



DEFENSE CONTRACT MANAGEMENT AGENCY
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MEMORANDUM FOR COMPONENT HEADS

June 16, 2026

SUBJECT: DCMA Policy-type Memorandum 26-005, "Revolutionary Federal Acquisition Regulation Overhaul Update to DCMA Manual 2501-07, "Contract Closeout"

References: (1) DCMA Manual (DCMA-MAN) 4501-01, "Agency Issuance Program," March 18, 2024, as amended
(2) Executive Order, "Restoring Common Sense to Federal Procurement"
(3) Revolutionary FAR Overhaul Website, <https://www.acquisition.gov/far-overhaul>
(4) Defense Pricing, Contracting, and Acquisition Policy DFARS Revolutionary FAR Overhaul Class Deviations website, https://www.acq.osd.mil/dpap/dars/dfars_far_overhaul_class_deviations.html

Purpose.

The purpose of this DCMA policy-type memorandum (DCMA-PTM) is to implement the modernized Federal Acquisition Regulation (FAR) policy and procedures resulting from the Revolutionary FAR Overhaul (RFO).

This DCMA-PTM meets the definition of a PTM pursuant to Paragraph 15.2. of DCMA-MAN 4501-01 by implementing the 31 FAR deviations published on December 18, 2025, effective February 1, 2026, six FAR deviations published on January 23, 2026, effective February 1, 2026, four FAR deviations published on February 6, 2026, effective February 17, 2026, and six FAR deviations published on March 6, 2026, effective March 16, 2026.

This DCMA-PTM amends DCMA-MAN 2501-07, "Contract Closeout."

Applicability.

This DCMA-PTM applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence.

Background.

Pursuant to the President's Executive Order, "Restoring Common Sense to Federal Procurement," the Federal government is undertaking the first-ever comprehensive overhaul of the FAR, which will return the FAR to its statutory roots, rewrite it in plain language, and remove most non-statutory rules. In addition, non-regulatory buying guides will provide practical strategies grounded in common sense while remaining outside the FAR.

On September 30, 2025, the Office of Federal Procurement Policy finished publishing RFO model deviations for all parts (1-53) of the FAR. Departments and Federal agencies were

tasked with reviewing and adopting the deviations. As of January 26, 2026, Defense Pricing, Contracting, and Acquisition Policy (DPCAP) announced that DOW has adopted 37 of the RFO deviations, effective February 1, 2026. DPCAP also issued deviations to the corresponding parts in the DFARS and DFARS Procedures, Guidance, and Information (PGI). DPCAP adopted the model deviations for the remaining FAR and corresponding DFARS and DFARS PGI parts and will update the workforce accordingly.

Policy.

It is DCMA policy to fully embrace and implement the principles and directives of the RFO as the DOW transitions to the new Strategic Acquisition Guidance, which consists of a streamlined FAR and a series of buying guides that emphasize innovative and proven procurement techniques.

Responsibilities.

- **DCMA Supervisors.**

DCMA supervisors will ensure that deviations from amended FAR and DFARS parts are flowed down and reflected in their employees' contract-related workload, tasks, and actions.

- **DCMA Employees.**

DCMA employees will follow the DOW Class Deviations for the published FAR and DFARS parts in all acquisition and contract administration actions, effective February 1, 2026

- **Administrative Contracting Officer (ACO) and Contract Administrator (CA).**

ACOs and CAs must review contracts to determine if the contract authorizes a variation in quantity. If the contract authorizes a variation in quantity, input an R9 26 remark in the Mechanization of Contract Administration Services (MOCAS) system if FAR 52.211-16, "Variation in Quantity," clause is not in the contract.

Issuance RFO Updates.

As a result of the RFO revisions, FAR 52.211-16, "Variation in Quantity," is no longer included in future contracts. FAR 52.211-16 still exists in legacy contracts. This clause is removed because it is not tied to a specific statutory requirement. Contracting officers still have the discretion of adding in tailored contractual language for a quantity variation in a contract. A contract must be reviewed to determine if the contract authorizes a variation in quantity. If a quantity variance is in a contract, DCMA ACOs and CAs follow the process in the revised Section 4.2.a. below. The change in FAR 52.211-16 requires a corresponding change in Section 4.2.a. of DCMA-MAN 2501-07 as follows:

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 Federal Government. If the contract authorizes a quantity variance, then follow the procedures in 4.2.a. to balance the line items.

a. Quantity Variation (QV).

Current Language:

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 ship 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.

Updated Language:

a. A contract may authorize a QV in items shipped pursuant to FAR 52.211-16, “Variation in Quantity,” or with plain contractual language stating a QV is allowable.

(1) When a QV is incorporated in a contract, an R9 26 remark should be present in MOCAS.

(2) If there is plain contractual language stating a QV is allowable, and the contract does NOT contain the FAR 52.211-16 clause, the CA or ACO must manually input the R9 26 into MOCAS.

b. The receiving reports that ship the final (under or over 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 ACO or CA will validate or add the R9 26 remark code to ensure the under shipment is processed 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 [procurement contracting officer] or ACO and the contractor. A modification must be issued to balance the LISSR.

Labor Codes.

Located on Resource Page

Resource Page.

<https://dod365.sharepoint-mil.us/sites/DCMA-BCF-CALM/SitePages/2501-07r-Contract-Closeout-.aspx>

Releasability.

Cleared for public release.

Effective.

This DCMA-PTM is effective immediately and will be incorporated into DCMA-MAN 2501-07. This DCMA-PTM will expire effective 12 months from the date of issuance.

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