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## Contract Close-Out

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&

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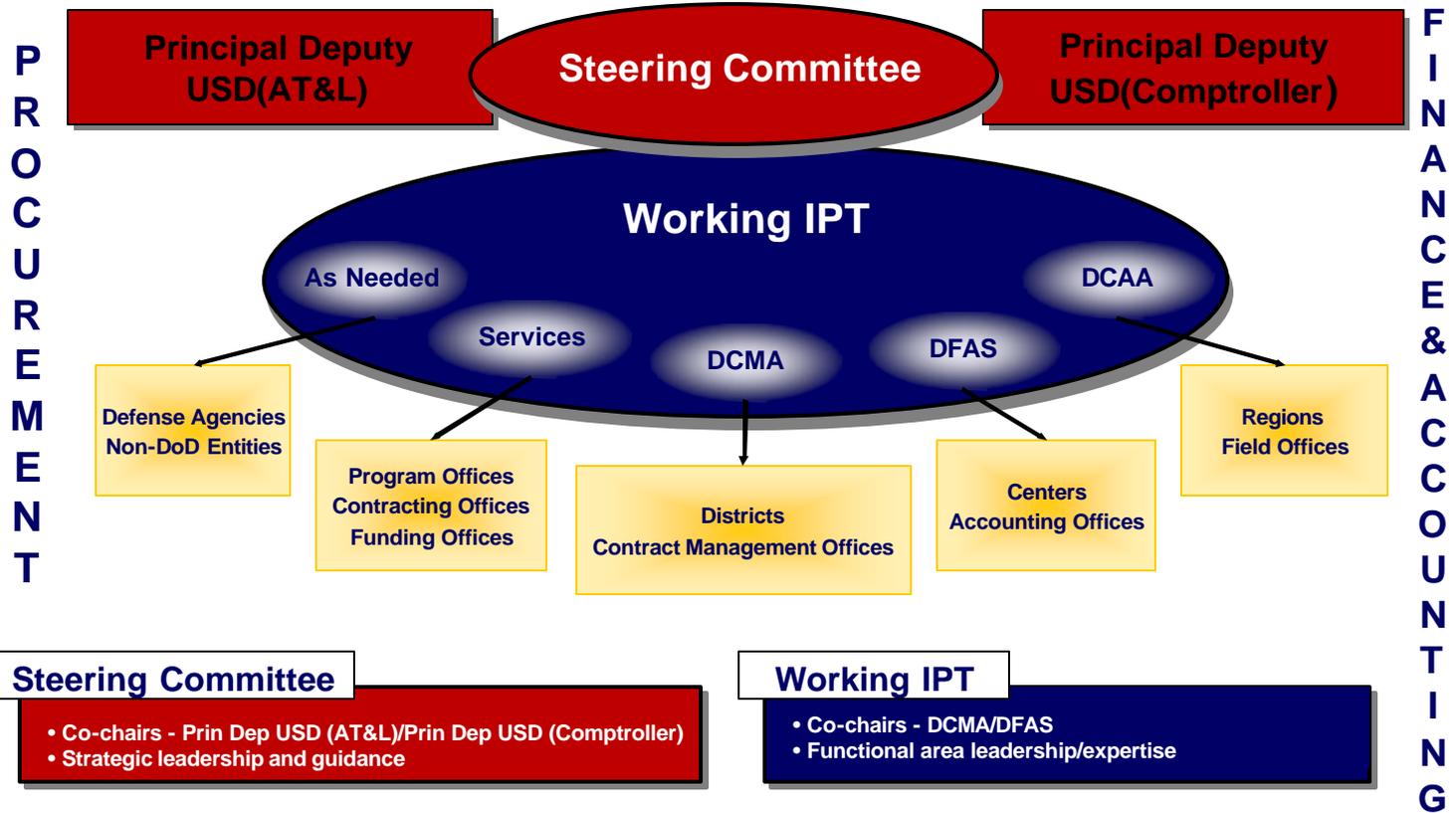
May 13, 2004

- **Contract Close-Out and Conversion**
  - *Background*
  - *Operating Structure*
  - *Roles and Responsibilities*
- **Current Initiatives**
  - *Close-Out Strategies*
  - *Process Improvements/Preventative Measures*

- **DRID #53**
  - *Signed 3/23/00 by Deputy Secretary of Defense*
- **Charter**
  - *Signed 8/29/00*
  - *Revised Pending OSD-C and ATL Approval-May 2004*
  - *Objective: Integrate and coordinate the reconciliation, closeout and conversion of contracts to prepare for the Business Enterprise Architecture- Suite of Systems*



# Operating Structure



- **Steering Committee**
  - *Approve action plans*
  - *Address legislative issues*
- **Working IPT**
  - *Recommend expedited processes*
  - *Report metrics*
  - *Subgroups*
    - Reconciliation
    - FMR-JIPT



- **Close-Out Strategies**
  - ***MOCAS OPR Matrix***
  - ***Wynne initiatives***
  - ***Unreconcilable contracts***
- **Process Improvements/Preventative Measures**
  - ***MOCAS Data Sharing Initiative (MDSI)***
  - ***Reopen Rapid Improvement Team (RIT)***
  - ***Legislative relief***
  - ***DAR Council Ad Hoc Committee - Contract Close-Out***
  - ***Contract Close-Out Reconciliation Planning IPT***
  - ***DCMA streamlining initiatives***
  - ***Preventing of out-of-balance conditions study***

# MOCAS OPR Matrix

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*What is the OPR Matrix?*

*Why Use This Approach?*

*How Often?*

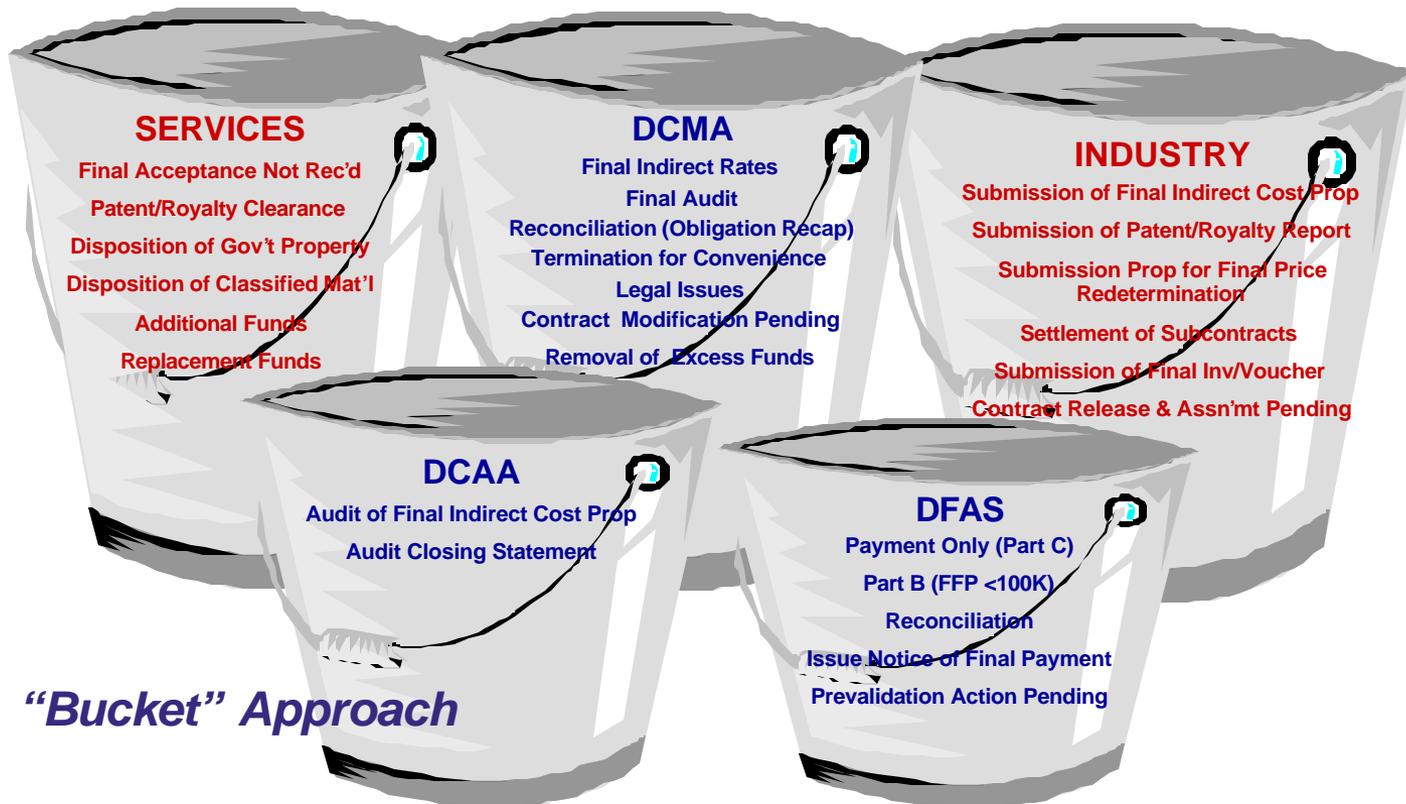
*Who Is Responsible?*

*What is the Overall Goal?*

- The OPR Matrix is a tool that –
  - *Categorizes each coverage contract in MOCAS – “Bucket Approach”*
  - *Identifies the Office of Primary Responsibility (OPR)*
  - *Provides a breakout by service*
- Identifies next action required to close contracts
- Data distribution
  - *DCMA provides to working group members by 10th working day of each month*
- Office of Primary Responsibility
  - *Major players in contract closeout – broken out by agency*
- Goals
  - *Drive the absolute numbers in MOCAS down to zero*
  - *Commitment from each OPR to work bucket*
  - *Results in expedited close-out process*

# MOCAS OPR Matrix

## Assignment of OPR Responsibility



# Wynne Initiatives

<b>I</b>	Cost type contracts physically complete over 8 years old and under \$1 million	448	445	99%
<b>II</b>	Cost type contracts physically complete over 8 years old and over \$1 million	187	172	92%
<b>III</b>	All contracts physically complete over 7 years (final acceptance date earlier than September 30, 1996)	3869	3542	92%
<b>IV</b>	Close all physically complete contracts over 6 years old, (final acceptance dates earlier than September 30, 1998).	5120	3690	72%

- **Reconciliation Sub-Group developed draft guidance for identifying and fencing unreconcilable contracts**
- **Process includes:**
  - *Ensure contract is physically and administratively complete*
  - *Move to CAR Section 4*
  - *Conduct a thorough document search*
  - *Perform a partial reconciliation*
  - *Designate the contract as unreconcilable*
- **In Process: Incorporate Un-reconcilable Contract guidance into the FMR**

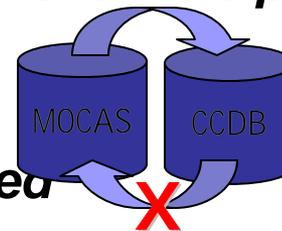


# MOCAS Data Sharing Initiative (MDSI)

- DCMA sponsored initiative
- Objective: provide contractors with MOCAS data extracts to help identify discrepancies between MOCAS and contractor databases
- Expected benefits
  - *Government:*
    - Highlight errors in MOCAS and expedite correction
    - Reduce/avoid payment delays
    - Aid reconciliation efforts
    - Speed close-out
  - *Contractor:*
    - Highlight errors in contractor databases
    - Reduce/avoid payment delays
    - Identify unbilled deliveries
    - Improve cash flow

## Reopen Rapid Improvement Team (RIT)

- Chartered November 2002
- Membership includes DFAS and DCMA reps
- Objectives:
  - *Review existing close-out processes and recommend improvements*
  - *Develop comprehensive close-out checklist*
  - *Identify and monitor reopened contracts*
  - *Identify and validate reasons for reopens*
  - *Complete actions to permanently re-close*
  - *Prepare list of lessons learned and share helpful tools developed by the team*
- Status:
  - *Completed – Final Report Submitted*
  - *DFAS/DCMA developed joint metric to monitor*



- AT&L sponsored proposal was passed in September 03.
- Proposal reads:
  - ***SEC. \_\_\_\_ . CONTRACT CLOSEOUT.***
    - **(a) IN GENERAL. -- The Secretary of Defense shall have the authority to promulgate regulations to settle the financial accounts for contracts executed prior to September 30, 1996 that are administratively complete and for which any unreconciled balance, either positive or negative, is less than \$100,000.**
    - **(b) FINALITY OF DECISION. -- Decisions carried out in accordance with these regulations shall be final and conclusive upon the accounting officers of the United States.**

- **DFAS sponsored Legislative Relief proposal for FY 05**
  - *March 19, 2004- A decision was made to withdrawal the FY-05 proposal*
  - *The conditional acceptance by OMB left us without the capabilities we hoped to have in the legislation.*
- **Contract Closeout Team**
  - *Will regroup, rewrite and resubmit a Legislative Proposal for FY06*
  - *A FMR Task Team has been established to combine efforts on making regulatory changes to the FMR.*



## **DAR Council Ad Hoc Committee— Contract Closeout**

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- **DAR Council Ad Hoc Committee established May 1, 2002.**
- **Purpose: Determine any revisions to the FAR and its supplements that can be made to facilitate the contract closeout process.**
- **Actions:**
  - *Published an advance notice of proposed rulemaking in the Federal Register to get field and industry input on possible FAR and FAR supplements revisions*
  - *Reviewed the contract closeout process and determine what FAR and FAR supplements requirements affect the contract closeout process*
  - *Drafted proposed revisions to the FAR and FAR supplements*

# DCMA Streamlining Initiatives

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- **Goal is to decrease the major drivers of overage contracts**
- **Non Submittal of Final Voucher**
  - ***For Contractors with Delinquent Final Vouchers***
    - Letters written to CEOs and CFOs
    - Unilateral Determination of the Final Price of Contract
    - Rescind Direct Billing
- **No Final Indirect Rates**
  - ***Work with Contractors to obtain Final rate proposal by writing reminder and follow-up letters***
  - ***If Indirect Final Rate proposal is not submitted***
    - Rescind Direct Billing
    - Unilaterally determine Final Rates
- **Awaiting Audit of Final Voucher**
  - ***Waive audit for T&M Contracts under \$1M for low risk contractors***
  - ***Encourage use by contractors of Cumulative Allowable Cost Worksheets***



# Preventing of Out-of-Balance Conditions Study

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- **DFAS conducted high-level review of practices resulting in out-of-balance conditions between MOCAS and accounting records**
- **Major drivers included:**
  - *Lack of single source entry for common data*
  - *Failures in data transmission*
  - *Adjustments not posted in a coordinated manner*
  - *Inherent differences between fiscal (appropriation) and contract (CLIN/ACRN) accounting*
- **Next steps:**
  - *Assess the full magnitude of the problem*
  - *Correct current out-of-balance conditions*
  - *Implement process improvements to prevent future recurrence*

# Questions?

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