**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Contract Closeout Directive**



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# Chapter 1 - INTRODUCTION

1. **Purpose**

This HHS Closeout Guide: Contracts and Orders (Guide) provides standard procedures for closing HHS contracts and orders (hereafter “contracts” unless the context requires use of the term “orders” placed using simplified acquisition procedures or “task orders” or “delivery orders,” as defined in Federal Acquisition Regulation (FAR)16.501-1, under indefinite delivery (ID) contracts). The procedures in this Guide **may be supplemented by Operating Divisions (OPDIVs) to meet specific organizational or mission needs.**

1. **Importance of closeout.**

Contract closeout is critical to HHS’ fulfillment of its acquisition and fiscal responsibilities and requires close coordination between the contracting, program, and finance offices, as well as the cognizant audit agency and the contractor. The closeout process can be simple or complex depending on the type and dollar value of an award. OPDIVs must ensure that they close contracts in a timely and effective manner, as described in this Directive, in order to avoid any negative ramifications, financial or otherwise. These potentially include the following:

* 1. **Expired funds or reduced availability of funds for current needs.**

Delayed closeout may result in an inability to recover excess funds for possible use elsewhere or require use of current year funds to pay claims that may arise under the closed contract.

* 1. **Difficulty in closing a contract.**

This is typically the result of the contractor either going bankrupt or out of business. Also, withthe passage of time, responsible federal acquisition, program, property, and financial staff, as well as key contractor staff, may have left their respective positions or organizations. Furthermore, on cost reimbursable contracts including Time &Materials type contracts most often delays are caused due to the Contractor failing to submit timely indirect cost data as well as the Government Auditing, resolving, and dispositioning any outstanding audit findings in order to settle final rate determinations. This can make it difficult to reconstruct key activities/issues in a contract’s life, locate required documents, and determine what closeout actions may have been previously initiated or completed.

* 1. **Not adequately protecting the Government’s interests**.

If closeout is delayed, the Government may not be able to obtain a true accounting of funds.

Strategies for increasing the likelihood of timely closeout are addressed in Chapter 2. Some of the difficulties that may preclude timely closeout and actions to take in those situations are discussed in Chapter 3.

1. **Authorities and references.**

The following regulations and documents provide guidance related to contract closeout:

* + FAR 4.804, Closeout of Contract Files
	+ FAR 31.201-2, Determining Allowability
	+ FAR 42.705, Final Indirect Cost Rates
	+ FAR 42.708, Quick-Closeout Procedure
	+ FAR 52.216-7, Allowable Cost and Payment
	+ FAR 52.216-8, Fixed Fee
	+ FAR 52.216-9, Fixed Fee – Construction
	+ FAR 52.216-10, Incentive Fee
	+ FAR 52.227-9, Refund of Royalties
	+ FAR 52.232-7, Payments under Time-and-Material/Labor-Hour Contracts
	+ HHSAR 342.7001, Contract monitoring responsibilities
	+ Office of Federal Procurement Policy (OFPP) Guide to Best Practices for Contract Administration, dated October 1994 (which includes a major section on contract closeout)
1. **Applicability.**

The procedures in this Guide apply to contracts of any dollar amount, including orders exceeding the micro-purchase threshold that are placed using an HHS purchase card. Closeout of purchase card orders at or below the micro-purchase threshold is governed by the HHS Purchase Card program. See the HHS Purchase Card Program Guide for information regarding monthly reconciliation of purchases and resolving disputed actions.

Chapter 3 of this Guide provides detailed procedures for closing contracts based on type: fixed-price (FP), cost-reimbursement (CR), time-and-materials (T&M), or labor-hour (LH).

NOTE: For purposes of this handbook, unless otherwise specified, all references to CR contracts include T&M and L-H contracts, as well as orders below the simplified acquisition threshold awarded on a CR basis. Not all of the FAR closeout procedures apply to each contract type.

1. **Abbreviations and acronyms.**

For a listing of the abbreviations and acronyms used in this Directive see Attachment 1, Abbreviations and Acronyms.

# Chapter 2 - CLOSEOUT: AN OVERVIEW

#

This chapter provides general information about contract closeout, including responsibilities, strategies to facilitate timely and effective closeout, time standards, and HHS performance metrics.

**A. Closed contract.**

A contract is considered closed when it is physically, as well as administratively completed, i.e., the contractor has completed performance/delivery of required supplies/services in accordance with contract terms and conditions, and the Government has completed all required administrative actions (such as those involving property disposition, patents, and royalties). The end result of the closeout process is a closed contract, or in common usage, a “closed contract file.”

1. **Physically completed.**

FAR 4.804-4 states that a contract is physically completed when —

* + the contractor has delivered required supplies and the Government has inspected and accepted them; or the contractor has performed all services, which the Government has accepted (termed “completion of delivery of property or services”); and
	+ all option provisions, if any, have expired; or
	+ the Government has given the contractor a notice of complete contract termination.

NOTE: Facilities contracts and rental, use, and storage agreements are considered physically completed when the Government has issued a notice of complete contract termination or the contract period has expired.

1. **Administratively completed.**

A contract is considered administratively completed when the applicable FAR requirements have been met. See Chapter 3 of this Directive for the table of closeout requirements that apply to different contract types.

NOTE: Certain requirements, such as warranty clauses and invention reporting, may continue to apply after a contract is physically and administratively completed, i.e., closed out. For example, FAR Subpart 46.7 contains a number of warranty clauses suitable for use in different acquisition situations. Some of the warranty clauses can extend well beyond the physical completion of a contract. As long as there is not a specific contract line item or funding attached to an extended warranty, the Contracting Officer (CO) should not delay the closeout of a contract just for warranty purposes. Also, closing a contract does not relieve the contractor of the contractual responsibility to perform under a warranty clause. The CO and Contracting Officer’s Representative (COR) must work together with a contractor to ensure that they address any warranty provision and its implementation before completing contract closeout.

**B. Responsibilities.**

The individuals and organizations shown in Table 1 are integral to the closeout process. The table addresses their general closeout responsibilities. However, in some areas, these responsibilities apply more broadly to post-award administration. Specific closeout-related responsibilities and activities are specified in Chapter 3.

## TABLE 1: Contract Closeout Responsibilities

|  |  |
| --- | --- |
| **Official**  | **Responsibilities**  |
| Contracting Officer (CO)  | The CO is responsible for overseeing the entire closeout process and ultimately must ensure that all required administrative actions have been satisfactorily completed.  |
| Contract Specialist (CS)  | The CS serves as the CO’s representative for the closeout process and is responsible for much of the closeout activity described in this Directive. In some instances, OPDIVs may use Government contract administrators or contractor support staff to assist in the closeout process. Regardless of who might serve in this capacity, only the CO may take actions that affect contract funding or formal acceptance or rejection of contractor submissions.  |
| Contracting Officer’s Representative (COR)  | The COR, or other authorized official,( if a COR is not appointed for an .acquisition, e.g., for an order under the simplified acquisition threshold), is responsible for providing assistance to the CO/CS by— * ensuring that all technical requirements of the contract have been satisfactorily met, including provision of all deliverable items and the final report, if any;
* participating in the settlement of any outstanding claims, change orders, or value engineering change proposals;
* completing the technical portions of the contractor’s performance assessment required by FAR 42.15;
* advising the CO about the disposition of Government- furnished property, if applicable; and
* reviewing and recommending approval/disapproval of the final invoice or completion voucher. (NOTE: While the terms “voucher” and “invoice” are often used interchangeably, for purposes of this Guide “invoice” refers to a contractor’s request for payment under a FP contract, while “voucher” refers to a contractor’s request for payment under a CR contract.)
 |
| OPDIV Finance Office  | The OPDIV finance office is responsible for— * alerting the CO to any excess funds that may remain on the contract; and
* coordinating with the CO to secure new obligations when necessary or process modifications for deobligation of funds, as required for closeout, per the direction of the CO.

  |
| OPDIV Property Administrator  | The OPDIV property administrator is responsible for— * verifying that the contractor’s inventory of residual Government property

(Government-furnished or contractor-acquired) is accurate; or, in the case of nonprofit organizations, including educational institutions where title vests in the contractor, obtaining a listing of contractor-acquired property; * coordinating with the COR to provide timely instructions to the CO regarding disposition of residual Government property; and
* working with the CO to ensure that the contractor complies with the disposition instructions for residual Government property.
 |
| HHS Office of the General Counsel (OGC)  | OGC is responsible for working with the CO and COR in the resolution of claims and resolving any issues concerning contractor submittals, such as the final patent report and royalty reporting.  |
| Cognizant Audit Agency  | The cognizant audit agency is generally responsible for performing incurred-cost audits through an on-site or desk review.  |
|  | **Official**  | **Responsibilities**  |
| Contractor  |  | Among other things, the contractor is responsible for— FAR Part 4.804-5 in listed order * furnishing indirect cost rate proposals for all years in which a proposal was not previously submitted;
* submitting a final property inventory (excluding intellectual property);
* settling all subcontract costs and any issues thereunder;
* submitting subcontracting compliance reports for all years to the electronic subcontract reporting system a[t http://www.esrs.gov](http://www.esrs.gov/) (formerly Standard Forms 294 and 295);
* submitting the final patent and royalty reports; and
* submitting a contractor’s release of claims, i.e., contractor’s closing statement; and submitting a Contractor’s Assignment of Refunds, Rebates, and Credits; preparing and submitting a final invoice or completion invoice.
 |

**C. Strategies to facilitate timely and effective contract closeout.**

While closeout occurs after a contract is physically completed, OPDIVs may undertake a variety of general activities, as well as award-specific actions throughout the acquisition process, to facilitate timely and effective contract closeout. These actions include the following:

### 1. General

* Establish a separate closeout function or dedicated resources within the contracting organization, or use contractor support, to complete contract closeouts and emphasize the importance of contract closeout.
* If dedicated resources or contractor support are not available, complete closeouts during that time of a fiscal year, e.g., normally the first and second quarters, when new contract award activity may be limited.
* Request that the OPDIV finance office regularly, e.g., monthly, provide a listing of contracts for which funds will be lost if timely closeout does not occur and assist in targeting contracts that may be closed through use of a quick closeout procedure. This listing should include all awards whose performance period has ended (not just a month-to-month listing).
* Incentivize individual performance consistent with organizational closeout goals.

### 2. Planning and pre-award phase

* Develop well defined contract requirements.This includes developing clear and concise, Statements of Work/Performance Work

Statements/Specifications and delivery schedules, Section B “Payment Schedule” and/or any specific provisional rates or Ceiling rates as applicable; and state clear requirements regarding patents, copyrights, use of Government property/information, and any other similar considerations.

* Use FP contracts to the maximum extent practical, which, in addition to other benefits, reduces the number and complexity of closeout requirements and eliminates the need for final contract audits and establishment of indirect cost rates.

### 3. Contract administration phase

* Resolve contract administration issues before they become a problem and document significant activities and events as a contract progresses.
* Educate the contractor, e.g., by using a post-award orientation session to apprise the contractor of important administration and closeout requirements, particularly if the contractor is a small business or a business with little or no Government contract experience.
* Consider including an alternative dispute resolution (ADR) process (see FAR 33.201) in construction contracts or other complex contracts in lieu of formal contractor claims procedures, which may cause closeout problems.

**D. FAR/HHS-Specific closeout time standards**

As summarized in Table 2 below, OPDIVs should ensure that contracts are closed within the timeframes specified in FAR 4.804-1(a) or, in the absence of FAR coverage, HHS specified time frames.

## TABLE 2: FAR/ HHSAR Closeout Time Standards

|  |  |
| --- | --- |
| **Type of Contract**  | **Closeout Time Standard**  |
| Purchase card order at or below the micro-purchase threshold  | Within 30 days after physical completion.  |
| Simplified acquisitions, including purchase card orders exceeding the micro-purchase threshold, and orders awarded using simplified acquisition procedures  | Considered closed when the CO receives evidence of receipt of property (or services) and final payment, unless otherwise specified by agency regulations. HHS requires that simplified acquisitions, and those awards made using simplified acquisition procedures pursuant to FAR 13.500 (a) and (c), be closed within 60 days after physical completion.  |
| FP contracts (other than simplified acquisitions and awards made using simplified acquisition procedures)  | Within 6 months after the date on which the CO receives evidence of physical completion.  |
| Contracts requiring settlement of indirect cost rates  | Within 36 months of the month when the CO receives evidence of physical completion.  |
| Indefinite-delivery/indefinite quantity (**IDIQ**) contract  | Within 3 months after the date the CO closes the files for all task or delivery orders issued. (NOTE: This is an HHS requirement to ensure that the base indefinite-delivery/indefinite-quantity (**IDIQ**) contracts are closed.)  |
| All other contracts  | Within 20 months of the month in which the contracting officer receives evidence of physical completion.  |

**E. Record retention HHS closeout performance metrics**

OPDIVs must maintain the contents of contract files consistent with FAR 4.805. For additional information regarding record retention, including e-mail and records, see the National Archives website at [http://www.archives.gov/records-mgmt/handbook/.](http://www.archives.gov/records-mgmt/handbook/) Also, please consult the designated OPDIV Records Management Officer to determine the types of records which may have historical significance, their proper treatment, and any applicable OPDIV- or program-specific requirements.

# Chapter 3 - CLOSEOUT PROCEDURES

This chapter—

* specifies the required actions and procedures (including forms and letter templates) for closing various award types,
* cites the FAR, HHSAR, or other basis for the requirement, and
* designates which individual(s) is/are responsible for completing a specific action.

(NOTE: Depending on the circumstances, the CO may complete or request some closeout actions concurrently, as specified in the procedures.)

**A. Simplified procedures.**

The simplified close-out procedures and required actions or documentation for completing them apply to—

 orders that do not exceed the simplified acquisition threshold, (see FAR

13.003(b)(1) except CR contracts under the simplified acquisition threshold);  applicable task and delivery orders specified in Table 4 (Paragraph E); and  IDIQ contracts, in certain circumstances (see Paragraph E).

**1. FAR 4.804-1(a)(1):**

CO receives evidence of completion of delivery of property or services

**Action:**  The CO must send a request for evidence of completion of delivery of property or services to the COR or other individual authorized to receive property/services within 15 calendar days after the last date in the award’s delivery schedule or the performance period completion date.

Within 14 calendar days of the CO’s request, the COR (or other authorized individual) must provide to the CO a statement in writing (e-mail is sufficient, unless otherwise specified) that all property or services have been received, are technically acceptable, and are in accordance with an order’s terms and conditions.

NOTE: If the COR or other authorized individual cannot attest to the satisfactory completion of delivery of property or services, the CO must consider various remedies, including the feasibility of extending the performance period or delivery schedule or terminating the award.

***2.* FAR 4.804-1(a)(1):**

CO receives evidence of final payment

**Action**: If necessary, the CO must send a request for evidence of final payment to the finance office within 15 calendar days after satisfactory completion of delivery of property or services, as evidenced by the COR’s (or other authorized individual’s) statement specified in Paragraph A.1 above.

Within 14 calendar days of the CO’s request, the OPDIV finance office must provide to the CO a statement in writing (e-mail is sufficient, unless otherwise specified) that final payment has been made, specifying the amount and the date of payment.

NOTE: In some instances, an OPDIV finance office may provide summary data to the CO on a regular basis, e.g., a monthly or quarterly printout listing all of the orders for which final payment has been made for a specific time period, in which case, an individual final payment request may not be necessary.

**B. Standard procedures.**

In general, the standard close-out procedures and actions or documentation for completing them, as provided in Table 3 below, apply to each of the corresponding contract types. In some instances, however, one or more of the required actions may not apply to a particular contract or order, e.g., FAR 4.804-5(a)(11), Termination docket is completed, would not apply unless a contract has been terminated. For additional guidance regarding CR task and delivery orders, see Table 4 in Paragraph E.

NOTE: Certain circumstances may preclude closing a contract, such as an unresolved claim or dispute.

## TABLE 3: Standard Procedures for Specific Contract Types

|  |  |  |
| --- | --- | --- |
| **FAR Citation**  | **Action or Documentation Required**  | **Applicability to Contract Type**  |
| FAR 4.804-1(a)(1)  | CO receives evidence of completion of delivery of property or services  | ALL  |
| FAR 4.804-1(a)(1)  | CO receives evidence of final payment  | ALL  |
| FAR 4.804-5(a)(1)  | Disposition of classified material is completed  | ALL  |
| FAR 4.804-5(a)(2)  | Final patent report is cleared  | ALL  |
| FAR 4.804-5(a)(3)  | Final royalty report is cleared  | ALL  |
| FAR 4.804-5(a)(4)  | There is no outstanding value engineering change proposal  | ALL  |
| FAR 4.804-5(a)(5)  | Plant clearance report is received  | ALL  |
| FAR 4.804-5(a)(6)  | Property clearance is received  | ALL  |
| FAR 4.804-5(a)(7)  | All interim or disallowed costs are settled  | CR  |
| FAR 4.804-5(a)(8)  | Price revision is completed  | ALL  |
| FAR 4.804-5(a)(9)  | Subcontracts are settled by the prime contractor  | ALL  |
| FAR 4.804-5(a)(10)  | Prior-year indirect cost rates are settled  | CR  |
| FAR 4.804-5(a)(11)  | Termination docket is completed  | ALL  |
| FAR 4.804-5(a)(12)  | Contract audit is completed  | CR  |
| FAR 4.804-5(a)(13)  | Contractor’s closing statement is completed  | ALL  |
| FAR 4.804-5(a)(14)  | Contractor’s final invoice has been submitted  | ALL  |
| FAR 4.804-5(a)(15)  | Contract funds review is completed and excess funds are deobligated  | ALL  |
| FAR 4.804-5(b)  | Contract completion statement  | ALL  |
| FAR 4.804-5(c)  | Contract completion statement is filed  | ALL  |
| **Additional FAR Requirements**  |
| **FAR Citation**  | **Action or Documentation Required**  | **Applicability to Contract Type**  |
| FAR 42.15  | Contractor’s past performance assessment  | ALL  |
| FAR 19.7  | Contractor’s individual/final subcontracting compliance report provided to the eSRS  | ALL  |
| FAR 52.216-7  | Contractor’s assignment of refunds, rebates, credits, and other amounts  | CR  |

**1. FAR 4.804-1(a)(1):**

CO receives evidence of completion of delivery (of property or services)

**Action:** The CO must send a request for “Contracting Officer’s Representative

Certification of Contract Completion” --using the template provided as Attachment 2--to the COR (or other individual authorized to receive property/services) within 30 calendar days after the last date in the award’s delivery schedule or the performance period completion date.

The COR (or other individual authorized to receive property/services) must provide to the CO a statement in writing (e-mail is sufficient, unless otherwise specified) that all property or services have been received, are technically

acceptable, and are in accordance with the contract’s terms and conditions. The COR must provide the requested information within 14 calendar days after receipt of the CO’s request.

NOTE: If the COR or other authorized individual cannot attest to the satisfactory completion of delivery of property or services, the CO must consider various remedies, including the feasibility of extending the performance period or delivery schedule or terminating the award.

a. FAR 52.232-7 Payments under Time-and-Materials and Labor-Hour Contracts. After all performance provisions of the contract have been completed and all costs applicable to the contract have been incurred, the contractor shall submit its completion invoice to the Finance Office in accordance with the terms and conditions of the contract or task order to finalize the financial settlement of the contract. It shall be submitted within twelve months/one year (or such longer period as the Contracting Officer may approve in writing) of completion of performance. This final invoice should include any remaining costs, fees and reserves claimed to be due to the contractor. It will not include items or amounts which may be set out in any qualifications in the contractor’s release of claims. A separate completion invoice shall be submitted for each individual project or task order for which a separate series of public invoices has been submitted. Final payment on prescribed contracts may be made on the basis of a desk review. To expedite final settlement of these contracts, the Contracting Officer may request the contractor to submit detailed support for costs claimed under one or more interim v. The supporting documentation should be forwarded along with the completion invoice.

1. **FAR 4.804-1(a)(1):**

CO receives evidence of final payment

**Action**: The CO must send a request for evidence of final payment to the OPDIV finance office within 15 calendar days after satisfactory completion of delivery of all property or services, as evidenced by the COR’s (or other authorized individual’s) statement specified in Paragraph B.1 above and receipt of the contractor’s final invoice for a FP contract. See Paragraph 4 below. Within 14 calendar days of the CO’s request, the OPDIV finance office must provide to the CO a statement in writing (e-mail is sufficient, unless otherwise specified) that final payment has been made, specifying the amount and the date of payment.

NOTE: In some instances, an OPDIV finance office may provide summary data to the CO on a regular basis, e.g., a monthly or quarterly printout listing all of contracts for which final payment has been made for a specific time period, in which case, an individual final payment request may not be necessary.

1. **FAR 4.804-5(a)(1):**

Disposition of classified material is completed

**Action**: This action applies when contract performance involved the generation or use of classified material. Before a contract containing such material may be closed, the CO and COR must ensure that the contractor provides written certification that all classified materials involved in the contract, including any in the possession of subcontractors, are accounted for and identified. The CO must also ensure the appropriate disposition of all classified materials in accordance with Government/OPDIV security regulations.

While this FAR requirement is directed at classified material, HHS also requires that contractors safeguard “sensitive but unclassified” (SBU) information and execute a contractor nondisclosure agreement (NDA) prior to being provided such information. SBU information includes any information in the following categories— personal privacy;

* source selection;
* business proprietary; and
* agency sensitive, including access to systems and HHS facilities.

Under the terms of an HHS NDA, contractors must agree to protect and return all information at the conclusion of their duties, associated with, or in support of, HHS. This also includes badges or passes to enter and occupy HHS facilities. The CO will work with the contractor to ensure that all security policies are enforced during the closeout process.

**4. FAR 4.804-5(a)(2):**

Final patent report is cleared

**FAR 4.804-5(a)(3)**: Final royalty report is cleared

**FAR 4.804-5(a)(9)**: Subcontracts are settled by the prime contractor

**FAR 4.804-5(a)(14)**: Contractor’s final invoice for a FP contract (or completion invoice for a CR contract) has been submitted

**FAR 52.216-7**: Contractor’s assignment of refunds, rebates, credits, and other amounts.

**Action**: As indicated in the introduction to this chapter, the CO may complete or request certain closeout actions concurrently. Such is the case with the contract expiration letter to the contractor. In this instance, the CO must send to the contractor, within 15 calendar days after receipt of the COR’s Certification of Contract Completion, an expiration letter (see Attachment 3, “Contracting Officer’s Completion/Expiration Letter”) requesting, among other things, that the contractor complete and provide the “Contractor’s Certification – General Provisions, Regarding Patents, Copyrights, and Royalties.” See Enclosure 1 to Attachment 3.1

The “Contracting Officer’s Completion/Expiration Letter” may also request that the contractor provide the following information, as applicable:

* A final Government property report. See Paragraph B.7, “Property clearance report is received.”
* A statement that all subcontracts have been settled. See Paragraph B.9, “Subcontracts have been settled by the prime contractor.”
* A final invoice for work completed under a FP contract or a completion invoice for work completed under a CR contract. See Paragraph C.4,

“Contractor’s final invoice or completion invoice” for CR contracts.

* An assignment of refunds, rebates, credits, and other amounts. See

Paragraph C.6, “Contractor assignment of refunds, rebates, credits and other amounts” for CR contracts.

1. **FAR 4.804-5(a)(4):**

There is no outstanding value engineering change proposal

**Action**: This action only applies if the contract included FAR clause 52.248-1, Value Engineering. If the clause applies to a specific contract, and the contractor has submitted a value engineering change proposal (VECP), the CO must process the VECP in accordance with paragraph e., Government action, of the Value Engineering clause and the requirements of FAR 48.103. In order to close a contract that includes the cited clause, the CO and COR must verify that there are no outstanding VECPs requiring Government action.

1. **FAR 4.804-5(a)(5)**:

Plant clearance report is received

Action: This action only applies in those circumstances when a Plant Clearance

Officer (PLCO) has been assigned to a contract. A PLCO is the authorized

representative of the CO assigned responsibility for “plant clearance,” i.e., property administration. "Plant clearance" refers to all actions relating to the screening, redistribution, and disposal of contractor inventory from a contractor's plant or work site. At HHS, this function is typically performed by a Government Property Administrator. See Paragraph B.7, “Property clearance report is received,” for required actions. Completion and resolution of the property clearance report satisfies this FAR closeout requirement.

1. **FAR 4.804-5(a)(6):**

Property clearance report is received

**Action:** In order to close a contract, the CO, working with the COR and the OPDIV

Property Administrator, must determine the appropriate disposition of all Government property in the possession of a contractor (Government-furnished or contractor-acquired) or, for non-profit organizations, contractor-acquired property where title vests in the contractor. FAR Subpart 45.1 provides procedures for the proper disposition of Government property. It addresses contractor reporting, Government review of the report, and provision of specific instructions to the contractor as to whether the property is to be shipped for reutilization and, if so, where; abandoned in place; or scrapped.

As part of the “Contracting Officer’s Completion/Expiration Letter” (see Paragraph B.4), the CO may request that the contractor provide a properly certified final report of Government property in possession of the contractor or subcontractor(s), using Standard Forms-1428 and 1429.

**8. FAR 4.804-5(a)(8)**:

 Price revision is completed

**Action:** The CO and COR must work together to ensure that all open actions and liabilities, including those having an impact on contract price (or cost), are resolved prior to completion of the closeout process. Closeout actions that may result in revision to the contract price or cost include—

* settling all interim or disallowed costs (see Paragraph C.1, “All interim or disallowed costs are settled”);
* finalizing prior year indirect cost rates (see Paragraph C.2, “Prior year indirect cost rates are settled”);
* completing a contract audit for auditable costs (see Paragraph C.3, “Contract audit is completed”);
* deobligating excess funds (see Paragraph C.5, “Contract funds review is completed and excess funds are deobligated”); and
* settling all contractor claims, change order costs, and termination costs.

NOTE: The CO must ensure that all contractor claims are resolved and adjust the contract price or cost, as appropriate, because a contract cannot be closed if it is under litigation or appeal.

1. **FAR 4.804-5(a)(9):**

Subcontracts are settled by the prime contractor

**Action:**  As part of the “Contracting Officer’s Completion/Expiration Letter” (see Paragraph B.4), the CO may request that the contractor provide, at the time it submits its final invoice or completion invoice, a statement that all subcontracts have been settled.

1. **FAR 4.804-5(a)(11):**

Termination docket is completed

**Action:** This action only applies when the CO has terminated a contract for default or convenience. If the CO terminates a contract for default, the contractor may be liable for any subsequent acquisition costs of the terminated items. On the other hand, pursuant to the termination for convenience clause of a contract, the Government may be liable for certain costs, such as reasonable cancellation charges incurred by a contractor and any reasonable loss on outstanding commitments for personal services that a contractor is unable to cancel or divert to other operations.

See Paragraph B.8, “Price revision is completed,” regarding the need for the CO to address potential cost-impact actions. **11. FAR 4.804-5(a)(13) requirement:**

Contractor’s closing statement is completed

**Action:** As part of the “Contracting Officer’s Completion/Expiration Letter”(see Paragraph B.4), the CO must request that the contractor provide, at the time a final invoice or completion invoice is submitted, a contractor’s release of claims, which serves as the contractor’s closing statement. See Attachment 3, Enclosure 2, “Contractor’s Release of Claims and/or Assignment of Refunds, Rebates, Credits, and Other Amounts,” for the release template. The release provides, with certain specified exceptions noted therein, that the contractor will not submit further claims once the Government has made final payment. Accordingly, the CO must ensure that the Government and the contractor resolve all open financial issues, such as change orders, claims, and liquidated damages, prior to the contractor’s execution of its release.

1. **FAR 4.804-5(b):**

Contract completion statement

**FAR 4.804-5(c):** Contract completion statement is filed

**Action:** The CO must complete Attachment 4, “Contracting Officer’s Contract Completion Statement,” sign and date the certification in Part IV, and include the completed statement in the contract file.The statement requires the CO to certify that, among other things, the COR has provided a closeout certification (see Attachment 2) and the contract is administratively completed.

1. **FAR 42.15:**

Contractor past performance assessment

**Action:** The CO must coordinate with the COR to ensure that the contractor’s

Performance assessment has been completed, (if applicable), in accordance with FAR Subpart 42.15, Contractor Performance Information at the time of physical completion of a contract.

**42.1500 Scope of subpart.**

This subpart provides policies and establishes responsibilities for recording and maintaining contractor performance information. This subpart does not apply to procedures used by agencies in determining fees under award or incentive fee contracts. However, the fee amount paid to contractors should be reflective of the contractor’s performance and the past performance evaluation should closely parallel the fee determinations.

1. **FAR 19.7**:

Contractor electronic subcontract reporting system subcontracting plan report

**Action:** For those contracts that include subcontracting plans (see FAR 19.702), the

CO must ensure that the contractor submits the Individual Subcontracting Report (ISR) and the Summary Subcontracting Report (SSR) using eSRS, the Governmentwide, electronic, web-based system for small business subcontracting program reporting. The contractor is required to follow the instructions in eSRS, available at:

[http://www.esrs.gov.](http://www.esrs.gov/) All of the contractor’s subcontractors that have subcontracting plans must also submit the ISR and/or the SSR using eSRS.

**C. Closeout procedures unique to CR contracts.**

These actions and the procedures for completing them apply to CR contracts, including CR task and delivery orders. See Table 4 in Paragraph E. Some of the procedures are unique to CR contracts, while others provide greater specificity with respect to actions described in Paragraph B.

**1. FAR 4.804-5(a)(7):**

All interim or disallowed costs are settled

**Action:** The CO must prepare a final determination of those costs considered to be allowable, allocable, and reasonable. Then, the CO must execute a contract modification to implement a final determination of costs. The final determination of costs may include costs that were previously disallowed or suspended by the CO under contractor invoices, or costs which have subsequently been identified as acceptable as a result of a desk review performed by the CO, or an audit. Generally, if an audit is performed, the Defense Contract Audit Agency (DCAA) will have audit cognizance for commercial entities (as applicable), and HHS will have cognizance for educational institutions, as well as some nonprofit entities.

If the CO prepares a desk review, it must be in the form of an electronic spreadsheet which tracks all payments made to the contractor for such cost categories as direct labor, fringe benefits, materials and supplies, travel, other direct costs, and indirect costs. The CO’s desk review must compare and summarize contract funding for each period (or year) of performance against the contractor’s actual expenditures and indicate any differences.

The CO must advise the contractor by letter of the total allowable costs, amount paid by the Government, all cost suspensions, and any amounts due to the contractor or the Government.

NOTE: If there are questions concerning allowable costs, the CO should notify the contractor beforehand, outlining any costs and their amounts which the CO believes should be disallowed, along with all supporting information. The CO must request the contractor’s rationale to support any costs the contractor believes require payment by the Government. The CO must handle any disagreements regarding the allowability of costs in accordance with the Disputes clause of the contract. See FAR Subpart 33.2; see also Paragraph C.5., “Contract funds review is completed and excess funds are deobligated.”

NOTE ALSO: A contractor’s fiscal year may not necessarily coincide with a contract’s periods of performance. Also, different cost principles may apply depending on whether the contractor is a commercial (for-profit) organization, State, local government, non-profit organization, educational institution, or hospital. See FAR 16.307.

Completing this action, along with other actions, such as finalizing final indirect cost rates and completing an audit, if applicable, allows the CO to complete the

“price revision” action required to close a contract. See Paragraph B.8, “Price revision is completed,” for actions to take as a result of settling interim or disallowed costs.

**2. FAR 4.804-5(a)(10):**

Prior year indirect cost rates are settled

**Action:** The CO must ensure that final indirect cost rates are established for all performance periods (or years) of the contract. In accordance with the allowable cost and payment clause at FAR 52.216-7, as applicable, a contractor is required to submit to the cognizant agency an adequate, final indirect cost proposal within the 6-month period following the expiration of each of its fiscal years.

NOTE: This action does not apply to T&M or L-H contracts. Completing this action, along with other actions, such as settling interim and disallowed costs and completing an audit, as applicable, allows the CO to complete the “price revision” action required to close a contract. See Paragraph B.8, “Price revision is completed,” for action to take as a result of settling prior-year indirect cost rates.

NOTE ALSO: The quick closeout process offers an alternative to holding a contract open until indirect cost rates are settled. See Paragraph D.

Depending on the type of entity, the contractor may have negotiated pre-determined rates with the Government. If so, the CO may use these rates for closeout purposes.

NOTE: HHS’ Division of Cost Allocation (part of the Program Support Center) is the cognizant agency which negotiates and approves indirect cost rates with most educational institutions, many not-for-profit organizations, States, and some local governments on behalf of all federal agencies. The Division of Financial Advisory Services at NIH is the cognizant agency which negotiates and approves indirect cost rates with for-profit organizations that receive the preponderance of their Federal funding from HHS. In general, the rates HHS negotiates must be accepted by other federal agencies. Only under special circumstances, such as when required by law or regulation, may a Federal agency use a rate different from the negotiated rate.

The CO must work with the cognizant agency to obtain an overdue indirect cost rate proposal from a contractor and take the following action(s) in the event that the contractor fails to submit an indirect cost rate proposal for the final year or period of a contract:

* If the contractor does not submit its proposal in a timely manner, the CO must notify the contractor in writing that (1) it must provide an indirect cost rate proposal within 30 days of the date of the CO’s letter and (2) the contractor’s continued failure to submit a proposal may result in the CO issuing a unilateral determination of indirect costs. If a contractor remains non-responsive, the CO must attempt to schedule a meeting or conference call with the contractor and consider implementation of a billing rate decrement (see Attachment 5). See FAR 42.704(e).
* If the contractor fails to respond to the CO’s written notice or request for a meeting or conference call, the CO may proceed with a unilateral determination of indirect cost rates (see FAR 42.703-2(c)) and unilateral determination of final contract cost. See Paragraph F.1, “Perform unilateral administrative closeout.”

**3. FAR 4.804-5(a)(12)**: Contract audit is completed

**Action:** Prior to final payment under a contract, the CO must perform a desk review or request that the cognizant audit agency perform an audit. Normally, a desk review is sufficient for T&M and L-H contracts.

NOTE: Completing this action, along with other actions, as applicable, such as settling all interim and disallowed costs and finalizing indirect cost rates, allows the CO to complete the “price revision” action required to close a contract. See Paragraph B.8, “Price revision is completed,” for action to take as a result of settling prior-year indirect cost rates.

The HHSAR provides the following guidance regarding contract closeout audits:

**304.804-70 Contract closeout audits.**

* 1. Contracting Officers shall rely, to the maximum extent possible, on single audits to close physically completed cost-reimbursement contracts with colleges and universities, hospitals, non-profit organizations, and State and local governments. In addition, where appropriate, a sample of these contracts or an individual contract may be selected for audit, in accordance with paragraph (b) of this section.
	2. Contracting Officers shall request contract closeout audits on physically completed, cost-reimbursement, contracts with for-profit organizations in accordance with the following:
	3. The OIG and the Associate Deputy Assistant Secretary (DAS) for Acquisition, in conjunction with the OPDIV’s cost advisory/audit focal point, determine which contracts or contractors will be audited, which audit agency will perform the audit, and the type and scope of closeout audit to be performed. These decisions are based on the needs of the customer, risk analysis, return on investment, and the availability of audit resources. When an audit is warranted prior to closing a contract, the Contracting Officer shall submit the audit request to the OIG’s Office of Audit Services, through the OPDIV’s cost advisory/audit focal point.
	4. Except where a Contracting Officer suspects misrepresentation or fraud, the Contracting Officer shall not request contract closeout field audits, if the cost of performance is likely to exceed the potential cost recovery. Contracting Officers may close contracts that are not selected for a field audit on the basis of a desk review, subject to any later on-site audit findings. In those situations, the release executed by the contractor shall contain the following statement: “The Contractor agrees, pursuant to the clause in this contract entitled "Allowable Cost" or "Allowable Cost and Fixed Fee," as appropriate, that it will refund to the Government the amount of any sustained audit exceptions resulting from any audit made after final payment."

Accordingly, the CO should take the following actions:

 **Non-profit organizations:**

Non-profit organizations, including educational institutions and nonprofit hospitals, are subject to the audit requirements of Office of Management and Budget (OMB) Circular A-133, “Audits of States,

Local Governments, and Non-Profit Organizations.” It is not necessary to request a closeout audit for entities covered by OMB Circular A-133 because they are required to obtain independent audits on an annual basis if their total expenditures of federal funds in their fiscal year from all sources are $500,000 or more.

NOTE: The provisions of the OMB Circular do not limit the authority of federal agencies, including their Offices of Inspector General or the Government Accountability Office (GAO), to conduct or arrange for, if appropriate, additional audits, e.g., financial audits, nor authorize any entity to interfere with federal agencies from carrying out additional audits; however, such audits should build on the results of the A-133 audit.

When a contractor is subject to OMB Circular A-133 requirements, the CO normally will perform a desk review and factor in the results of the applicable indirect cost rates that are established by the cognizant agency and the payments made to the contractor as a result of invoices submitted during the entire period of the contract.

NOTE: In performing a desk review, the CO must ensure that the contractor’s employees did not exceed the salary rate limitation, if applicable, provided in the salary rate limitation clause in HHSAR 352.231-70 and [APM -2012-03.](https://intranet.hhs.gov/abouthhs/contracts-grants-support/acquisition-policies-guidance/apm-2012-03.html)

The results of the desk review must indicate whether contract funding and actual expenditures match or whether the contractor owes the Government money or vice-versa.

##  Commercial organizations

Desk review. The CO must perform a desk review, including a review of

the contractor’s invoices, using an electronic spreadsheet and substantiating materials, or request that the cognizant audit agency conduct an audit. In determining which approach to use, the CO must consider the criteria above. In most cases, a CO desk review will suffice. If the CO performs a desk review, it should contain an analysis of the cost categories cited under Paragraph C.1, as well as general and administrative expense and fee. The CO desk review for a commercial organization must generally correspond in format to one performed for a non-commercial organization.

NOTE: For T&M contracts, a CO’s desk review will suffice and will only involve a review of material costs and any material handling costs clearly excluded from the labor-hour rate.

 **Audit:**

If the CO requests that the cognizant audit agency conduct an audit, the audit agency may perform it on-site or as a desk review. The only difference between an “on-site review” and a “desk review” is the place where the audit agency performs it. The decision concerning which type to use depends on such factors as— o prior audit history of the entity; o the size of the award; o whether the entity has other federal awards; o the timing of the audit cycle; and o cost/benefit of obtaining an on-site versus desk review.

Typically, in planning for an audit, regardless of how or where it is performed, an auditor will obtain supporting documentation from the contractor of costs incurred, such as labor distribution worksheets, timesheets, and invoices from subcontractors for equipment purchases, for verification. Also, the audit agency will review costs billed for allowability and reasonableness.

After completion of a CO desk review or an audit, the CO must determine the final amount payable under a contract.

NOTE: If a contractor is unable to support cost data, it may be because they have not retained, or it have lost, their financial records. If this happens, the contractor does not have the ability to support costs previously billed on contracts. In such instances the CO must make a unilateral determination of cost allowability for administrative closeout. In doing so, the CO may (1) calculate the final cost based on amounts paid to date and (2) issue a unilateral contract modification establishing the final cost as the amount previously paid and deobligate any excess funds. See Paragraph F.1., “Perform unilateral administrative closeout.”

**4. FAR 4.804-5(a)(14):**

Contractor’s completion invoice has been submitted

**Action: T**he completion invoice is the last invoice to be submitted on a contract or task order. A separate completion invoice will be submitted for each individual project or task order for which a separate series of public invoices has been submitted.

Once final annual indirect cost rates are settled for all years of a physically completed CR contract (see Paragraph C.2,), the contractor must submit a completion invoice reflecting the settled amounts and rates within 120 days (or longer, if approved in writing by the CO). To determine whether a period longer than 120 days is appropriate, the CO may consider whether there are extenuating circumstances in accordance with FAR 42.705(b)(1) through (5).

Upon receipt, review, and approval by the CO of the invoice designated by the contractor as the completion invoice and upon the contractor’s compliance with all terms of the contract, the CO must pay any balance of allowable costs and that part of the fee not previously paid, if applicable.

For fee-bearing contracts, under the respective fee clauses in FAR 52.216-8, 52.216-9, and 52.216-10, after receipt of an acceptable certified final indirect cost rate proposal covering the period or year of physical completion of the contract, and provided the contractor has satisfied all other contract terms and conditions, as amplified in the fee clauses, the CO must release 75 percent of all fee withholds. The requirement that the CO withhold a percentage of fee (normally not to exceed 15 percent of the total fixed or incentive fee or $100,000, whichever is less) to protect the Government’s interests is mandatory. Also, the CO may release up to 90 percent of the fee withholds based on the contractor’s past performance related to the submission and settlement of final indirect cost rate proposals.

If the contractor fails to submit a completion invoice within the specified time period, the CO must take the following actions:

* In situations where indirect cost rates have been settled, and the contractor has failed to adhere to the completion invoice submission requirements of FAR 52.216-7(d)(5), Allowable Cost and Payment, the CO must research and determine the reason. At times, the contractor may not be able to submit a completion invoice because it is awaiting final subcontractor costs.
* The CO must require that the contractor provide an explanation and a schedule for submitting its completion invoice. If the parties are able to agree on an acceptable schedule, the CO may extend the timeframe for submission.
* When the contractor fails to submit its completion invoice and has not received an extension from the CO or the extension period has expired, the CO must pursue the following remedies, as appropriate:
	+ Invoke non-contractual remedies, such as inclusion of relevant comments in the contractor’s past performance assessment. o Disallow unpaid costs or attempt to recoup previously paid costs.
	+ Request that the cognizant audit agency perform an appropriate audit.
	+ Maintain fee withholdings.
* The CO must pursue a unilateral determination of final contract cost when the contractor is non-responsive or has not provided a reasonable explanation for not submitting a completion invoice. See FAR 42.705. This

CO determination must be issued as a final decision in accordance with

FAR 33.211. In such situations, the CO must—

o coordinate with OGC and other advisors, as appropriate; o determine the total allowable cost in accordance with the audit of indirect cost rates, if available;

* + - determine the total previous payments made to the contractor according to finance records and official contract records/invoices;
		- issue a certified final letter to the contractor, which will serve as a notice of intent to unilaterally determine the final contract cost; and
		- calculate the final contract cost, as follows:
* If the CO determines that the contractor has been underpaid, indicate the amount due in the unilateral determination modification.
* If overpayment has occurred, request a refund from the contractor. If the contractor does not provide the refund within 30 days from the date of the request for the refund, forward the information to the OPDIV finance office for collection as a debt.
* If it is determined that excess funds remain on the contract (after deducting any amount due the contractor), deobligate the excess amount by means of a unilateral determination modification.
* Verify that the unliquidated balance equals $0.

**5. FAR 4.804-5(a)(15):**

Contract funds review is completed and excess funds are deobligated

**Action:** Because settlement of indirect cost rates with contractors can be a lengthy process, the CO must review contracts to identify and remove funds in excess of those that will likely be needed for final payment within 30 days after a

contract’s physical completion. For example, the CO should compare expenditures on physically completed contracts (using payment logs, payment listings from the finance office, or other means) against their face value to determine whether deobligating excess funds is feasible.

If there are excess funds remaining on a contract, the CO, working with the contractor, must estimate the total Government monetary liability under the contract. The excess funding may result from—  an undelivered item or a service not performed;

* a change in the contractor’s cost on a invoice (but not reflected in the contract schedule);
* the contractor’s failure to invoice properly; or  an error in the billing/paying records.

Discounts taken are not reported as excess funds. The CO should negotiate a bilateral modification to the contract and deobligate the excess funds, or advise the contractor to bill for the excess funds, as appropriate. See FAR 42.302(b)(4); see also Paragraph B.8, “Price revision is completed,” for action to take as a result of settling all outstanding cost issues and completing the “price revision” closeout action.

**6. FAR 52.216-7:**

Contractor’s assignment of refunds, rebates, credits, and other amounts

**Action:** The clause at FAR 52.216-7, Allowable Cost and Payment, requires that a contractor provide, before final payment, an assignment of refunds, rebates, credits, and other amounts (including interest, if any) properly allocable to costs for which the contractor has been reimbursed by the Government. The assignment provides, with certain specified exceptions noted therein, a release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under the contract.

As part of the “Contracting Officer’s Completion/Expiration Letter” (See Paragraph B.4), the CO must request that a contractor provide, at the time the contractor provides a completion invoice, the contractor’s certified assignment of refunds, rebates, credits, and other amounts. See Attachment 3, Enclosure 2, for the “Contractor’s Release of Claims and/or Assignment of Refunds, Rebates, Credits, and Other Amounts” template.

**D. Quick closeout of cost-reimbursement contracts.**

FAR 42.708 states that a quick-closeout procedure may be used for a CR contract under certain circumstances. In order to reduce administrative costs and permit deobligation of excess funds.

NOTE: This procedure does not apply to T&M or L-H contracts.

The quick-closeout process offers an alternative to holding a contract open until indirect cost rates are settled. See Paragraph C.2 for further information regarding indirect cost rate settlement. Frequently, current billing rates are used as quick-closeout rates. Because these rates are established by the contractor and reviewed by the cognizant audit agency and the CO, they are credible and can be used to close a contract.

FAR 42.708 states that the CO must negotiate a settlement of direct and indirect costs for a specific contract, task order, or delivery order in advance of the determination of final direct costs and indirect cost rates (see FAR 42.705), if all of the following conditions apply:

* The contract, task order, or delivery order is physically completed.
* The amount of unsettled indirect costs to be allocated to the contract, task order, or delivery order is relatively insignificant. The cost amounts are insignificant when the cumulative unsettled indirect cost to be allocated to any one contract does not exceed $1,000,000 and, unless otherwise provided in agency procedures, the cumulative unsettled indirect costs to be allocated to one or more contracts in a single fiscal year do not exceed 10 percent of the estimated, total unsettled indirect costs allocable to cost-type contracts for that fiscal year. The CO may waive the 10 percent restriction based upon a risk assessment that considers the contractor’s accounting, estimating, and purchasing systems; other concerns of the cognizant contract auditors; and any other pertinent information.
* Agreement can be reached on a reasonable estimate of allocable dollars.

A determination of final indirect costs under quick-closeout procedures is final for the contract it covers, but 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. See Paragraph D.2. Additionally, indirect cost rates used in the quick closeout of a contract are not considered a binding precedent when establishing the final indirect cost rates for other contracts.

1. **Identifying a quick-closeout candidate.** A contract that meets the quick closeout criteria can be identified in a variety of ways, including—
	* the CO considers the volume of contracts awaiting settlement of indirect cost rates [quick closeout is an excellent way to close a contract and preclude funds cancellation]; or
	* the auditor makes a recommendation to the CO, or the contractor makes a recommendation to the auditor or CO.
2. **Procedures for negotiating quick-closeout indirect cost rates.** Once a quick-closeout candidate is identified, the CO must coordinate with the contractor and cognizant audit agency before beginning the negotiation of quick-closeout rates. The CO must take the following actions:
	* Notify the contractor by letter of the intent to use the quick-closeout procedure. The letter must identify the applicable contract and request that the contractor provide—

o the settled indirect cost rates for 3 years preceding the fiscal year for which the CO is pursuing quick closeout;

* + - proposed indirect cost rates for 3 years preceding the fiscal year for which the CO is pursuing quick closeout; and
		- the calculated variance factor between the proposed and settled rates.
	+ Analyze all data received from the contractor in order to determine whether the contractor has proposed higher rates than the final determined rates for the prior 3-year period. If the contractor’s proposed rates are higher, it is likely that the Government would be overcharged if those rates were used, and the proposed rates would likely exceed what the final determined rates should be. In any such instance, the CO should consider decrementing the proposed rate.

### 3. Decrement Factor

* If the contractor has a history of including “unallowable” costs in its indirect cost rate proposal or inflating indirect rates, decrement the unsettled year by either establishing a decrement factor or applying a percentage of the difference. By using a decrement factor, the CO will ensure that the Government’s financial interest is protected. Calculate the difference between the proposed/certified rates and the settled rates for the last 3 years, which will become the basis for the decrement factor; o calculate the average decrement factor; and o apply the average decrement factor to the unsettled rate to determine the proposed final rate.
* The decrement factor is the most commonly used means of establishing a fair and equitable quick-closeout rate. (Attachment 5) o Some alternative rate sources are—
	+ the final indirect cost rates agreed upon for the immediately preceding fiscal year;
	+ the provisional billing rates for the current fiscal year; or
	+ estimated rates for the final fiscal year of contract performance based on the contractor's actual data adjusted for any historical disallowance found in prior years' certified final incurred cost proposals.
* After developing the Government’s proposed quick-closeout rate, it is generally recommended that the CO contact the cognizant federal agency. Although a written request for audit is not required when the CO exercises the quick-closeout procedure, the audit agency should provide comments regarding any contract being considered for quick-closeout and express any specific concerns regarding the criteria used.

### 4. Advance Agreement (FAR 31.109)

Once an agreement is reached on the final indirect cost rate, prepare an advance agreement, which may be in letter format, citing the agreed-upon indirect cost rate. Although the actual rate negotiation may be conducted via telephone, both the contractor and the CO must sign the agreement. (Attachment 6).

### 5. Early Closeout For IDIQ Contracts

Early closeout for Task Orders on T&M and LH type IDIQ contracts offers a solution to problems resulting from delays in audit of indirect cost rates. The utilization of early closeout not only allows timely closeout of task orders but the procedure. The process was initiated as a method for COs to close task orders prior to settlement of indirect cost rates.

* Prevents the systematic cancellation of funds.
* Allows the CO to identify/de-obligate excess funds upon physical completion of task orders.
* The practice is acceptable because the task orders are not considered to be individual contracts. Quick Closeout procedures may be used in conjunction with Early Closeout.

### 6. Candidates for Early Closeout

Candidates for early closeout procedures are those IDIQ contracts that contain

FAR Clause 52.232-7. The clause provides the Government the right to withhold

5% of payments otherwise due, up to a maximum of $50,000 (see Section 7 below). 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.

 COs should consider the adequacy of contractor accounting and billing systems. Adequate systems indicate that minimal adjustments would be required for the final invoice. If a contractor has inadequacies in their accounting and billing system, the nature of the inadequacy should be considered.

### 7. 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 on-set of the contract, the CO will be better able to monitor the process in accordance with [FAR Clause 52.232-7.](http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/52_232.htm#P80_11686)
* The following is offered as guidance in establishing early closeout:
	+ During initial contract review, the CO should determine if early closeout procedures are applicable. (Does the contract contain [FAR Clause 52.232-7?](http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/52_232.htm#P80_11686)) o Communicate with the Contractor - The CO should notify the contractor that Early Closeout will be utilized. The letter should include detailed procedures.
* Detailed early closeout procedures are as follows:
	+ Upon final acceptance by an authorized representative of the Government, the contractor will prepare a completion invoice for each task order. Each completion invoice will include:

 Certification signed by the authorized representative of the Government reading substantially as follows: “I certify that the requirements of this task order have been satisfactorily completed and that final acceptance has been made.”  Total unaudited allowable costs.

* The contractor will then forward the certified completion invoice to the CO for provisional approval.
* CO review/approval –

o Verify that all contractual requirements have been satisfied,

o Sign the completion invoice approving for payment, and

o Forward it to the payment office for processing.

* The CO should hold open enough delivery orders to satisfy the 5% or $50,000 withhold requirement. To the greatest extent possible, the orders held open should include costs for each fiscal year of the contract where indirect cost rates have not been settled or where costs could still be claimed. The orders should remain open until settlement of indirect cost rates for the applicable period of performance.
* After settlement of the indirect cost rates, the contractor will prepare a

“final” invoice to be submitted along with one Assignment of Refunds, Rebates and Credits, one Release of Claims, and a recapitulation of costs for each order issued under the contract. The auditor will provide only one Contract Audit Closing Statement for the entire contract, which will include a review of the allowable and allocable costs for each delivery order.

* The CO will process the "final" invoice through normal closeout procedures.
* If more than one order has been held open to meet the required 5% or $50,000 withhold amount, the CO should review the final invoice and Contract Audit Closing Statement (CACS).
	+ Verify that the contractor has complied with the contract terms and conditions.
	+ Verify that the contractual limitations have not been exceeded. o Review level of effort and make any necessary adjustments.
	+ Verify the net billable amount.
* After reviewing the final invoice, the CO should:
	+ Make one copy of the final invoice for each delivery order held open.
	+ Decide which order will be used to pay/recoup the billable amount.
	+ Provide written notice to the contractor concerning how the billable amount will be processed.
* If the contractor will not submit revised invoices reflecting the new billable amounts, the CO should:
	+ Prepare completion invoice(s) (SF1034, Public Invoice for Purchases and Services Other than Personal) to pay/recoup the billable amount.
	+ Prepare completion invoice(s) (SF1034, Public Invoice for Purchases and Services Other than Personal) for a $0.00 amount for remaining open orders.
	+ Sign the final invoice and forward to the payment office for processing.

### 8. Establishing Early Closeout - After Performance

When it is not practical or cost effective for the contractor to submit a completion invoice, a bilateral modification may be executed to administratively close the orders. The modification would not include those orders held open for withholding purposes. If the CO is establishing Early Closeout after the fact, the following procedures are recommended:

* Identify the contracts that are candidates for early closeout. The CO should coordinate with the contractor when identifying potential closeout candidates.
* Identify which task orders should be closed and which ones should be held open to maintain the required withholding. Considerations when identifying orders should include:

o Unliquidated Balances

o Canceling Funds

o Period of Performance

* Prepare letters to the contractor outlining the early closeout procedure and identifying which orders will be held open.
* Request that the contractor prepare completion invoices for each order ready to be closed. An order is ready for closure after the Government has made final acceptance.
* The CO should complete the closeout as stated above under the paragraph titled "Early Closeout Procedures".

### 9. Maintaining Early Closeout Records

The key to successful execution of early closeout is maintaining information on the orders that were closed by completion invoices.

* Upon physical completion of the last order and settlement of indirect cost rates, the contractor will prepare a final invoice showing a recapitulation of all task order issued.

As part of the review of the final invoice, the CO should verify billings, payments and in some cases, hours of all delivery orders closed under the early closeout process. Therefore, it is suggested the CO maintain information regarding: If the Contract is Level of Effort (LOE), the CO should also maintain information regarding:

o Order Number

o Obligated Amount

o Billed Amount Through Completion Invoice/Modification

o Excess Funds

o Order Fee Ceiling Amount

o Level of Effort Required

o Actual Level of Effort Expended

o Fee Billed Through Completion Voucher/Modification

### 10. Early Closeout for Cost Plus Fixed Fee Type Task Orders Issued Under an IDIQ

The use of early closeout for cost plus fixed fee type orders issued under an IDIQ 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.

* 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."

* If the CO decides to withhold fee, a sufficient number of orders should be held open to maintain the 15% or $100,000 withhold. This should satisfy the requirements of the FAR clause. There should be no need to exercise the option of withholding fee for a contractor with a record of timely submission of final cost invoices and certified final indirect cost proposals, and that complies with other contract terms and conditions.
* When a CO determines that fee withholds are necessary, the CO 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 CO 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. The following paragraph provides suggested wording for the modification:
* This modification is issued to incorporate fee withholding in accordance with FAR Clause 52.216-8 (or -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% of the total fixed fee or $100,000, whichever is less). Fee shall be released in accordance with FAR Clause 52.216-8 (or -9 or -10, as appropriate).

### 11. Time and Material/Labor Hour Closeout

Where early closeout (i.e., T&M task orders under IDIQ CONTRACTS) is not applicable, the closeout procedure is identical to the cost-reimbursable closeout procedure.

**E. Closing task and delivery orders.**

Task and delivery orders are not considered to be individual contracts. However, HHS requires that each task or delivery order be closed after its physical completion to ensure that the Government’s rights are protected and any excess funds are not lost, given the—

* potential delays in establishing indirect cost rates for CR orders,
* high dollar value that an order may involve, and/or
* potential protracted performance period of an order.

The pricing arrangement for a task or delivery order determines the time standard for closing an order file, e.g., a CR task order is equivalent to a CR contract for closeout purposes. See Table 4 below for information on closeout procedures the CO must use for task and delivery orders based upon ordering mechanism, dollar value, and order type.

NOTE: Unlike CR contracts, for T&M and L-H contracts, most of the audit work is not required because the Government agrees to pay fixed hourly labor rates, which include direct labor, indirect costs, and profit. For T&M contracts, the Government also agrees to reimburse other costs directly, such as materials, equipment, and travel.

### TABLE 4: Procedures to be used for Closing Task and Delivery Orders

|  |  |  |
| --- | --- | --- |
| **Ordering Mechanism and Dollar Value**  | **Order Type**  | **Closeout Procedures**  |
| 1. Orders under OPDIV-established IDIQ contracts:   |
| Equal to or less than the simplified acquisition threshold (SAT) or for orders of commercial items  NOTE: This does not mean the CO is using the authority of FAR 13.5 to place a task or delivery order, but rather the order is within the dollar thresholds for commercial items defined in FAR 13.5.) Exceeding the SAT, other than for orders of commercial item(s) All dollar values  | FP  | Simplified  |
| FP  | Standard  |
| CR, T&M, L-H  | Standard  |
| 2. Orders under General Services Administration (GSA) Federal Supply Schedule (FSS) contracts   |
| All dollar values  | FP  | Simplified  |
| All dollar values  | T&M, L-H  | Simplified  |
| 3. Orders under Governmentwide Acquisition Contracts (GWACs):  Equal to or less than the SAT or for orders of commercial  Time and Materials and Labor Hour orders for commercial items  Exceeding the SAT, other than for orders of commercial item(s) defined in FAR Subpart 13.5 All dollar values  | FP  | Simplified  |
| T&M, L-H  | Simplified  |
| CR, T&M, L-H  | Simplified  |
| CR, T&M, L-H, FP  | Standard  |

As specified in Table 4 above, in addition to closing all task and delivery orders under an IDIQ contract, the contract itself must be closed after closure of all task and delivery orders placed thereunder. Depending on how the “base” IDIQ contract was awarded, e.g., with or without funding, with one or more task/delivery order(s) awarded by the contract itself rather than under subsequent task/delivery orders, it may not be necessary to repeat closeout procedures for the IDIQ contract that were completed for each applicable task or delivery order.

For example, if the contractor provided patent and royalty reports, which were previously, cleared under the task or delivery order closeout procedures, it is not necessary to obtain those reports again to close the IDIQ contract. At a minimum, the CO may use simplified procedures to close an IDIQ contract and add other closeout actions, as appropriate, to close a specific IDIQ contract.

**F. Actions to take in the event that the contractor is no longer a viable entity**

If the contractor is out of business or is bankrupt (see FAR 42.9) at the time of closeout, the CO must use the following procedures:

1. **Contractor is out of business**. In this situation, the CO must take every reasonable measure to locate the company and/or its principals. If all attempts fail, the CO may issue a unilateral modification for administrative closeout, as described below:
	* Locate and contact the company and/or principals. These efforts may include—

o attempting to locate and contact the company/company officials by telephone (using “directory assistance” to verify that the company has not simply relocated) or internet;

* + - attempting to locate and contact the company in writing via certified

mail;

* + - contacting or inquiring about the company’s status from other

Government agencies or officials, e.g., the COR, Small Business Specialist, or cognizant auditor; and

o contacting the bankruptcy court of the state in which the company is

located to determine if the company has filed for bankruptcy.

* + Perform unilateral administrative closeout*.* Unilateral administrative closeout begins with a thorough review of the official contract file. The CO must ascertain the following information during the review process:
		- Is the contract physically completed, and has the Government accepted all goods/services?

o Was the contractor previously paid any funds?

* + - For a CR contract, what is the status of the indirect cost rate settlement?
		- Has the contract been terminated for convenience or default?
		- Has any other pertinent information relative to the contractor or

performance of the contract, e.g., unsettled subcontract costs or litigation, been considered? This may include checking with OGC to ascertain if any legal actions are pending.

After completing the review, the CO must prepare a memorandum to file, summarizing the facts of the case and documenting the intent to unilaterally close out the contract. The CO may then issue a unilateral modification for administrative closeout; and, if required, a determination of final contract cost or price, i.e., price revision.

1. **Contractor is bankrupt.** If the CO receives a notice of bankruptcy, the CO must take the following actions:[[1]](#footnote-1)
	* Furnish the notice of bankruptcy to OGC, who in turn, will notify the other OPDIVs and the Department of Justice.
	* In conjunction with the COR and OPDIV Property Administrator, take all necessary and appropriate actions to protect the Government's financial interests and safeguard Government property or property in which the Government has a financial interest.
	* Furnish pertinent contract information to OGC, as requested. OGC will coordinate the determination of the amount of any potential HHS claim against the contractor (including any contracts other than the subject contract which have not been closed out, but are physically completed or terminated).
	* Following notification to OGC, the CO may not take any further action to close the contract until OGC has completed a thorough review of the contract(s) and bankruptcy status.
	* HHS must file any claim against the contractor with the bankruptcy court in the form of a Proof of Claim. With the filing of a bankruptcy petition, the court will usually set a date by which the Proof of Claim must be filed (the Bar Date). HHS will be expected to compile its potential claim(s) against the contractor and analyze them to determine whether a Proof of Claim is in the best interests of the Government. OGC has the responsibility for preparing the Proof of Claim and providing it to the cognizant U.S. Attorney for filing with the bankruptcy court.
	* After OGC notifies the CO about the outcome of the bankruptcy proceedings, the CO must ordinarily then process a unilateral modification to determine the final contract cost or price and administratively close the file. See Paragraph F.1. “Perform unilateral administrative closeout.”

**Attachment 1: Abbreviations and Acronyms**

The following abbreviations and acronyms are used in this Directive.

|  |  |
| --- | --- |
| **Acronym/Abbreviation**  | **Term**  |
| ADR  | Alternate Dispute Resolution  |
| APM  | Acquisition Policy Memorandum  |
| CO  | Contracting Officer  |
| COR  | Contracting Officer’s Representative  |
| CR  | Cost-Reimbursement  |
| CS  | Contract Specialist  |
| DCAA  | Defense Contract Audit Agency  |
| DCIS  | Departmental Contracts Information System  |
| eSRS  | electronic Subcontract Reporting System  |
| FAR  | Federal Acquisition Regulation  |
| FP  | Fixed-Price  |
| FSS  | Federal Supply Schedule  |
| GSA  | General Services Administration  |
| Guide  | HHS Closeout Directive: Contracts and Orders  |
| GWACs  | Governmentwide Acquisition Contract(s)  |
| HHS  | (Department of) Health and Human Services  |
| HHSAR  | Health and Human Services Acquisition Regulation  |
| IDIQ  | Indefinite-Delivery/Indefinite-Quantity Contracts  |
| ISR  | Individual Subcontracting Report  |
| L-H  | Labor-Hour  |
| NARA  | National Archives and Records Administration  |
| NDA  | Nondisclosure Agreement  |
| OFPP  | Office of Federal Procurement Policy  |
| OGC  | Office of General Counsel  |
| OIG  | (HHS) Office of Inspector General  |
| OMB  | Office of Management and Budget  |
| OPDIV(s)  | (HHS) Operating Division(s)  |
| PLCO  | Plant Clearance Officer  |
| SAT  | Simplified Acquisition Threshold  |
| SBU  | Sensitive but Unclassified  |
| SF  | Standard Form  |
| SSR  | Summary Subcontracting Report  |
| T&M  | Time-and-Materials  |
| VECP  | Value Engineering Change Proposal  |

1-1

## Attachment 2: Contracting Officer’s Representative (COR) Certification of Contract Completion – Template and Instructions

(Intended Use: For contracts to which standard closeout procedures apply (see Chapter 3, Paragraph B.1. of this Directive). The CO must complete the information specified below and send a copy of the request to the COR within 30 calendar days after the completion of delivery of property or services. The instructions should not be part of the completed request. Do not include this introductory paragraph or the attachment designation and template title in the completed request. The completed request should begin with the date.)

Date:(insert date)

To:(insert COR name)

From:(insert CO name and signature)

Subject:Request for COR Certification of Contract Completion (insert the following information)*:*

Contract or Task Order number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Project Title \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Contractor name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Contract completion/expiration date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

In order to initiate administrative closeout of the designated contract, please review and complete the certification provided below and return a signed original of this request within 14 calendar days after receipt. If, for any reason, you are unable to certify satisfactory completion of the contract at this time, please inform me in writing (via e-mail at (insert e-mail address) as soon as possible.

2-1

|  |
| --- |
| **CERTIFICATION** I hereby certify to the best of my knowledge and belief that the above-named Contractor has satisfactorily completed all work requirements of this contract. I further certify that the Contractor is not now in default regarding the furnishing of any deliverables or reports (including final technical report, if required by the contract), disclosures, licenses, equipment, property, data, information, or any other tangible articles required under the terms of the contract.  |
| **COR NAME AND TITLE**  | **SIGNATURE**  | **DATE**  |
|    |   |   |
|   |   |   |
| Upon completion of this form the COR shall return a copy of this document with attachments to contracting officer  |

2-2

## Attachment 3: Contracting

Intended Use: For contracts to which standard closeout procedures apply (see Chapter 3, Paragraph B.1. of this Directive).The CO must complete and send the letter below to the contractor within 15 calendar days after receipt of the COR’s Certification of Contract Completion. The instructions for preparing the letter and FAR references should not be part of the completed letter. Do not include this introductory paragraph or the attachment designation and title in the completed letter. The completed letter should begin with the date.

NOTE: Closeout requirements vary depending on contract type, the clauses included in a specific contract, and the nature of the requirement, e.g., Research and Development (R & D), supplies, services, construction. Accordingly, not all of the closeout requirements specified below will apply to all contracts. The CO should tailor the letter to accommodate the circumstances of each contract.) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date:(insert date)

 (insert name and address of the contractor)

Attn: (insert name of contractor’s business contact point)

Subject: (insert contract number or task order number and project title)

 The cited contract (insert “was completed” or “expired”) on (insert date).

 To facilitate the administrative closure of this contract, please provide the following information and complete and return the enclosed documents by \_\_\_\_\_\_\_\_\_\_\_\_\_(insert date), unless otherwise indicated, for any specific item listed below.

 (NOTE: By the time the CO sends this letter to the contractor, the contractor may have already provided a completion invoice or final invoice for work completed through the contract completion/expiration date. If the contractor has not yet submitted one, the CO should request that the contractor provide it, as applicable. See FAR 52.216-7. For a CR contract, the CO should request that the contractor provide the completion invoice within 120 days (or longer period if approved by the CO) after settlement of the final, annual indirect cost rates, if applicable, for all years of the physically completed contract.)

(Insert one of the following statements as item 1. Use the first statement for CR contracts and the second one for FP contracts.)

 1. An original and two copies of an invoice covering the costs incurred through the contract expiration date. The Contractor shall also provide an original and two copies of a completion invoice, which includes final indirect costs and rates, within 120 days (specify if the CO establishes a different time period for submission)after settlement of final annual indirect cost rates for all years of a physically completed contract.

### (OR)

1. An original and two copies of a final invoice for work completed under the contract.
2. A Government property inventory report (SF 1428 and SF 1429) of Government property in possession of the contractor or subcontractor(s) (The Contracting Officer should reference FAR 45.106 for further information.)
3. Contractor’s Certification – “General Provisions, regarding patents, copyrights, and royalties,” attached hereto as Enclosure 1. See FAR 4.804-5 (a)(2) and Subpart 27.2 for more information.
4. At the time the final invoice or completion invoice is submitted, a:
	* Contractor’s Release of Claims, attached hereto as Enclosure 2.
	* Contractor’s Assignment of Refunds, Rebates, Credits, and Other Amounts (see Enclosure 2); at the time the final invoice or completion invoice is submitted.

NOTE: This requirement does not apply to FP contracts. See FAR 16.307(a), 52.2167, and 52.232-7 for further information.

1. A statement that all subcontracts have been settled at the time the final invoice or completion invoice is submitted. See FAR 44.401 for more information.)

1. A copy of your Electronic Subcontracting Reporting System (eSRS) report, submitted online at <http://www.esrs.gov/index>. (The CO should reference FAR 19.704 for more information.)

Provide all requested information to:

### (Insert complete mailing address or e-mail address)

If you believe any of the above requirements are not applicable to the subject contract, clearly state your position, state the rationale for your decision, as well as provide all supporting documentation, in your response. If you have any questions, contact (insert name of contact point)at: (insert)(voice) or (insert) (e-mail) as soon as possible.

Sincerely,

(Insert name and signature of CO)

Enclosures:

1. Contractor’s Certification – General Provisions
2. Contractor’s Release of Claims and/or Assignment of Refunds, Rebates, Credits, and Other Amounts

## Enclosure 1 to Attachment 3 Contractor’s Certification – General Provisions - Template and Instructions

(The CO must include the following enclosure, as applicable, in the Contracting Officer’s Completion/Expiration Letter. Do not include this introductory paragraph or the attachment designation and title in the

enclosure.)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**CONTRACTOR’S CERTIFICATION – GENERAL PROVISIONS**



items below. If any item is answered in the affirmative, provide one copy of the information required by the contract. The Contractor’s authorized business contact point shall then sign and date the certification below.

Contract Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contractor Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. NOTICE AND ASSISTANCE REGARDING PATENT/COPYRIGHT INFRINGEMENT:

There was  was not  a notice or claim of patent or copyright infringement based on the performance of the contract.

1. REPORTING OF ROYALTIES:

This contract did  did not  involve royalty payments in excess of $250.00.

1. PATENT RIGHTS:

There was  was not  an invention or discovery made by the Contractor or its employees as a result of performance under the contract.

**CERTIFICATION**

In accordance with the terms and conditions of the cited contract, I hereby certify that the above information is true to the best of my knowledge as it pertains to the reports required by the contract.

|  |  |  |
| --- | --- | --- |
|   |  |  |
| **CONTRACTOR REPRESENTATIVE****NAME AND TITLE** | **SIGNATURE**  | **DATE**  |
|    |   |   |
|  |  |  |

## Enclosure 2 to Attachment 3 Contractor’s Release of Claims and/or Assignment of Refunds, Rebates, Credits, and Other Amounts – Template and Instructions

The CO must include the following enclosure, as applicable, in the “Contracting Officer’s Completion/Expiration Letter.” The CO must indicate in block II. 4, Purpose, whether the information required from the contractor is a release, an assignment, or both. Do not include this introductory paragraph or the attachment designation and title in the enclosure.

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)**

**CONTRACTOR’S RELEASE OF CLAIMS AND/OR CONTRACTOR’S ASSIGNMENT OF REFUNDS, REBATES, CREDITS, AND OTHER AMOUNTS**

|  |
| --- |
| **I. INSTRUCTIONS TO CONTRACTOR** 1. This form must be used as the (a) Contractor’s Release of Claims; (b) Contractor’s Assignment of Refunds, Rebates, Credits, and Other Amounts; or (c) both (a) and (b).

 1. In completing Section II., the Contractor shall indicate the purpose for which it is submitting the completed form by checking the appropriate box in II.4 Purpose.

 1. The Contractor is responsible for completing all of the information requested on the form.
 |
| **II. CONTRACTOR AND CONTRACT IDENTIFICATION** **1. Contractor’s name and address** *(hereinafter referred to as the “Contractor”):*    | **2. CONTRACT NUMBER** *(hereinafter referred to as the “Contract”):*   |
| **3. AMOUNT OF RELEASE** *(in dollars):*   $  |
| **4. PURPOSE** *(check appropriate box):*   |

|  |  |
| --- | --- |
|  |   RELEASE  ASSIGNMENT  BOTH  |
| **III. CONTRACTOR’S RELEASE OF CLAIMS**  Pursuant to the terms of the Contract and in consideration of the sum set forth above in Section II., Block 3.,which has been or is to be paid under the said Contract to the Contractor or its assignees, if any, the Contractor, upon payment of the said sum by the UNITED STATES OF AMERICA (hereinafter called the Government), does release and discharge the Government, its officers, agents, and employees, of and from all liabilities, obligations, claims, and demands whatsoever arising out of or under said Contract, except as follows:  1. Specified claims stated in exact amounts or in estimated amounts where the exact amounts are not known, as set forth in the space provided in Section VI., Claims, of this form.

 1. Claims, together with reasonable expenses incidental thereto, based upon liabilities of the Contractor to third parties arising out of the performance of said Contract; provided that such claims are not known to the Contractor on the date of execution of this release; and provided further that the Contractor gives notice of such claims in writing to the Contracting Officer within six (6) years following the release date or notice of final payment date, whichever is earlier.

 1. Claims for reimbursement of costs, including reasonable incidental expenses, incurred by the Contractor under the patent clauses of said Contract, excluding, however, any expenses arising from the Contractor’s indemnification of the Government against patent liability.

 The Contractor agrees, in connection with patent matters and with claims which are not released as set forth in Section V., Claims, to comply with all of the provisions of said Contract, including without limitation those provisions relating to notification to the Contracting Officer and relating to the defense or prosecution of litigation.  | **IV. CONTRACTOR’S ASSIGNMENT OF REFUNDS, REBATES, CREDITS, AND OTHER AMOUNTS**  Pursuant to the terms of the Contract and in consideration of the reimbursement of costs and payment of fee, if any, as provided in the said Contract and any assignment thereunder, the Contractor does hereby:  1. Assign, transfer, set over, and release to the UNITED STATES OF AMERICA (hereinafter called the Government), all right, title, and interest to all refunds, rebates, credits, and other amounts (including any interest thereon), arising out of the performance of the said Contract, together with all the rights of action accrued or which may hereafter accrue thereunder.

 1. Agree to take whatever action may be necessary to effect prompt collection of all refunds, rebates, credits, and other amounts (including any interest thereon) due or which may become due, and to promptly forward to the appropriate HHS paying office checks (made payable to the United States Treasury) for any proceeds so collected. The reasonable costs of any such action to effect collection shall constitute allowable costs when approved by the Contracting Officer as stated in the said Contract and may be applied to reduce any amounts otherwise payable to the Government under the terms hereof.

 1. Agree to cooperate fully with the Government as to any claim or suit in connection with refunds, rebates, credits, or other amounts due (including any interest thereon); to execute any protest, pleading, application, power of attorney, or other papers in connection therewith; and to permit the

Government to represent it at any hearing, trial, or other proceeding, arising out of such claim or suit.  1. Agree, pursuant to the clause in this contract entitled ``Allowable Cost'' or ``Allowable Cost and Fixed Fee,'' as appropriate, that it will refund to the Government the amount of any sustained audit exceptions resulting from any audit made after final payment.
 |
|  |
| **V. CERTIFICATIONS**  |

|  |
| --- |
| 1. IN WITNESS THEREOF, this release of claims and/or assignment of refunds, rebates, credits, and other amounts has (have) been executed this \_\_\_\_day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20\_\_\_.  CONTRACTOR: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ WITHNESSES (2)\*  BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (1) *(name & title): \_\_\_\_\_\_\_\_\_*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  TITLE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(signature & date): \_\_\_\_\_\_\_\_\_\_\_\_*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  SIGNATURE:\* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (2) *(name & title): \_\_\_\_\_\_\_\_\_*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   *(signature & date): \_\_\_\_\_\_\_\_\_\_\_\_*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *\* (NOTE: In the case of a corporation, witnesses are not required, but an authorized business representative must sign the certification above, and a higher level authorized official must sign the Corporate Certification below.)*  **CORPORATE CERTIFICATION** 2. I, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, certify that I am the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(official title)* of the corporation named as Contractor in the foregoing release; that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(name)* who signed said release on behalf of the Contractor was then \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *(official title)* of said corporation; that said release was duly signed for and on behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.  (CORPORATE SEAL) *(name & title) :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  *(signature & date): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_* **VI. Claims.** Specified claims applicable to Section III.1. of the Contractor’s Release of Claims must be set forth in the space provided below.   |

## Attachment 4: Contracting Officer’s Contract Completion Statement and Certification – Template and Instructions

The CO must complete the following information, as applicable, for contracts –including orders using simplified acquisition procedures, as well as task and delivery orders. The instructions for completing the form should not be part of the completed form. Do not include this introductory paragraph or the attachment designation and title in the statement. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**CONTRACTNG OFFICER’S CONTRACT COMPLETION STATEMENT AND CERTIFICATION**

Contract number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Total amount obligated: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Period of performance (including all options):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contract type: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **COR Closeout Certification.** The COR has provided a certification for contract closeout to the Contracting Officer indicating the following: (check the appropriate box)

* 1. The contractor has completed the required deliveries Yes  N/A  and/or performed all services:

* 1. The Government has inspected and accepted the Yes  N/A 

supplies and/or services and found them to be fully satisfactory and in accordance with the contract’s terms and conditions:

1. **Administrative Closeout Procedures.** In accordance with the FAR, the Contracting Officer has completed the following administrative procedures, or they are not applicable, for closure of the subject contract: (check the appropriate box)

* 1. Disposition of classified material is completed: Yes  N/A 
	2. Final patent report is cleared: Yes  N/A 
	3. Final royalty report is cleared: Yes  N/A 
	4. There is no outstanding value engineering change proposal or Yes  N/A  it has been resolved:
	5. Plant clearance report is received: Yes  N/A 
	6. Property clearance is received and reviewed: Yes  N/A 
	7. All interim or disallowed costs are settled: Yes  N/A 
	8. Price revision is completed: Yes  N/A 
	9. Subcontracts are settled by the prime contractor: Yes . N/A 
	10. Prior year indirect cost rates are settled: Yes . N/A 
	11. Termination docket is completed: Yes . N/A 
	12. Contract audit is completed: Yes . N/A 

 Desk Review: Yes . N/A 

 Audit (specify type): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Yes . N/A 

* 1. Contractor’s closing statement documents are completed:

 Contractor’s Certification – General Provisions: Yes  N/A 

 Contractor’s Release of Claims: Yes . N/A 

 Contractor’s Assignment of Refunds, Rebates, Yes . N/A 

 Credits and Other Amounts:

* 1. Contractor’s final invoice or completion invoice Yes  N/A  has been submitted (and paid):

|  |  |
| --- | --- |
|  (15) Contract funds review is completed and excess funds have been deobligated:  | Yes  N/A   |
| (16) Contractor’s past performance assessment is completed and reported to PPIRS:  | Yes  N/A   |
|  (17) Contractor’s individual and summary subcontracting  |  Yes  N/A   |

 compliance reports have been provided to eSRS:

1. **Comments** (specify, as appropriate)*:*

*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

 *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

1. **Contracting Officer Certification.** (Complete the following information (see FAR 4.8045(b)):
	1. Contract administration office, if different from the contracting office:

 (specify “N/A” if the same as (2) immediately below)

* 1. Contracting office name and address:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* 1. Contract number: \_\_\_\_\_\_\_\_\_\_
	2. Last modification number: \_\_\_\_\_\_\_\_\_\_

 (specify “N/A” if no modifications were issued)

* 1. Last task or delivery order number: \_\_\_\_\_\_\_\_\_

 (specify “N/A” if no calls or orders were issued)

* 1. Contractor name and address:

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* 1. Dollar amount of excess funds, if any: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
	2. Final invoice/completion invoice number and date:

 Invoice/Invoice Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Date: \_\_\_\_\_\_\_\_\_\_\_

* 1. CO certification:

|  |
| --- |
| **CERTIFICATION** Pursuant to FAR 4.804-5(b)(10), all required contract administration actions have been fully and satisfactorily accomplished.   |
| **CONTRACTING OFFICER NAME**  | **SIGNATURE**  | **DATE**  |
|    |   |   |

## Attachment 5: Decrement Factor Template and Instructions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **FY**  | **INDIRECT COST**  | **PROPOSED/** **PROVISIONAL**  | **AUDITED/ FINAL**  |  | **FACTOR**  | **FORMULA**  |
| 2011  | G&A  | 0.115  |  | 0.1168  | -0.0018  | -0.015652174  |
| 2012  | G&A  | 0.115  |  | 0.1381  | -0.0231  | -0.200869565  |
| 2013  | G&A  | 0.115  |  | 0.1185  | -0.0035  | -0.030434783  |
| 2014  | G&A  | 0.115  |  | 0.11  | 0.0050  | 0.043478261  |
| 2015  | G&A  | 0.115  |   |  |   |   |

 *FACTOR SUM* -0.0234 -0.203478261

 *AVERAGE* -0.00585

 *DECREMENT FACTOR* -0.00067275

 ***PROPOSED RATE* 0.11567275**

### FISCAL YEAR 2015 G&A IS 11.5 - (-0.00067275) = 11.56%

*"Formula” = Provisional rate minus final rate divided by provisional rate.*

*"Factor” = Provisional rate minus final rate*

*"Factor Sum" = Sum of all factors*

*"Average" = Factor total divided by 4 years*

*"Decrement Factor" = Provisional rate times average total*

*"Proposed Rate" = Provisional rate (2009) minus Decrement Factor*

5-1

## Attachment 6: Advance Agreement Template and Instructions

Once an agreement is reached for the final rate, the CO should prepare an advance agreement. Both the contractor and the CO should sign the agreement. A sample Advance Agreement follows:

QUICK CLOSEOUT AGREEMENT with [Insert Company name]

1. This agreement is entered into by and between the [Insert OPDIV/STAFFDIV name] and [Insert Company name] organized and existing under the laws of [State], having offices in [City].

1. This agreement is entered into under the authority of Federal Acquisition Regulation (FAR)

42.708, “Quick-Closeout Procedure” and [FAR 52.232-7](http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/52_232.htm#P80_11638) “Payments under Time-and-Materials and Labor-Hour Contracts” and/o[r FAR 52.216.7](http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/52_215.htm#P541_96176) “Allowable Cost and Payment.”

1. The purpose of this agreement is to set forth indirect cost rates for fiscal year \_\_\_\_ to be assessed against: “other direct costs” only, which are included in contracts priced on a time and material basis (unless otherwise specified in the contracts) and/or appropriate direct costs only, which are included in contracts priced on a cost plus fixed fee basis (unless otherwise specified in the contracts).

These contracts will be closed prior to the establishment of indirect cost rates for fiscal year \_\_\_\_\_\_. The subsequent audit of and the establishment of final indirect cost rates for this year will have no effect on the final price and closure of these contracts. There will be no adjustments made to other contracts for over or under recoveries of costs allocated to the contracts covered by this agreement.

FISCAL YEAR: \_\_\_\_

OVERHEAD RATE:

G&A RATE:

Establishment of these rates shall not be considered a binding precedent when establishing the final indirect cost rates for other contracts.

 Upon full execution of this agreement, [Insert Company name] will perform audits of the affected contracts and reconcile all applicable accounts using the indirect cost rates established herein. Once this is accomplished, or within thirty (30) days after full execution of this agreement, whichever is sooner, [Insert Company name] will submit to the Contracting Officer, a final invoice for each of the affected contracts.

6-1

1. It is understood and agreed that the affected contracts are physically complete. It is also understood and agreed that the amount of redeterminable indirect costs associated with any one of the affected contracts is less than $1,000,000.00 and the total amount of determinable indirect costs is 10% of the total task order or delivery order amount.

1. Notwithstanding the provisions of paragraph 3, 4 and 5 above, this agreement shall not change any monetary ceiling, contract obligation or specific allowance or disallowance established by the terms and conditions of the affected contracts.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative.

[Insert OPDIV/STAFFDIV name] [Insert Company name]

[Insert OFFICE NAME]

BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

TITLE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ TITLE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6-2

1. 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. Violation of the stay can subject responsible parties to contempt citations. Consequently, the CO may not pursue contract closeout actions prior to obtaining relief from the stay, which is usually accomplished by working with the designated bankruptcy trustees.

 [↑](#footnote-ref-1)