Contract Closeout Update

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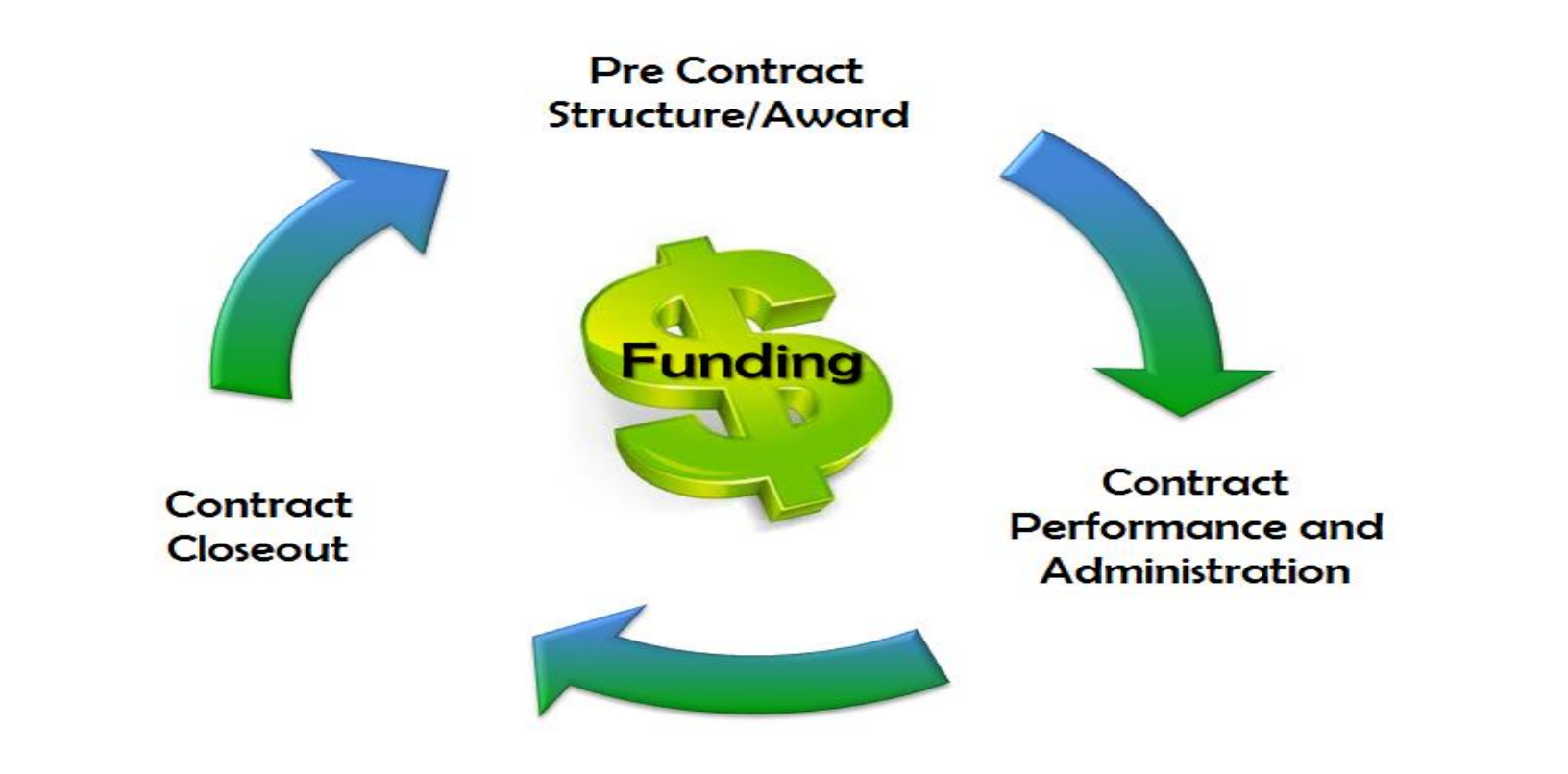
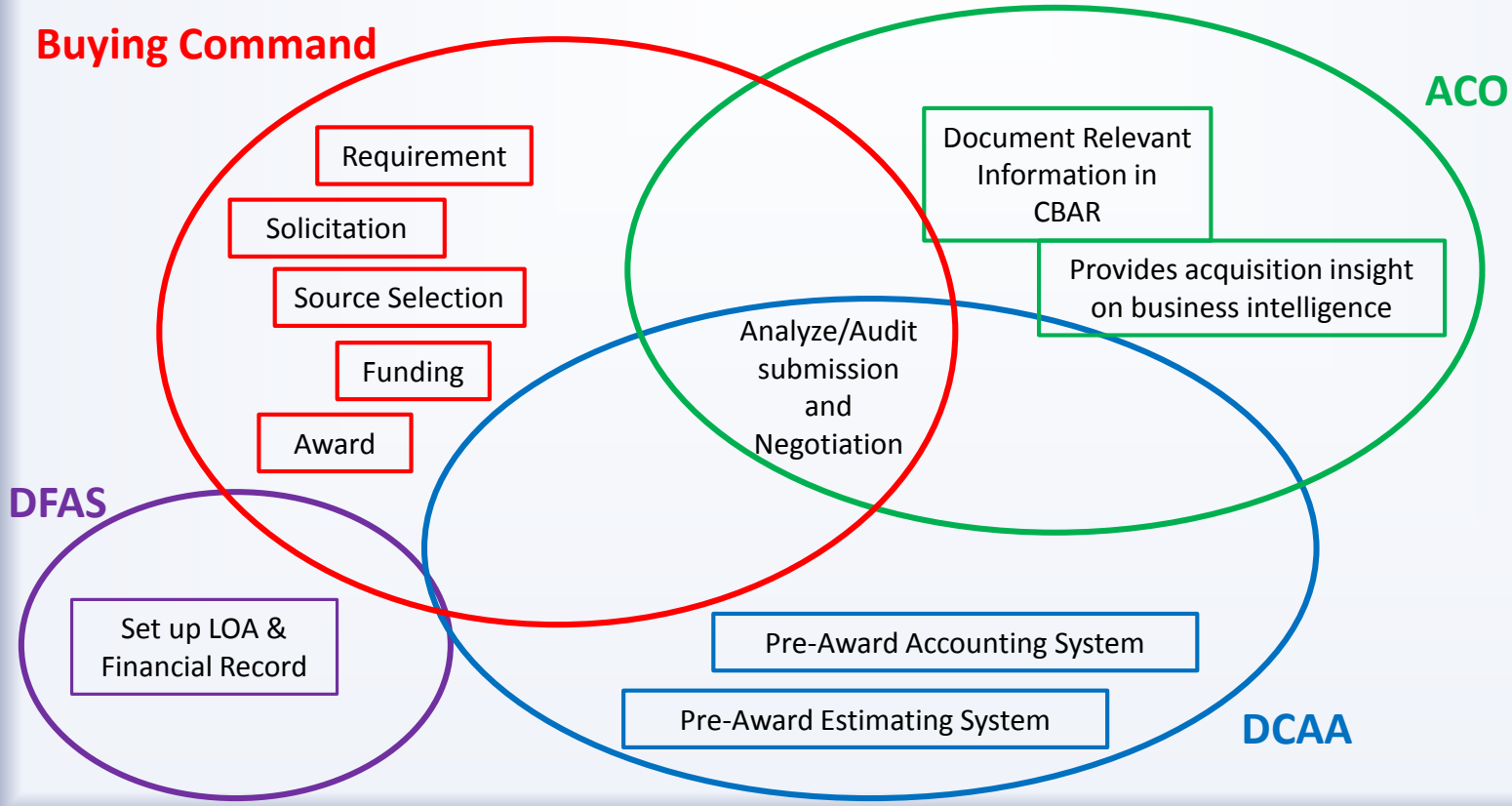
Overview

- Contract Life Cycle
- Common Barriers
- Status of Incurred Cost Audits
- Agency Material Weakness
- Financial Impacts
- Closeout Initiatives

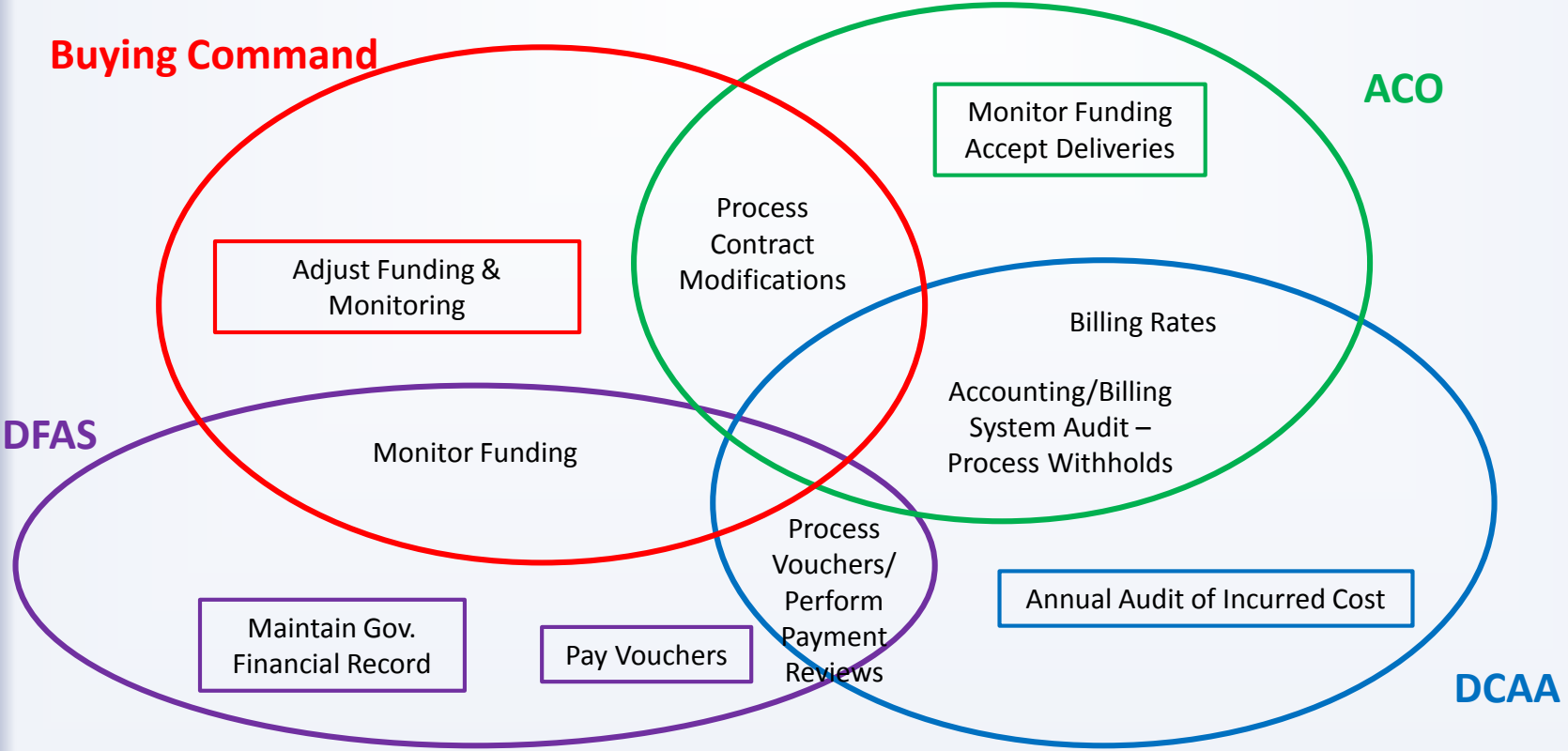
Contract Lifecycle: Procure to Pay Overview



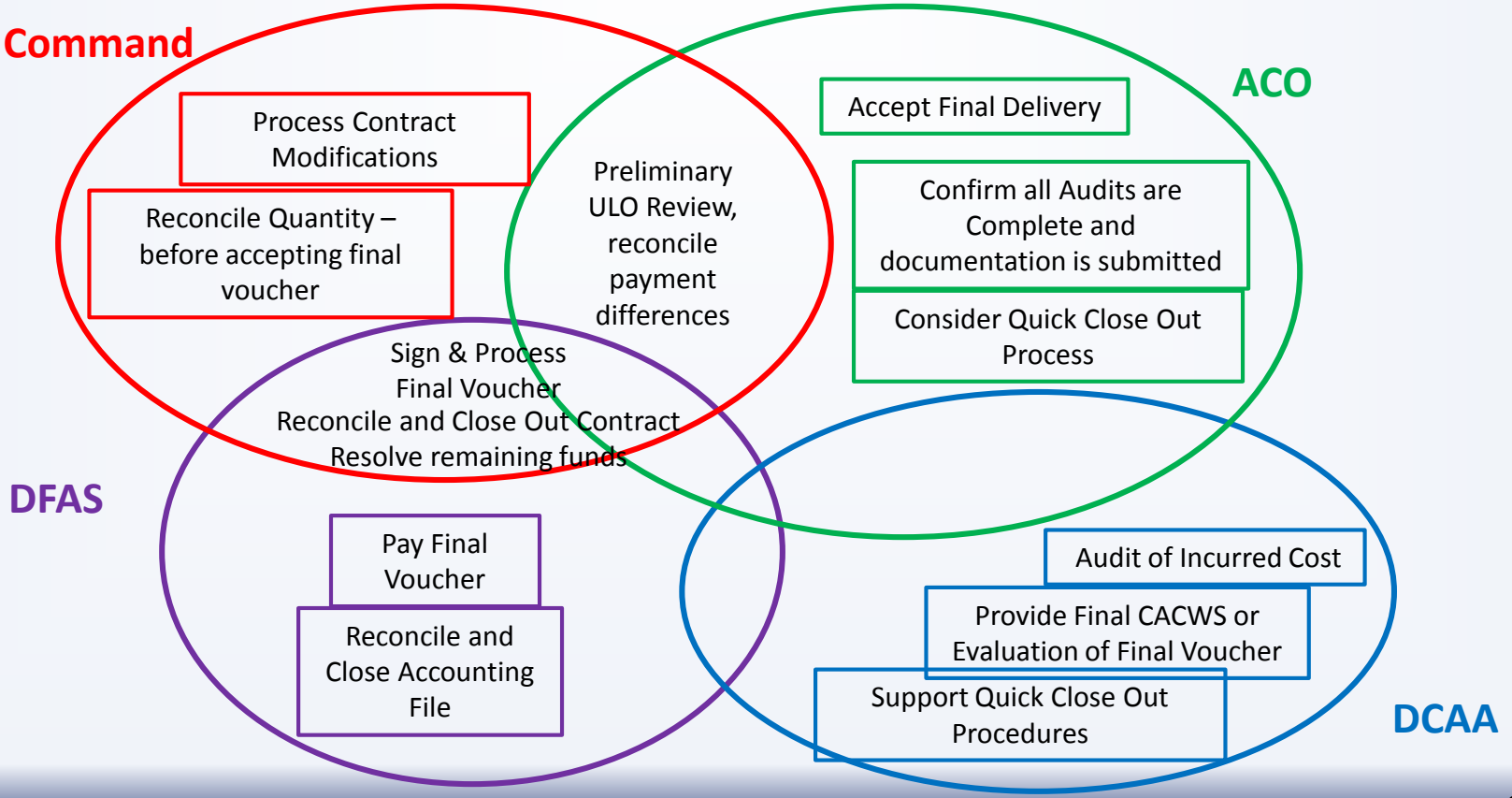
Contract Lifecycle: Pre-Award



Contract Lifecycle: During Performance



Contract Lifecycle: Closeout



Common Barriers and Recommendations

Barriers to Closeout

- Contractor Submission Delays
- Delayed Negotiation of Overhead Rates
- Final OH Rates
- Direct Cost Audits
- Complex Contracts
- Cancelled Funds
- Reconciliations Issues

Recommendations to Mitigate

- Submission of Cumulative Allowable Cost Worksheet (CACWS)
- Timely Submission of Final Voucher
- Monitor Cancelled Funds
- Standard, Clear and Simplified Payment Instructions
- Limit Contract Financing Rates

DCAA Incurred Cost Years Completed

Contract Closeout

- **Contract closeout backlog remains a complex issue**

- **Actions to resolve include:**
  - Increased collaboration across the Department
  - Established Contract Closeout Center
  - Assisted with draft legislative proposal to streamline closeout of pre-FY 2000 contracts
  - Revised closeout material weakness goals to address those “within our control”
  - Established Tri-Agency Working Group to align incurred cost audits, canceling funds, and contract closeout priorities

Agency Material Weakness

FY15: Updated material weakness criteria to address KTS in DCMA's control

- 20% reduction of overage cost contracts
- 20% reduction of obligated value of overage cost contracts
- Defined burn down plan for firm fixed price contracts

Jul 15: Established FY 16 closeout goals

- Cost: 4,246 / $11.5B
- FFP overage: 1,156

Nov 15: MOCAS automated closeout threshold increased to $500K

2nd QTR 16: Contract # reduction met; on track for others

FY 17: Baseline/Goal will be recalculated to account for new audits issued

Contract Closeout

- **Contract closeout importance to audit readiness**
  - Affects Dormant funds
  - Reduces contingent liability

- **Other benefits**
  - Reduces liability to use current year funds
  - Frees expired funds for use elsewhere
  - Reduces actions to address canceling funds

Contract Closeout

- **What we're working on…..**
  - Predictable battle rhythm
  - Predictive capability for when audits and rates will be completed
  - Resolution of systems issues that "reopen" closed contracts
  - Prioritization of funds reconciliation actions
  - DoD IT solution that has shared visibility and common status reporting for key players
  - Improving final voucher timeliness

Financial Impacts

FY16 Q2 DOD Non-Federal Accounts Payable $19.2B

MOCAS Cancelled Unliquidated Obligations

- **Army** **$1.3B**
- **Air Force** **$1.2B**
- **Navy** **$887M**
- **Marine Corps** **$109M**
- **Defense Agencies** **$32M**

Appropriation Life Cycle

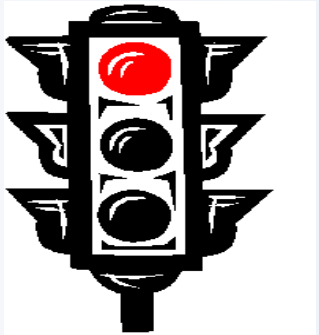
Current/Available

Available for Obligation and Payment

Expired

Available for Payment

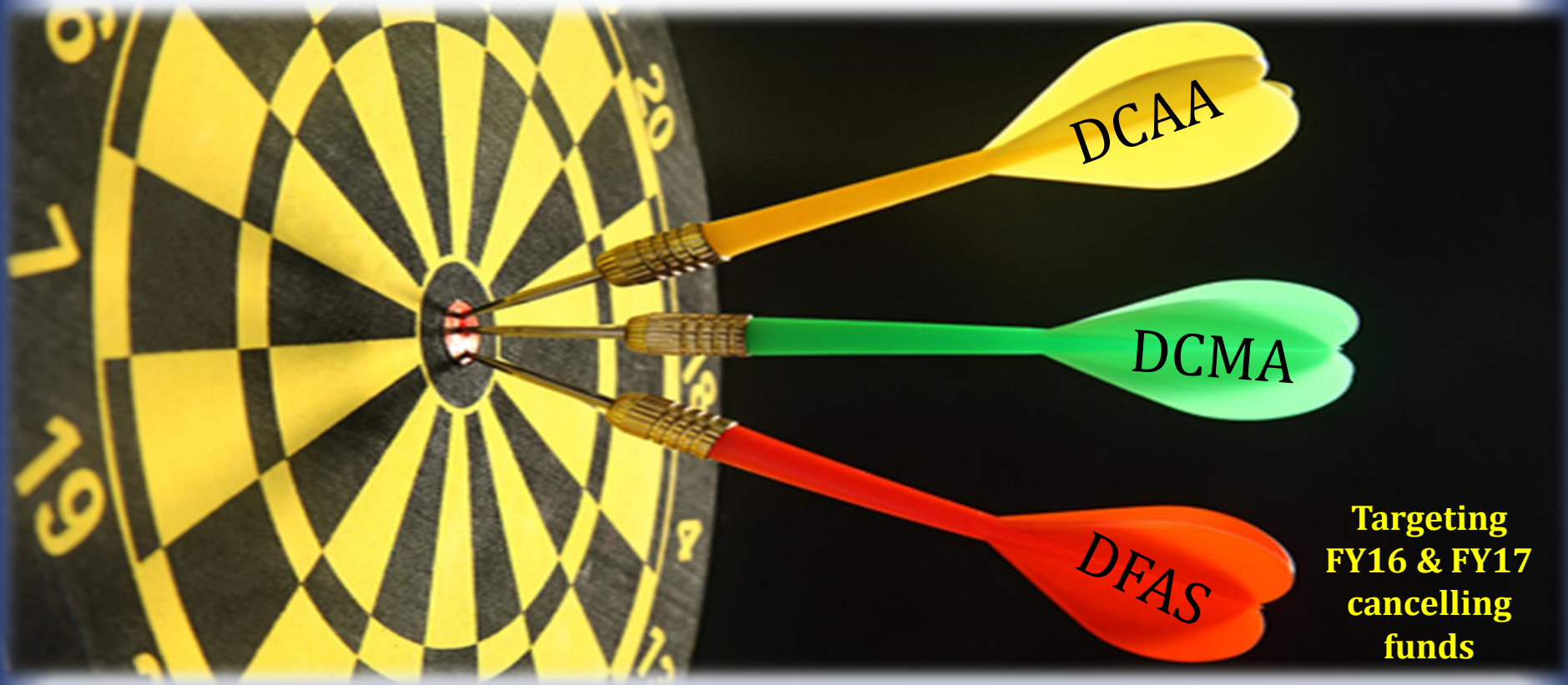
Cancelled



Must Obtain New Funding

Appropriation Types						
		Available		Expired		Cancellation Date
O & M	=	1 Year	+	5 Years	=	September 30th of the 6th year
R & D	=	2 Year	+	5 Years	=	September 30th of the 7th year
PROC	=	3 Year	+	5 Years	=	September 30th of the 8th year
MILCON	=	5 Year	+	5 Years	=	September 30th of the 10th year

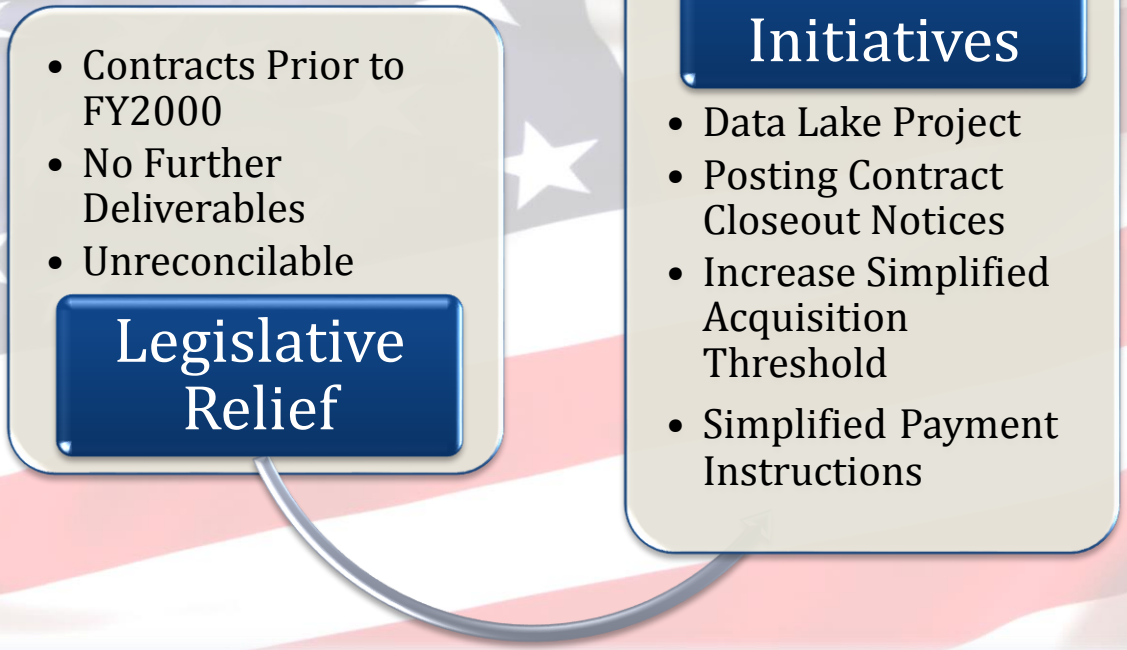
Tri-Agency Working Group



Tri-Agency Working Group

- **Goal: Strategically align priorities across all three Agencies for contract closeout actions**
  - ✓ Aligns DCMA's closeout strategy and DCAA's audit plan with the service's financial records maintained by DFAS
- **Focus: Targeting FY16 and FY17 cancelling ULO balances in MOCAS**
  - ✓ Priority being being given to contractors (DCAA) and contracts (DCMA/DFAS) with the highest cancelling ULO $ balances
- **Results: Reduced FY16 and FY17 cancelling ULO balance by $450M**
  - ✓ 1,302 DCAA contractor audits were matched to MOCAS FY16 cancelling ULO balances
    - Represents 9,744 contracts for $2.2B in FY16 cancelling ULO
      - DCAA: 1,046 audits are complete; 256 being worked
      - DCMA: Prioritizing administrative closeout actions across impacted CMO's for closed audits
      - DFAS: Issued FY16 year-end cancelling year invoice instructions to assist with receiving and processing cancelling year transactions prior to the funds cancelling
- **Future: Follow the same process for future years cancelling ULO balances**

Department-Wide Initiatives



Open Discussion

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