO procedures are practicable.

(c) PCO. A PCO will sometimes contact an ACO concerning closeout status of a particular contract and will often inquire about QCO possibilities.

(d) Contractor. The contractor will occasionally request QCO procedures for a given contract or group of contracts.

c. Contracting Officers who are external to DCMA using QCO procedures to close contracts may reach out to DCMA ACOs/DACOs for information. ACOs/DACOs shall provide support to external contracting officers who are using QCO procedures on contracts that are not delegated to DCMA to administer. Support can be provided in a number of ways such as providing recommended rate information; status of contractor business systems; or information on CAS non-compliances. ACOs/DACOs can also direct external contracting officers to CBAR etool for additional information.

13.2. EARLY CLOSEOUT. Early Closeout procedures are used to close delivery orders under an IDC prior to indirect rates settlement in order to avoid cancelling funds and overage contracts. The practice is acceptable because the task orders are not considered to be individual contracts. QCO procedures at FAR 42.708 may be used in conjunction with Early Closeout. In order to use QCO procedures, the task order or delivery order must be physically complete, and the amount of unsettled direct costs and indirect costs to be allocated to the contract, task order or delivery order is relatively insignificant. Relatively insignificant is considered when the total unsettled direct and indirect costs to be allocable to any one contract, task order or delivery order does not exceed the lesser of \$1 Million or 10 percent of total contract, task order or delivery or the ACO performs a risk assessment and determines that the use of the QCO procedure is appropriate.

a. Candidates for Early Closeout. Candidates for early closeout procedures are those IDC contracts that contain FAR Clause 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts. The clause provides the Government the right to withhold 5 percent of payments otherwise due, up to a maximum of \$50,000. Withholds are directly linked to the contractor release which discharges the Government from all liabilities, obligations and claims.

In addition, withholds are applied against the estimated amount of the entire instrument - not against individual task orders.

(1) ACOs must consider the adequacy of contractor accounting and billing systems. Adequate systems indicate that minimal adjustments would be required for the FV. If a contractor has inadequacies in their accounting and billing system, the nature of the inadequacy must be considered.

(2) Orders that do not contain ODC or a Travel CLIN are eligible candidates for Early Closeout.

b. Early Closeout Procedures. While it is recommended that early closeout procedures be established at the onset of the contract, the procedure may be implemented during contract performance, or after physical completion of task orders. By establishing early closeout procedures at the onset of the contract, the ACO will be able to monitor the process IAW FAR Clause 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts.

c. Early Closeout for Cost-Plus-Fixed-Fee Type Task Orders Issued Under an IDC. The use of early closeout for cost-plus-fixed-fee type orders issued under an IDC contract is considered to be an acceptable practice because the task orders are not considered as individual contracts. In addition, the clauses governing the closeout process do not prohibit the use of this procedure.

(1) When implementing early closeout for Cost Plus contracts, the ACO should follow the procedures in Early Closeout and Establishing Early Closeout - After Performance.

(a) FAR Clause 52-216-8 Fixed Fee, states that ". . . the Contracting Officer may withhold further payment of fee until a reserve is set aside . . ." and "This reserve shall not exceed 15 percent of the total fixed fee or \$100,000, whichever is less."

(b) PCO/ACO must withhold fee, (a sufficient number of orders should be held open to maintain the 15 percent or \$100,000 withhold). This will satisfy the requirements of the FAR clause. The PCO/ACO shall release 75 percent of all fee withholds under this contract after receipt of an adequate certified final indirect cost rate proposal covering the year of physical completion of this contract, provided the contractor has satisfied all other contract terms and conditions including the submission of the final patent and royalty report and is not delinquent in submitting final vouchers on prior year's settlement. The PCO/ACO may release up to 90 percent of the fee withholds under this contract based on the contractor's past performance related to the submission and settlement of final indirect cost rate proposals.

(2) When an ACO determines that fee withholds are necessary, the ACO should advise the contractor as to the specific reasons why fee withholds are necessary, and should describe the curative measures that the contractor can take to eliminate the need for fee withholds. If the ACO determines that it is necessary to withhold fee to protect the Government's interests, written direction should be issued to the contractor by modification of the contract. This paragraph provides suggested wording for the modification: "This modification is issued to incorporate fee withholding IAW FAR Clause 52.216-8 (-9 or -10, as appropriate). In order to protect the

Government's interest, [contractor] is hereby directed to begin withholding fee from billings under this contract until a reserve is set aside in the amount of \$_____ (amount of reserve shall not exceed 15 percent of the total fixed fee or \$100,000, whichever is less). Fee shall be released IAW FAR Clause 52.216-8 (-9 or -10, as appropriate).”

SECTION 14: CLOSEOUT OF BASIC ORDERING AGREEMENT (BOA)/INDEFINITE DELIVERY CONTRACT (IDC)

14.1. CLOSING A BOA. A BOA is an agreement and not a contract, and is identified by a “G” in the 9th position of the contract number. The delivery orders issued under a BOA are considered the “contract.”

a. If the property clause is in a BOA, it flows down to each delivery/task order level. As such, when closing property for a BOA, property must be cleared at delivery/task order level.

b. The Final Delivery Date (FDD) of a BOA should remain the same as the expiration date of the basic contract until the basic contract expiration date has expired or all orders are physically complete and moved to Section 2, 3, or 4, whichever occurs latest. If the basic expiration date is expired and all orders are in Section 2, 3, or 4, then the FDD should be revised to reflect the latest estimated closing date to close all orders, unless the PCO specifies a different FDD.

c. After the ordering period has expired, the BOA must stay in Section 1 until all delivery orders are closed.

d. Upon expiration of the ordering period and closeout of all orders, the ACO must complete a DCMA Form 1797 with documentation showing no open orders and a screenshot of the expired period of performance, and forward to the TA(PT) to move the BOA from MOCAS Section 1 to Section 2. The ACO must then process closeout via the Contract Closeout Application or via MOCAS, applying a “G” and “F” NLA in the same cycle. This will result in the transmission of the PK9/EDI 567 to the PCO. Special Programs Directorate must forward a copy of the signed DD Form 1593 to the PCO when the contract is closed.

14.2. CLOSING AN IDC. An IDC is a contract, identified by a “D” in the 9th position of the contract number. Individual orders issued under the IDC are not considered to be individual contracts and are not to be segregated from the IDC. Each order under an IDC must be closed individually.

a. If the property clause is in an IDC, it does not flow to the delivery/task order level. As such, when closing property for an IDC, it must be cleared at the IDC level, not at the delivery/task order level.

b. Initially for IDCs, the FDD entered in MOCAS must be the expiration date of the basic contract. When orders are issued under the IDC, the actual FDD of the IDC must be updated to reflect the latest delivery date applicable to any of the orders issued in MOCAS Section 1. An R5/R6 remark must state the FDD date of the IDC. The FDD can change (see 14.1.b.) and must be deleted and updated with the new date. After the FDD has expired, the IDC must remain in MOCAS Section 1 until all orders are closed. When all orders are in MOCAS Section 2, ACO must update the IDC to reflect the latest Estimated Closing Date to close all orders. After the last order under the IDC is closed, the ACO must request, on a DCMA Form 1797, the IDC be

moved from MOCAS Section 1 to Section 2. The ACO will complete the checklist and close the IDC.

SECTION 15: CLOSING PART B AND PART C CONTRACTS AND NON-PROCUREMENT INSTRUMENTS

15.1. PART B CONTRACTS. When a final payment is made for contracts in MOCAS Part B the contract “automatically” moves to Section 5 and then to Section 8. When the contract enters Section 8, no further action is required. In the rare instance the contract does not move to Section 5 automatically, ACO/CA will contact DFAS via a DCMA Form 1797 to request the contract be moved to Section 5.

15.2. PART C - SUPPORT CONTRACTS. On support contracts, the functional specialist (ACO/CA) from the delegated CMO tracks performance and completion of all designated activities within MOCAS. CMO personnel are responsible for inputting all support contracts in MOCAS. When support contracts administered in MOCAS (assignment code S or T) are ready to be closed, the functional specialist (ACO/CA) must move the contract/order from Section 1 to Section 5 through the MOCAS YCU2 screen and then select summary edit. Manual closeout of support contracts is required.

15.3. PART C - PAYMENT ONLY CONTRACTS. Payment Only contracts (Assignment Code “G”) are the responsibility of DFAS for input, changes, and closeout. Other than ensuring the ACO code reads "PAY", CMOs must not make changes to, or attempt to close these contracts since there is no DCMA involvement.

15.4. CLOSING NON-PROCUREMENT INSTRUMENTS (NPI). Grants, agreements, and other transactions (OT) See DCMA-MAN 2501-08, “Grants Agreements and Other Transactions,” are referred to collectively as NPIs. When closing an NPI, special attention must be made to property issues, payment issues, and patent/royalty/march-in right issues. Although NPIs are not covered by the FAR/DFARS, the DCMA Contract Closeout process is generally the same as for contracts/orders. ACOs must ensure all necessary closeout actions are accomplished within 36 months of expiration of the agreement. See Table 12, NPI Closeout Documentation for Grants, Agreements and Other Transactions criteria.

Table 12. NPI Closeout Documentation

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

- An invention disclosure spreadsheet, or similar information.
- A property list spreadsheet, or similar information.
- Evidence of Government program manager certification that all milestones have been satisfactorily completed and that all deliverable items/reports have been accepted.
- Evidence of Administrative Grant Officer review of expenditures/cost share contributions and verification of these amounts as appropriate.
- Evidence the recipient sent copies of required reports/documents to the Defense Technical Information Center, when required by the agreement.
- A closeout checklist or closeout worksheet or similar information.
- A closeout memorandum or DD Form 1594 that addresses all pertinent closeout actions.

SECTION 16: DFAS RECONCILIATIONS AND MOCAS SECTION 4

16.1. REQUEST FOR FUNDS RECONCILIATIONS. Within 60 calendar days of a flexibly priced contract moving to Section 2, the ACO must perform and document that a reconciliation was completed. The purpose of the reconciliation is to identify excess and/or remaining funds. Normally, at the completion of the contract, the total of funds obligated must match the total payments made to the contractor, inclusive of the final payment. Cost underruns, mistakes in payments, unearned incentives, withheld fees, etc., result in unliquidated obligations at the completion of the contract. When remaining funds balances or unliquidated obligations exist that cannot be explained, reconciliation is required to compare hard copy documents with the MOCAS database.

16.2. DFAS RECONCILIATION. Section 16 covers how to ensure a contract gets into the reconciliation "pipeline" at DFAS. DFAS requires proper completion and submission of DCMA Form 1797, Request for MOCAS Action/Information and an Obligation Recap. When all administrative closeout actions are completed, DFAS will assign contracts to MOCAS Section 4 upon receipt of a properly completed DCMA Form 1797, Request for MOCAS Action/Information. The 1797 form is used both for requests for adjustment and for requests for "full-scope" disbursement reconciliation.

a. DCMA Form 1797 requests for adjustment contain a description of the problem and an explanation of the corrections that are needed in the MOCAS records. Requests for adjustment cover readily identifiable errors and corresponding corrections.

b. DCMA Form 1797 requests for full-scope disbursement reconciliation differ from requests for adjustment in that the corrections needed cannot be identified by the ACO.

c. DCMA requests for disbursement reconciliation are accompanied by a spreadsheet showing contract obligations. This includes the identification of all funding obligated and deobligated on the basic contract by all subsequent modifications. The audit is required to be performed to the CLIN and ACRN levels.

d. The ACO must sign the DCMA Form 1797 (digital signature acceptable). Signature on the DCMA Form 1797 is the certification that the obligation information is accurate.

e. DFAS Columbus is responsible for contract disbursement records and for any adjustments/corrections to the disbursement records. When submitting a DCMA Form 1797 requesting reconciliation, ACO/CA must include an Obligation Recap. ACO/CA must not send an audit of the disbursement records.

f. Submission of Contract Obligation Data. The recommended format for submitting contract obligation data in support of a request for disbursement reconciliation is an Excel spreadsheet.

g. Use of e-mail for Submitting Requests for Adjustment and Disbursement Reconciliation. Requests for adjustment and disbursement reconciliation may be submitted to DFAS via e-mail.

Functional Specialists (ACO/CA) must refer to the MOCAS DCMA 360 site under DFAS Information for the most up to date e-mail address and Order of Escalation information along with other valuable DFAS related information. See Table 13, Obtaining Status on reconciliation.

Table 13. Obtaining Status

To obtain status:

- After 90 calendar days: Functional Specialist (ACO/CA) must send request to DFAS Reconciliation Status mailbox. Refer to the MOCAS DCMA 360 site under DFAS Information for the most up to date e-mail address and Order of Escalation information.
- When submitting via e-mail, include in the subject line "1797 -- MOCAS Database MOC_."
- Add the appropriate indicator to "MOC_" so that DFAS can identify the DFAS payment division responsible for the reconciliation action -- either "H" for the North Payment Division, "G" for South, or "L" for West.

h. MOCAS Delay Reason Code P. One of the MOCAS Section 2 delay reason codes is "P" -- reconciliation with the paying office and contractor being accomplished. Entry of code "P" into MOCAS does not by itself trigger DFAS action: If adjustment or disbursement reconciliation is required on "P" coded contracts, the DCMA Form 1797 process must be used.

i. DFAS CAR Reconciliation Report. When DFAS receives a DCMA Form 1797 (along with an Obligation Recap) requesting contract reconciliations, the contract is registered in the CAR Recon Report (Open Audit Log). When DFAS completes the reconciliation, the contract number is posted to the Closed Audit listing. These reports can be found on the DFAS MOCAS 360 site (under DFAS Information/Open Audit Listing link). Listings are updated weekly/monthly.

16.3. MOVEMENT OF CONTRACTS TO MOCAS SECTION 4. MOCAS Part A and B contracts require DFAS disbursement reconciliation to be assigned to Section 4. Table 14, Movement to Section 4 contains the criteria to be met before movement to Section 4 occurs.

Table 14. Movement to Section 4

- The contract is physically complete IAW FAR 4.804-4, Physically Completed Contracts.
- All acceptance documents are obtained and processed in MOCAS.
- The MOCAS ACO Notebook must be annotated if the contract was moved to MOCAS Section 2 with an out of balance Line Item Schedule Shipment Record (LISSR). The ACO must annotate the ACO Notebook Remarks field in MOCAS as follows: ("Due to unbalanced LISSR, PCO certification of acceptance received "date").
- All administrative closeout actions identified in FAR 4.804-5, Procedures for Closing out Contract Files, are completed.
- All invoices/vouchers have been paid.
- Unliquidated amounts do not remain on the MOCAS withhold lines.
- Unliquidated amounts do not remain on the MOCAS Work-in-Process (WIP) finance line unless the contract is at DFAS for WIP reconciliation.
- Known contract debt or related disputes are resolved.
- Remaining funds are annotated in the MOCAS ACO Notebook.

a. Once all of the conditions are met in Table 14, DFAS will assign contracts to MOCAS Section 4 upon receipt of a properly completed DCMA Form 1797, Request for MOCAS Action/Information. The DCMA Form 1797 must include the requirements in Table 15, Request for MOCAS Action:

Table 15. Request for MOCAS Action

- | |
|---|
| <ul style="list-style-type: none">• A request to move the contract to Section 4.• An annotation that the contract is physically complete and all administrative actions are complete.• A request for reconciliation/closeout audit.• An obligation recap. This includes the identification of all funding obligated/deobligated by the basic contract and all subsequent modifications. The audit is required to be performed to the CLIN and ACRN levels. |
|---|

b. If the recap reveals a corrective modification is needed, the modification must be issued and submitted to DFAS for processing prior to submission of the DCMA Form 1797.

c. If the DCMA Form 1797 does not meet the conditions for movement to Section 4 as set forth in Table 15, DFAS will return the DCMA Form 1797 to the originator and the contract will not move to Section 4. Once the conditions are completed, the DCMA Form 1797 will need to be resubmitted as described in Table 15.

d. Contracts at DFAS for disbursement reconciliation that meet the criteria in Table 15 can also move to Section 4 by a request to move via the DCMA Form 1797 process. In this case, Part II of the DCMA Form 1797 must include a comment that the contract is registered in the CAR Recon Report (Open Audit Log).

e. A MOCAS R4 remark will be input by DFAS once the contract is moved to Section 4. It will read "ADMN COMPLT PENDING RECON."

f. Most contracts will remain in Section 4 until reconciliation and corresponding adjustments are completed by DFAS and the contract is ready to close. DFAS will close the Part B contracts by issuing a G and F NLA. DFAS will move Part A contracts to Section 2 for closeout and will generate a MOCAS R5/R6 remark to read "RECON CMP." The Part A contracts will receive a G NLA from the CAR clerk, but will require the ACO to issue the F NLA to close the contract.

g. If DFAS' reconciliation reveals a corrective modification is required, the contract will move to Section 2 and the ACO will be notified via a Contract Deficiency Report (CDR), Contract Data Package Recommendation/Deficiency Report. The CDR will list the corrective action required and will contain the statement "RECON CMP - MOD REQ FOR CLOSEOUT." The MOCAS R5/6 remark will also be updated to include the same statement. If any other actions are required (e.g., refund), a similar R5/R6 remark identifying the required action will be included. Use of electronic DCMA Form 1797 and retention of the delivery confirmation from DFAS is encouraged. MOCAS coding must be updated as appropriate.

16.4. OPENING A CLOSED CONTRACT. If a voucher is incorrectly coded as a FV, the

contract will automatically close (moves to MOCAS Section 5), if the ULO is zero. When the Contract Closeout accounting technician identifies a contract that has moved to Section 5, 8, or 9 in error, DFAS is responsible for ensuring the contract is reopened.

a. If DCMA needs a contract reopened, the ACO/CA must prepare a DCMA Form 1797 requesting the contract be reopened and forward to the Contract Input Technician assigned at DFAS. The ACO/CA must refer to the MOCAS DCMA 360 site under DFAS Information for the most up-to-date e-mail address and Order of Escalation information.

b. Section 9 contracts are reopened by Contract Input. The Contract Closeout accounting technician at DFAS submits a CAR Multipurpose Form (DFAS-CO Form 1023) to Contract Input requesting the contract be reopened and placed in MOCAS Section 1.

16.5. UNRECONCILED CONTRACTS. After a contract moves to Section 4, DFAS Columbus will conduct a Request and Inspection of Documents (RAID). DFAS will try to locate critical documents required to conduct the audit. They will perform an extensive search for missing documentation required for the reconciliation. DFAS may send requests to the ACO, PCO, and Accounting Station asking for assistance in locating the missing documentation. When sufficient documentation cannot be located to support contract reconciliation, a contract will be designated as unreconcilable. Further action to close these contracts will be placed on hold until a mechanism for disposing of the contracts is introduced. The ACO must work with the Contractor, PCO, and DFAS to come to an agreement, document and close the contract.

16.6. REOPENED CONTRACTS. Each month contracts may reopen due to MOCAS data discrepancies not resolved prior to closure. The R5 Remark in MOCAS (see Table 16, Explanations for the R5 Remarks for Reopened Contracts) will show the date the contract was reopened. In many instances, the ACO will not be notified when these contracts reopen. The main reasons contracts reopen are unsatisfied line items, unpaid invoices, or unexplained dollars on the ULO line. See Table 17 for Examples of Conditions for Reopens. To improve communications, DCMA and DFAS personnel must enter comments in the ACO Notebook by using the general format: date of remarks dd/mm/yy, remarks, phone number, and e-mail address.

Table 16. Explanations for the R5 Remarks for Reopened Contracts

REOPEN OL	Assigned when a contract is manually reopened, within the first 14 calendar days after closure, prior to records being purged from MOCAS. Reopens at this phase are generally a result of reviews during the Q-Final process.
REOPEN CCDB	Assigned when a contract is manually reopened using copy of contract data stored in the CCDB. This allows a contract to be fully restored to its pre-closure state. Applies only to contracts closed after December 2000.
REOPEN ULO NOT ZERO	Assigned when a contract is systemically reopened during end of month (EOM) processing. This indicates failure of the Q-Final process due to missing data on the MOCAS master appropriation table or out-of-balance financial conditions.
REOPEN-PP	Systemically assigned code resulting from remaining WIP balance at EOM processing.

Table 16. Explanations for the R5 Remarks for Reopened Contracts

Other	Varying reopen reasons, generally assigned when a contract, closed prior to December 2000, must be manually re-established in MOCAS. This remark is often descriptive in nature (e.g., Reopen to process demand letter, Reopen per ACO request, etc.)
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Table 17. Examples of Conditions for Reopens

In Audit	Contract is on the open audit log
YINV SCREEN NO FINAL INVOICE	“Z” invoice has not been paid
OPEN ACCOUNTS RECEIVABLE	There is an outstanding accounts receivable to be collected
OPEN ACCOUNTS PAYABLE	There is an outstanding invoice to be paid
INVOICE ON HAND	There is an unpaid invoice in MOCAS waiting to be paid/processed
UNPAID VOID	Contract has a voided invoice that was never reprocessed and paid
UNPAID “E”	Contract has an E’d invoice that was never reprocessed and paid
CREDIT /BOC NOT MARKED “F” PAID	Credit invoice or Bill of Collection (BOC) coded “K” (collection) needs to be processed to “F”
OUT OF SEQUENCE BVN	Missing voucher number from sequence not paid and not addressed in ACO Notebook Remark
H-STOP and D-MACT	Ensure invoices are clear of these reasons/means accounts payable pending
NO FINAL DISBURSEMENT	A final or type payment code “1” has not been made/input
YCU2 SCREEN ULO NOT ZERO	ACRN ULO or Provisions ULO not addressed in ACO Notebook Remarks
WORK-IN-PROCESS (WIP) BALANCE	Contract has unliquidated financing payments
WITHHOLD BALANCE	Contract has an outstanding withhold
NULO/DWIP	Contract has an ACRN- or contract-level Negative ULO (NULO) or debit WIP (DWIP) balance
OPEN LINES	Out of balance LISSR - what was ordered/shipped/accepted quantity doesn’t match
MISSING SHIPMENT	Out-of-sequence or missing shipments that are not addressed in ACO Notebook Remark
MISSING MOD	Out of sequence mod numbers or mod on EDA not processed in MOCAS
NUMERIC ACRN	Contract has a numeric ACRN with a balance <>\$0
\$.01 ACRN	Contract has an ACRN with a \$.01 balance (may need a “reverse penny-down adjustment”)
BASIC BOA/IDC	Open Orders/Ordering Period

SECTION 17: MOVEMENT TO SECTION 5 - FINAL CLOSEOUT ACTIONS

17.1. FINAL PAY NLA/PK9. Once all required closeout actions are complete and the checklist is completed and signed, the ACO must close the contract in MOCAS using the Contract Closeout Application. The closeout checklist must be signed by the ACO prior to closing the contract either manually or in the tool. MOCAS will generate a NLA when final payment is processed for Part A contracts. The ACO/CA will verify the Final Pay NLA was issued. MOCAS will automatically generate a PK9, Contract Completion Statement, to notify the Buying Activity the contract is closed. If the PK9 does not transmit, the ACO must complete a DD Form 1594, to notify the PCO/buying activity that the contract is closed.

17.2. MANUAL CLOSEOUT. DCMA Special Programs and the Contract Closeout Center will follow the DCMA Contract Closeout process and forward the DD Form 1594 to the PCO/buying activity.

17.3. CONTRACT CLOSEOUT APPLICATION. Use of the Contract Closeout Application is mandatory for closing contracts. If the application is down for more than three consecutive days, the functional specialist (ACO/CA) will close the contract using the manual closeout procedure by issuing “F” and “G” NLAs.

17.4. CONTRACT CLOSEOUT RECORDS. Original contract documents must be placed into records management prior to contract closeout. DCMA has a DoD 5015.2-STD compliant Electronic Document Records Management System (eDRMS) for archiving electronically managed contracts in IWMS. All contracts indicated as closed in IWMS will automatically be held for retention and disposed of IAW DCMA Records Management. Contracts indicated as closed in IWMS after the contract moves to Section 5. Table 18 lists contract closeout documents that must be uploaded into IWMS prior to ACO signing DD Form 1597 for contract closeout.

Table 18. List of Contract Closeout Documents

- Any document bearing an original signature
- Correspondence with or without signature requiring action by DCMA
- Contract-related e-mail sent by the CMO
- Contract-related e-mail received by the CMO requiring DCMA action
- Correspondence generated or altered by the CMO
- Bilateral agreements: the page(s) showing all signatures

17.5. CLOSED-CONTRACT DATABASE (CCDB). The CCDB was activated on December 4, 2000, and acts as a repository of MOCAS contracts closed after the date it was established. It stores contract data on an optical storage device that may be viewed on line for 10 years after the contract has closed. Instructions for using the CCDB are found in the DCMA MOCAS Users Guide for Contract Administration, Part 1, Contract Management, Chapter 11.

SECTION 18: ADMINISTRATIVE UNILATERAL CLOSEOUT

18.1. INTRODUCTION. The ACO must pursue a unilateral determination of final contract price when the contractor is non-responsive or has not provided a reasonable explanation for not submitting a FV. After issuance of the initial request for submission of FV and the expiration of the 120 calendar day suspense, the ACO performs procedures delineated in Table 19, Unilateral Closeout Procedures.”

Table 19. Unilateral Closeout Procedures

- Verify that all shipments/performance have been accepted by the Government.
- Notify PCO of intent to perform Unilateral Determinations. PCO concurrence is recommended prior to issuance of contract modification. However, if after 30 calendar days the PCO has not responded, the ACO must proceed with the closeout.
- Coordinate with DCAA to determine allowable costs.
- Determine the total previous payments made to the Contractor according to MOCAS.
- Coordinate with assigned legal counsel, and/or other advisors as appropriate.
- Issue a letter to the Contractor, using return receipt, which will serve as a notice of intent to unilaterally determine the final contract price. The letter must include a suspense date for the Contractor to respond.
- Calculate the final price based on previous amounts paid to date.
 - If overpayment has occurred, request a refund from the Contractor. If the Contractor refuses to provide the refund within 30 calendar days from the date of the request, forward the debt to DFAS Columbus, via DCMA Form 1797, for collection action.
 - If it is determined that excess funds remain on the contract, accomplish deobligation within the unilateral determination modification.
- Issue a modification establishing the final price at the amount previously paid to date and deobligate any excess funds at the ACRN level.
- Monitor movement of contract through MOCAS to ensure closeout. The ACO must:
 - Verify that the modification has been processed in MOCAS.
 - Verify that the unliquidated balance equals \$0.00 at the ACRN level.
 - Verify that the Contractor was paid complete.
 - Verify any refund checks received have been posted in MOCAS and excess funds deobligated.
- Forward any delinquent refund request to DFAS Columbus, via DCMA Form 1797, requesting collection action.
- Document all contacts, telephone conversations and meetings, as evidence of Government initiated attempts to engage the Contractor in remedying issue, and ensure all documentation is uploaded to the official file.
- Closing the contract in the tool (or by G&F in MOCAS) will automatically notify the PCO that all actions are completed (via PK9). This can be used as a deviation from the FV submission, and may be used instead of Administrative Unilateral closeout.

Note: For contract awarded prior to May 30, 2011, a Cumulative Cost Worksheet submission is not required. There may be times when a Contractor may be able to prepare the FV but it will take an unreasonable amount of effort and expenditure of resources to pull the cumulative cost sheets together. As a result, FV submission will be delayed and often cause the contract to become overage for closeout.

18.2. ACO ACTIONS. The ACO may want to consider an accelerated FV preparation and review process in order to close the contracts in a timely manner. The procedure is applied on a fiscal year basis and may include all contracts or a partial list of contracts. Three stakeholders will need to concur in each case - the ACO, the auditor, and the contractor. There are three steps required for this process listed in Table 20, Accelerated FV Preparation.

Table 20. Steps for accelerated FV Preparation

<p>Step 1. The ACO and the Contractor must agree on the final contract amount.</p> <p>Step 2. DCAA, Functional Specialist (ACO/CA), or DCMA Pricing must perform a risk analysis and cumulative cost sampling for the contracts.</p> <p>Step 3. The Contractor must agree to submit a non-detailed FV for each contract.</p>

SECTION 19: SOLUTIONS FOR PROBLEM CLOSURES

19.1. BACKGROUND. This chapter addresses those "problem closures" that exist in every Contract Management Office. A "problem closure" is considered to be a contract that has unusual circumstances barring the use of traditional closeout methods. Traditional closeout procedures are, for the most part, dictated by the payment clauses contained in affected contracts. When the circumstances mentioned in Table 21 exist, it is sometimes virtually impossible to close contracts using traditional methods. In these instances, the ACO must perform a cost risk analysis and exercise business judgment IAW FAR 1.602-2, Responsibilities, to ensure that the Government's interests are protected and administrative actions are reasonable. With the goal of minimizing loss to the Government, exercising and implementing efficient business practices and processes, guidelines are offered as a solution to these "problem closures" in Table 21.

Table 21. Examples of Circumstances and Possible Solutions

1. Contractor is Bankrupt
2. Contractor is No Longer in Business
3. Contractor Has Failed to Submit Indirect Cost Data
4. Contractor Has Failed to Submit Final Invoice/Voucher
5. Flexibly Price Contracts Final Vouchers (SF 1035) When Contractor has Lost Records/Files (See Resource Page)

IMPORTANT! While this Manual offers possible closeout solutions, ACOs are encouraged to tailor each of the procedures to fit their individual situation.

19.2. CONTRACTOR IS BANKRUPT. The ACO must coordinate with assigned legal counsel on any closeout action.

a. IAW FAR 42.9, Bankruptcy, when notified of bankruptcy proceedings, agencies must, as a minimum:

- (1) Furnish the notice of bankruptcy to assigned legal counsel and other appropriate agency offices (e.g., contracting, financial, property) and affected buying activities;
- (2) Determine the amount of the Government's potential claim against the contractor (assess the impact, identify and review any contracts that have not been closed out, include those physically completed or terminated);
- (3) Take actions necessary to protect the Government's financial interests and safeguard Government property; and
- (4) Furnish pertinent contract information to the assigned legal counsel representing the Government.

b. If a contractor is bankrupt, contact the assigned legal counsel prior to taking any contract closeout actions. A thorough review of the contract and the status of bankruptcy are required.

c. Once a bankruptcy petition is filed, an automatic stay goes into effect. This stay generally precludes any action to collect from the debtor or that would interfere with the debtor's property interests. Contracts can be considered property of the bankrupt estate. Contract closeout actions could interfere with this property interest and violate the stay. Consequently, contract closeout actions must generally not be initiated without relief from the stay. Violation of the stay can subject responsible parties to be in contempt of court. DCMA assigned counsel have been successful in getting relief from stays by working with bankruptcy trustees.

d. Another reason for immediate coordination with the assigned counsel is any claim against the contractor must be filed with the court in the form of a Proof of Claim. With the filing of a bankruptcy petition, the court usually will set a date by which the Proof of Claim must be filed (the Bar Date). Potential claims against the contractor must be compiled and analyzed to determine whether a Proof of Claim is in the best interests of the Government and, if so, that information must be provided to DFAS. DFAS has the responsibility for preparing the Proof of Claim and providing it to the cognizant U.S. Attorney for filing with the bankruptcy court. When the Government does not file a timely Proof of Claim (a form filed by DFAS establishing us as a creditor), the Government's right for recovery may be forfeited. If the ACO missed the deadline for filing Proof of Claim, send DCMA Form 1797 to DFAS seeking write-off (debt not collectible).

e. If the ACO sees that a contractor is experiencing financial difficulty, accelerate contract closeout efforts.

f. If the ACO would like to close contracts after the automatic stay was issued, contact trustee through the assigned legal counsel for relief from stay.

g. If contracts are fully performed/paid, inform the trustee the Government intends to close contracts.

h. The ACO may be able to leave just a few contracts open by year or color of money and close the rest, but consult the assigned legal counsel before taking any action.

i. There are two types of Bankruptcy the ACO might encounter:

(1) Chapter 7 – Liquidation. This type of bankruptcy permits the sale of non-exempt items by a court-appointed trustee wherein the proceeds of the sale are distributed to the creditors.

(2) Chapter 11 – Reorganization. This type of bankruptcy permits the corporation to reorganize debt as long as the majority of the creditors approve the reorganization plan.

j. Recommended actions for Administrative Unilateral Closeout and, if required, determination of final contract price can be found in Section 19.5 Contractor Has Failed to Submit Final Invoice/Voucher of this Manual.

19.3. CONTRACTOR IS NO LONGER IN BUSINESS. Unfortunately, it is not uncommon to have open contracts for companies that are no longer conducting business. The Government must take every reasonable measure to locate the company and/or its principals. The ACO must follow the procedures listed in Table 22 when a contractor is no longer in business:

Table 22. Procedures when a Contractor is No Longer in Business

- Attempt to contact company/company officials by telephone (using “directory assistance”, System for Award Management (SAM), or internet search to verify that the company has not relocated).
- Attempt to locate company in writing, via certified mail, return receipt requested.
- Search records maintained by state Corporations registration (usually Secretary of State) to determine whether the business entity is still in legal existence. Consult with Counsel for assistance in searching and interpreting results.
- Contact/inquire about company’s status from other Government officials (PCO, Quality Assurance Representative (QAR), IS, PA, Small Business Administration, DCAA).
- Visit or request plant visit by the CMO designee (ACO, IS, QAR).
- Contact the Bankruptcy Court of the state in which the company is located to determine if company has filed for bankruptcy.
- Document every attempt made to locate the company and its officials in a Memorandum for Record. If all of the attempts prove unsuccessful, it is recommended that the ACO begin the Administrative Unilateral Closeout process.

Administrative Unilateral Closeout begins with a thorough review of the official contract file(s). The eight steps must be ascertained during that review:

- Is the contract physically complete and has Government acceptance of goods/services been received? If not, file must be documented with all actions taken to obtain acceptance of goods/services that were received.
- Was the Contractor previously paid any funds?
- What is the status of indirect cost rate settlement (if contract is other than firm-fixed-price)?
- Have all reasonable measures been taken to locate the company and documented in the contract file?
- Has the contract been terminated for convenience or default?
- Any other pertinent information relative to the Contractor or performance of the contract (e.g., unsettled subcontract cost, unliquidated progress payments, litigation, etc.) must be considered. It is recommended that the ACO check with the assigned legal counsel to ascertain if any actions are pending.
- After completing your review, ACO must notify the PCO of your intent to perform Administrative Unilateral Closeout. ACO must obtain PCO concurrence prior to issuing an Administrative Unilateral Closeout modification.
- Recommended actions for Administrative Unilateral Closeout and, if required, determination of final contract price can be found in 19.5 Contractor Has Failed to Submit Final Invoice/Voucher.

19.4. CONTRACTOR HAS FAILED TO SUBMIT INDIRECT COST PROPOSAL. IAW FAR 52.216-7, Allowable Cost and Payment, the contractor is required to submit a final indirect cost proposal to the Government within the six month period following the expiration of each of its fiscal years. Regardless of whether rates are ACO or Audit determined, it is the ACO's responsibility to secure certified final rate claims, pursuant to FAR Part 42.705, Final Indirect Cost Rates. The ACO must work with DCAA to obtain overdue proposals. Other recommended actions for the DACO/ACO:

- a. Become proactive as early as practicable and supplement and complement DCAA's efforts.
- b. Apprise contractors of obligations, repetitively at strategic junctures throughout the lifetime of a contract, starting early in the cycle.
- c. Offer technical guidance to ensure an adequate submission.
- d. Remember to stay on top of the situation and document all discussions and meetings, including telephone conversations in order to support any resulting unilateral decision.
- e. Issue a letter to the contractor 90 calendar days before the end of a contractor's fiscal year, requesting submission of the indirect cost proposal. If the contractor does not submit their proposal in a timely manner, measures must be taken to protect the Government's financial interest. The ACO must issue a letter expressing concern over non-receipt of the proposal. The letter must include a reminder that failure to submit a proposal is considered to be an internal control deficiency and request a response within 30 calendar days.
- f. If a contractor remains non-responsive, the ACO must work with DCAA on possible actions and consult with assigned legal counsel as unilateral rates and price determinations are appealable final decisions in IAW DCMA-MAN 2501-09, "Contract Claims and Disputes."
 - (1) Recommend DCAA no longer provisionally approve interim vouchers
 - (2) Presenting the contractor with a letter informing them that continued non-responsiveness will result in a billing rate decrement.
 - (3) Contractor's attention is captured when there is unilateral decrementing of the billing rates so as to impede cash flow. This action is not to be punitive in nature, but rather a precautionary step to safeguard the Government's interests in that it is incumbent upon the ACO to preclude overpayments. Because of the lack of the required rate claim, such concerns may be warranted. Accordingly, the decrement factor would equate to the reasonable uncertainties related to costs paid or to be paid, as a result thereof. Contractor will respond to a billing rate decrement; however, continued non-receipt of incurred cost data dictates an aggressive approach by the ACO.
- g. Based on these factors, the ACO must proceed with unilateral determination of indirect cost rates IAW FAR 42.703-2, and/or unilateral determination of final contract price.

19.5. CONTRACTOR HAS FAILED TO SUBMIT FINAL INVOICE OR VOUCHER.

Different circumstances and solutions are described in 19.5.a and 19.5b.

a. Firm Fixed Price with a ULO. On occasion, contractors complete performance but fail to submit a final invoice on firm-fixed price contracts. After making a reasonable number of requests to the contractor, the subsequent actions must be taken:

(1) Verify that the Government has accepted all shipments/performance.

(2) Send the contractor a letter asking if paid complete or when they will submit a final invoice. The letter must be signed (digital signatures are acceptable).

(a) If the contractor fails to respond by suspense date in first letter, send a certified letter, return receipt requested, to the contractor advising them of the intent to administratively close the contract.

(b) If the contractor responds that an amount is owed, but they will not submit a final invoice, the contract must be closed via Final Pay NLA with remaining funds noted on the ACO Notebook. If the contractor fails to respond by the suspense date in the certified letter, the contract must be closed via Final Pay NLA with remaining funds noted on the ACO Notebook.

(3) As previously stated in Section 8.13 of this Manual, the PCO is responsible for notifying the funding station. Funds that are Q-Finaled are sent back to the buying activity. The ACO Notebook will be annotated with a remark, "Date - The \$ XX (Amount of Funds) funds are remaining funds for Q-Final; All Requirements are complete and this contract is ready to close/e-mail address/ title/ phone number."

b. Cost Reimbursable: Contractor Fails to a Submit Final Voucher. The contractor is contractually required to submit a FV within 120 calendar days after settlement of final indirect cost rates. As soon as rates are settled and the contractor has signed an indirect cost rate agreement, the ACO must request that final vouchers be submitted IAW FAR 52.216-7(d)(5).

(1) In situations where indirect cost rates have been settled and the contractor has failed to adhere to FAR 52.216-7(d)(5) it is recommended that the ACO research and determine the reason for non-submission. There may be times when the contractor will tell you they are unable to submit final vouchers. Those reasons may include:

(2) They are awaiting final Subcontractor costs

(3) There is a lack of accounting staff to prepare FV

(4) There is a lack of sufficient financial records needed to prepare cumulative cost (CUM) sheets and ultimately the FV. Note that none of these "reasons" are valid reasons, and ACO/CA must not delay the action. When the contractor fails to submit a FV within 120 calendar days after settlement of final indirect cost rates, and has not provided a reasonable

explanation along with an acceptable plan to become current in the submittal of the FV and has not received an extension from the ACO, the ACO must take action. Remedies available to the ACO include:

- (a) Escalation to Management Councils, CMO Commander, and Region Commander/Director.
- (b) Other non-contractual remedies such as inclusion of comments in Preaward Surveys.
- (c) Suspend interim financing payments.
- (d) Disallow or recoup previously paid costs.
- (e) Decrement provisional billing rates.
- (f) Initiate appropriate systems reviews.
- (g) Maintain fee withholds.
- (h) Recommend DCAA no longer provisionally approve interim vouchers

(5) After the ACO determines the reason for non-submission of final vouchers, the alternative is to issue a Unilateral Determination. The ACO may issue a Corrective Action Request for non-compliance to contract requirements. The ACO may also send a second letter notifying the contractor that since an extension in writing has not been received, the contractor has 15 calendar days to submit a FV or the ACO will begin unilateral procedure to close the contract.

GLOSSARY

G.1. DEFINITIONS.

Assigned Legal Counsel. Counsel who are directly assigned by the DCMA Office of General Counsel to serve as the primary legal advisor to a specific DCMA Contracting Officer.

Closed. All administrative actions, including final payment, are complete 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 IAW the terms of the contract.

Dormant Contracts. Contracts/orders that are inactive and are awaiting closeout.

Electronic Data Interchange. A technique for electronically transferring and storing formatted information between computers utilizing established and published formats and codes, as authorized by the applicable Federal Information Processing Standards.

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.

Flexibly Priced Contracts. All contracts types except for no-cost (k), firm-fixed-price (J), fixed-price with economic price adjustment (K) and fixed-price-award-fee (M).

Funding Station/Finance Station. Organization inside the Buying Activity/Funding Activity that DFAS will request funds from.

Non-MOCAS Contracts. Contract administered in a system other than MOCAS.

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.

Patents. "Invention" means any invention or discovery that is or may be patentable or otherwise protectable.

Royalties. The term “royalties” as used in this Manual refers to any costs or charges in the nature of royalties, license fees, and patent or license amortization costs.

Technical Specialist. Industrial Specialists (IS), Industrial Engineers (IE), Procurement Technicians (PT), and other technical personnel assigned responsibility for Production Surveillance (DFARS 242.1104) by their assigned CMO. The Industrial Specialist (IS) and Procurement Technician (PT) performing contract production surveillance ensure MOCAS data accuracy in the area of delivery performance.

G.2. ACRONYMS.

ACCS	Automated Cash Collection System
ACO	Administrative Contracting Officer
ACRN	Accounting Classification Reference Number
ASBCA	Armed Services Board of Contract Appeals
BOA	Basic Ordering Agreement
BOC	Bill of Collection
CA	Contract Administrator
CACWS	Cumulative Allowable Cost Worksheet
CAR	Contract Administration Report
CBAR	Contract Business Analysis Repository
CCAS	Contingency Contracting Administrative Services
CCDB	Closed Contract Database
CDR	Contract Deficiency Report
CDRL	Contract Data Requirements List
CLIN	Contract Line Item Number
CMO	Contract Management Office
CO	Contracting Officer
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCMA FORM 1797	Request for MOCAS Action/Information
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
DD FORM 250	Receiving Report
DD FORM 254	DoD Contract Security Classification Specification
DD FORM 882	Report of Inventions and Subcontracts
DD FORM 1423	Contract Data Requirements List (CDRL)
DD FORM 1593	Contract Administration Completion Record
DD FORM 1594	Contract Completion Statement
DD FORM 1597	Contract Closeout Checklist
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DMACT	DFAS Merged Account
DSS	Defense Security Service
ECD	Estimated Closing Date
EDA	Electronic Document Access
EDI	Electronic Data Interchange
ELINS	Exhibit Line Item Number
EOM	End of Month

FAR	Federal Acquisition Regulations
FDD	Final Delivery Date
FFP	Firm-Fixed-Price
FPI	Fixed Price Incentive
FV	Final Voucher
IAW	In Accordance With
IDC	Indefinite Delivery Contract
IS	Industrial Specialist
IWMS	Integrated Workload Management System
LH	Labor Hour
LISSR	Line Item Schedule and Shipment Report
LOE	Level of Effort
MCC	MOCAS Contract Closeout
MOCAS	Mechanization of Contract Administration Services
MOD	Modification
NLA	Notice of Last Action
NOC	Notice of Completion
NPI	Non-Procurement Instrument
NULO	Negative Unliquidated Obligation
OCONUS	Outside Continental United States
ODC	Other Direct Costs
ODO	Other Disbursing Office
OPR	Office of Primary Responsibility
PA	Property Administrator
PCO	Procurement Contracting Officer
PCO CERT	PCO Certification
PLCO	Plant Clearance Officer
PT	Procurement Technician
QAR	Quality Assurance Representative
QCO	Quick Closeout
QV	Quantity Variance
SAT	Simplified Acquisition Threshold
SPC	Special Provision Code
TA	Trusted Agent
TCO	Terminations Contracting Officer
T&M	Time and Material

ULO	Unliquidated Obligation
VECP	Value Engineering Change Proposal
WAWF	Wide Area Work Flow
WIP	Work in Progress

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