

Contract Closeout Procedures



Guiding Principles:

- Contract closeout can protect the government's interests and free up significant dollars for current-year program priorities.
- Closeout is completed when all administrative actions have been completed, all disputes settled, and final payment has been made. The process can be simple or complex depending on the contract type.

[References: [FAR 4.805](#); [FAR 42.705](#); [FAR 42.708](#); and [FAR 45](#).]

1.0 Summary of Latest Changes

This update: (1) considers [Final Rule June 2011](#) which amended the Federal Acquisition Regulation (FAR) procedures for closing out contract files and revised procedures for clearing final patent reports and quick-closeout procedure (from unsettled indirect rates on the contract as a percentage of total unsettled indirect costs, to both unsettled direct and indirect contract costs as a percentage of total claimed contract costs), and (2) stresses the importance of releasing dormant funds and excess funds.

2.0 Discussion

This Chapter concerns the final phase of the contract life cycle. The contract close out process can vary from very simple in the case of a fixed price supply order using simplified acquisition procedures to very complex in the case of a multiple year cost reimbursement contract. This process requires close coordination between the contracting office, the finance office, the program office, and the contractor. Contract closeout is an important aspect of contract administration.

FAR 4.804 and the DEAR 904.804 both provide summary level closeout coverage. This Chapter provides more detailed guidance regarding the individual steps that are required to close various types of contracts. It is intended as a general guide for use by all DOE contracting activities. It is not intended to replace established local procedures that may be necessary to address unique circumstances of a particular organization.

Contract closeout refers to the process of verifying that all the administrative actions have been taken on a contract that is physically complete. A contract is physically complete when either all

required supplies or services have been delivered or performed, inspected, and accepted or all existing options have been exercised or expired; or, a contract termination notice has been issued to the contractor.

Contract closeout is critical to the Department meeting its acquisition and fiscal responsibilities and requires coordination with program and finance. The closeout process is a process to finish or resolve all contractual requirements for a physically complete contract. Closeout is completed when all administrative actions have been completed, all disputes settled, and final payment has been made.

The requirements and procedures for contract closeout are established by the Federal Acquisition Regulation (FAR) 4.804-5, "Procedures for closing out contract files." FAR 4.804-1 establishes specific time frames for closing out contract files, depending on the contract type.

To ensure the timely closeout of contracts by the office administering the contract, FAR 4.804-1 provides the closeout lead time standards. Quick closeout procedures (see [FAR 42.708](#)) should be used, when appropriate, to reduce administrative costs and to enable deobligation of excess funds.

Following contract closeout, the contracting staff must follow up with the contractor past performance evaluation and with records retention and disposition, in accordance with FAR 4.805. The Office of Federal Procurement Policy has issued guidance in a [Contract Administration Guide](#) that includes best practices regarding closeout issues.

Heads of Contracting Activities' must follow Departmental regulations at DEAR 904.804-1 and ensure timely closeout of all contract files which are physically completed or otherwise eligible for closeout action.

2.1 Applicability. This chapter applies to all contracts and orders, including orders exceeding the micro-purchase threshold that are placed using a Government purchase card. These procedures may be supplemented by contracting activities to meet specific organizational or mission needs.

NOTE: A completed contract should not be closed if the contract is in litigation, under investigation, pending a termination action or if there is an outstanding claim.

2.2 Responsibilities. The Contracting Officer (CO) is responsible for overseeing the contract close out with assistance from the Contracting Officer's Representative (COR). Except for those actions which require a contracting officer's warrant, the CO or HCA may delegate any of the duties of contract closeout to other procurement personnel such as contract specialists, purchasing agents or procurement clerks. Refer to FAR 4.804-5 for the CO's responsibilities.

2.2.1 Contracting Officer's Representative (COR). The COR is responsible for:

- Assisting the CO in the settlement of any outstanding claims, change orders, or value engineering change proposals;
- Ensure that all technical requirements of the contract have been met and that the contract has been satisfactorily completed;
- Certify that all deliverable items, including the final report, if applicable, were delivered and accepted, and that all services were performed and accepted;
- If Government property is involved, review and verify that the contractor's inventory of residual Government property is accurate. Coordinate with the Government property manager and provide instructions to the CO for the disposition of all residual Government property; and
- For cost-reimbursable contracts, review the completion voucher to ensure that costs claimed are reasonable and consistent with the work performed.

2.2.2 Contractor. The contractor is responsible for the following actions, as appropriate:

- Submit a contractor's release of claims;
- Prepare and submit a final invoice or completion voucher with request for final payment;
- Settle all subcontract costs and any subcontract issues and submit subcontracting compliance reports for all years to the electronic subcontract reporting system at <http://www.esrs.gov> (formerly Standard Forms 294 and 295);
- Submit the final patent and royalty reports and a final property inventory; and
- For cost-reimbursement contracts, submit indirect cost rate proposals for all years in which a proposal was not previously submitted.

2.3 Actions. The following procedures shall be used following contract completion, the end of contract performance or contract termination.

- Contract Closeout Checklist. The Contract Closeout Checklist (Appendix A**) shall be included in the contract file and reviewed in the pre-award stage in order to ensure that all applicable contract award and administration actions are included;

- The closeout checklist is not all-inclusive. The CO must also refer to the FAR and, following its being updated, to ensure that actions are completed and properly documented in the contract file; and
- COs and closeout staff shall also refer to the specific procedure for their pursuant to FAR 4.804-1.

****Note:** The attached Appendices are recommended for use.

2.3.1 Commencing Closeout. Following completion of the contract or order, the CO or closeout staff shall proceed with closeout using the appropriate checklist (available in STRIPES or the attached checklists in the Appendices).

2.3.2 File Review. The CO shall assemble all elements of the contract file and review its contents against the requirements contained in FAR 4.803, using the Contract Closeout Checklist (Appendix A).

Any missing documents should be obtained and placed in the file. Otherwise, if documents are unobtainable, the file should be notated regarding the circumstances of why documents are unavailable.

2.3.3 COR Memorandum. The CO shall send a memorandum to the COR requesting that the COR complete the closeout certification (Appendix B).

2.3.4 COR Certification. The COR, or accepting personnel, shall certify to the CO in writing that all deliverables/services have been received (Appendix C).

2.3.5 Notification to the Contractor. When appropriate, after final payment is processed, the CO shall prepare a letter of release of claims (contractor closing statement) notifying the contractor and surety, if any, that the contractor has no further obligation under the contract except for guarantees, warranties, or latent defects. The contractor shall sign and return the release (Appendix D).

The FAR states that the release of claims is required for the following kinds of contracts:

- Non-commercial cost reimbursable (in accordance with FAR 52.216-7 (h));
- Fixed price construction and architect – engineer [FAR 52.232-5(h)(3) and 52.232-10(d)]; and
- Time-and-material and labor-hour (FAR 52.212-4, Alternate 1 (c)(7))

2.3.6 Completion Statement. The CO shall prepare and sign a statement that all required contractual actions have been completed and that the contract is ready for closeout (Appendix E).

If another office administers the contract, that administrative office is responsible for closing out the contract in accordance with FAR 4.804-2(b).

2.3.7 De-obligation of Funds. The CO shall ensure that any remaining funds on the contract are de-obligated as follows:

- Contract Review. Review the contract to see if any unliquidated funds remain under the contract and confirm that the contractor has been paid for all work accepted;
- Unliquidated Obligation (ULO) Report. Review the quarterly unliquidated obligations report issued by the Office of the Chief Financial Officer (OCFO) to assist in determining if there are still funds unobligated funds on the contract; and
- De-obligation.
 - Determination to De-obligate. If a determination has been made to de-obligate the funds, the CO will notify the OCFO generally within 14 days following review of the ULO report, or the contract review, that a de-obligation will be processed. See De-obligation Memorandum to Office of the Chief Financial Officer (Appendix F).
 - Determination Not to De-obligate. If a determination has been made not to de-obligate the funds, the CO will notify the OCFO generally within 14 days following review of the ULO report, or the contract review, with the reason why the de-obligation will not occur. If applicable, the CO, aided by the COR, will make a determination as to whether delivery of services, goods, or performance is expected to occur at a later date. See De-obligation Memorandum to Office of the Chief Financial Officer (Appendix F).

2.3.8 Quick Closeout. COs may utilize the quick closeout procedures for cost reimbursement contracts meeting the conditions of FAR 42.708(a).

2.3.9 Financial Management System. In the future, when the discoverer tool is fully implemented in the Integrated Acquisition System (IAS), the CO shall print a report from the Financial Management Modernization Initiative (FMMI) financial management system, showing the contract obligation amount and amount paid, and retain that report in the contract file.

2.3.10 Past Performance Evaluation. The COR and the CO are required enter the past performance evaluation for the contractor into the Contractor Performance Assessment Reporting System (CPARS) in accordance with [Acquisition Guide Chapter 42.15](#). CPARS is now part of the System for Award Management (SAM). The SAM User Guide is available at https://www.sam.gov/sam/transcript/System_for_Award_Managementv4.0.pdf

2.3.11 Records Retention and Disposition. Refer to the table in FAR 4.805 and to the National Archives website, at <http://www.archives.gov/records-mgmt/publications/disposition-of-federal-records/chapter-4.html>, to properly retain and dispose of contract files.

2.4 Records Retention Procedures. The CO or contracting staff shall consult with the appropriate agency document management personnel for filing and storage and shall also coordinate with the Federal Records Center (FRC) of the National Archives and Records Administration. See the FRC Toolkit accessible at <http://www.archives.gov/frc/toolkit.html> for more instructions.

- The CO shall provide the closed contract files to the appropriate agency personnel to be appropriately boxed and stored at the appropriate agency facility;
- Period of Retention. FAR 4.805 Storage, Handling, and Disposal of Contract Files, lists the period of records retention for all contract documents and files;
- Closed contract files that are two years or older may be shipped to the FRC;
- Appropriate boxes for shipping may be available from the cognizant DOE agency records manager;
- A completed form SF 135, Records Transmittal and Receipt, must be sent to the records center for approval prior to shipping the closed contracts. A list of contracts to be sent shall also be included in accordance with FRC instructions (See <http://www.archives.gov/frc/toolkit.html>);
- Separate contract files by year using the final payment date. Each year shall have a separate accession number, which is the number assigned by the FRC in order to locate it for later destruction or retrieval. Contract files should be boxed in numerical order. Task orders should follow the main contract;
- The CO or staff will notify the records manager if there is a long warranty period involved in any contract going to FRC. Such contracts shall have a separate accession number so the destruction date will occur after the warranty period. This is done in the event there is a warranty action against the Contractor during the warranty period; and
- The CO or contracting staff will contact the agency records manager for arrangements to transport boxes to FRC.
- Retrieval of Records. If a record needs to be retrieved from the FRC, complete Form OF-11, Reference Request - Federal Records Center, and forward to the cognizant DOE records manager.
- Notification of Final Destruction.
- When records become eligible for destruction, the FRC will contact the records manager, who, in turn, will contact the agency to obtain permission to dispose of them.

2.4 Expiration Date: Effective upon issue date until superseded or canceled.

3.0 Attachments: List of Appendices

Appendix	Document Title
A	Contract Closeout Checklist
B	COR Closeout Memorandum
C	COR Certification
D	Notification of Contractor and Release of Claims
E	Contract Completion Statement
F	De-obligation Memorandum to Office of the Chief Financial Officer

CONTRACT CLOSEOUT CHECKLIST**Appendix A**

Contract Number: _____

Contractor: _____

ITEM	Yes	No	N/A	COMMENTS
1. Contract file contains all required and relevant documents (see FAR 4.803) including the following items, when applicable:				
a. Purchase request and evidence of availability of funds				
b. Synopsis or reference to synopsis				
c. List of sources solicited				
d. Set-aside decision; Form AD-1205, Market Research				
e. Government estimate of contract price				
f. Solicitation & all amendments				
g. Copy of each offer or quotation				
h. Negotiation documentation				
i. Contractor's representations & certifications				
j. Determination of contractor responsibility				
k. Other determinations, or justifications & approvals				
l. Delegations of Authority, COR Memorandum				
m. Signed contract, modifications & supporting documents				
2. All financial matters have been resolved and documents included in file, as applicable:				
a. Disputes, refunds or credits				
b. Final invoice processed for payment				<u>Date paid:</u>

c. De-obligation of excess funds				
3. Subcontracts are settled by the prime contractor				
4. Closeout Letters/Memoranda from COR, To Payment Office				<u>Date signed:</u>
5. Reports and documentation related to patents, royalties, warranties, and inventions (FAR 4.804-5(2), 12.404, 27.3, 27.4 and 46.7)				<u>Date signed:</u>
6. Reports, actions, and documentation for government-furnished equipment (GFE)/ government-furnished property (GFP) (FAR 45)				
7. Audit Information or reports are completed				
8. "Release of Claims" sent to and executed by contractor and included in file [FAR 52.232-5 (h)]				
9. Contract completion statement and checklist [FAR 4.804-5 (b)] and IAS closeout report completed and included in file. (Closeout Date)				<u>Date statement signed:</u>
10. Contractor Performance Assessment Reporting System (CPARS) information entered				
11. Records retention & disposition completed (See table in FAR 4.805. See also http://www.archives.gov/frc/toolkit.html)				<u>Date sent:</u>

**COR Closeout Memorandum****Appendix B****DATE:** _____**TO:** (Name) _____
Contracting Officer's Representative**FROM:** (Name) _____
[Insert Title: Contracting Officer or Contract Specialist]**SUBJECT: Contract Closeout**
Contract number: _____
Contractor: _____
Project Title: _____

This office is currently in the process of closing out the above referenced contract.

Enclosed is the **COR Closeout Certification** form. Your completion of this form is required for our office to closeout the contract.

Please complete the enclosed document and return it to the following address within a suggested **14 calendar days**:

(Agency Name) _____
(CO/Specialist Name) ATTN: _____
(Address) _____

In addition, please complete the contractor past performance evaluation in the Contractor Performance Assessment System (CPARS).

If you have any questions, please contact me by phone at _____
(Phone number)

or by email at _____
(Email address).

Attachment



COR Certification

Appendix C

TO: (Name) _____
[Insert Title: Contracting Officer or Contract Specialist]

FROM: (Name) _____
Contracting Officer's Representative (COR)

SUBJECT: **Contract Closeout** Contract number: _____
Contractor: _____
Project Title: _____

The contractor's performance under the subject contract has been evaluated and the following information pertinent to the closing of the contract file is noted below:

<p>1. All deliverables including all items, supplies, services and/or reports required by the terms of the contract:</p> <p><input type="checkbox"/> have been furnished;</p> <p><input type="checkbox"/> have <u>not</u> been furnished and the list of exclusions is attached.</p>
<p>2. Government furnished property (GFP): Was GFP provided or acquired under the subject contract. If GFP is involved, the disposition instructions will be provided under separate correspondence.</p> <p><input type="checkbox"/> was provided or acquired;</p> <p><input type="checkbox"/> was <u>not</u> provided or acquired;</p>
<p>3. Warranties. Are there any extended warranties? If so, please list the equipment description, serial number and warranty duration.</p> <p><input type="checkbox"/> There are extended warranties;</p> <p><input type="checkbox"/> There are <u>no</u> extended warranties;</p> <p>If there are warranties, attach a list including equipment description, serial numbers and warranty duration.</p>
<p>4. All deliverables items/services required by the terms of the contract</p> <p><input type="checkbox"/> have been received and accepted;</p> <p><input type="checkbox"/> have <u>not</u> been received;</p> <p><input type="checkbox"/> have been received but <u>not</u> accepted;</p>

COR Certification

I hereby recommend that the following action be taken:

- ☐ Contract requirements have been met satisfactorily and are accepted; closeout action is appropriate.
- ☐ Delay closeout and final payment (Include reasons in attached statement).

Contracting Officer's Technical Representative

Date



Contractor Notification Letter & Release of Claims

Appendix D

Date _____

(Company Name) _____

ATTN: _____

(Address) _____

Subject: (Contract No. & Project Title) _____.

Dear (Name) _____,

Performance of the referenced contract was completed on ____ (Insert Completion Date) _____. To officially close this contract, please forward the following items to the undersigned within (insert "14 to 30" days depending on the complexity of the request) calendar days following receipt of this letter.

Contractor's Release of Claims (form enclosed);

[As applicable, add or edit the following only as they may apply to this contract:]

Any outstanding reports or data items such as technical manuals or instruction manuals in accordance with (reference contract line item number or paragraph citation);

1. Government property;
2. Final patent report, royalty report;
3. Final invoice;

[If a warranty applies, add the following paragraph:]

Under the terms of the contract, a warranty is still in effect. ____ [Describe the warranty] _____. Final payment and contract closeout do not relieve you of your obligations to the government under the warranty clause. As a reminder, your contract records must be preserved for possible access by the Comptroller General in accordance with the "Examination of Records" clause for a period of three (3) years (FAR 4.703) after receipt of final payment.

If you have any questions, please contact me by telephone at _____ (phone no.) or email at _____ (email address).

Sincerely,

(Signature) _____

(Typed or Printed Name) Contracting Officer
Enclosure



RELEASE OF CLAIMS

Contract Number: _____

For and in consideration of payment and pursuant to the terms of the contract cited above, the government of the United States, its officers, agents, and employees are hereby released and discharged from all liabilities, demands, obligations, and claims arising under or by virtue of said contract.

Signature: _____

Printed Name: _____

Title: _____

Company: _____

Date: _____

Contract Completion Statement**Appendix E**

In accordance with FAR 4.804-5(b), the following closeout information is provided:

1. Contract Administration Office* (* only if different from the contracting office, below)	Complete Name & Address
2. Contracting Office	Complete Name & Address
3. Contract Number	
4. Last Modification Number	
5. Last Call or Order Number	
6. Contractor Name and Address	Complete Name & Address DUNS: _____ TIN: _____
7. Dollar Amount of Excess Funds	
8. Voucher No. & Date (Cost Re-imbursement Contract)	
9. a. Final Invoice Number (Fixed Price Contract)	
9. b. Final Invoice Date	

10. All contract administration functions have been fully and satisfactorily completed.

As a result of a final review of the contract file, it is determined that, to the best of my knowledge, all terms and conditions of the subject contract have been met and the file so documented. The COR's checklist has been completed indicating that all requested deliverables, as modified, have been received and are acceptable, and all services have been satisfactorily performed. Actions relating to the settlement and to the disposition of the Government property have been documented. The final invoice has been received and processed, giving consideration for any adjustments, which may be necessary as a result of the above. Consequently, all necessary actions required to close the subject contract are hereby considered complete as evidenced by the closeout checklist contained in this file.

As a result of a final review of the contract file, it is determined that, to the best of my knowledge, all terms and conditions of the subject contract have been met and the file so documented. The COR's checklist has been completed indicating that all requested deliverables, as modified, have been received and are acceptable, and all services have been satisfactorily performed. Actions relating to the settlement and to the disposition of the Government property have been documented. The final invoice has been received and processed, giving consideration for any adjustments, which may be necessary as a result of the above. Consequently, all necessary actions required to close the subject contract are hereby considered complete as evidenced by the closeout checklist contained in this file.

Signature
Contracting Officer

Date

Type or Print Name
Email Address

Deobligation Memorandum to OCFO**Appendix F****DATE:** _____**TO:** (Name) _____
Office of the Chief Financial Officer**FROM:** (Name) _____
Contracting Officer**SUBJECT: Contract Closeout and Deobligation of Funds**

Contract number: _____

Contractor: _____

Project Title: _____

This office is considering closing out the above referenced contract. Please note that the condition checked below applies:

☐ **Determination to Deobligate.** A determination has been made to deobligate the remaining funds on the subject contract and a de-obligation is being processed.

☐ **Determination Not to Deobligate.** A determination has been made **not** to deobligate the remaining funds on the subject contract at this time. Deobligation is not currently appropriate because of the following reason:

[Include reason why closeout and deobligation is not appropriate at this time.]

When the closeout requirements are met, the contracting officer will deobligation the funds.

If you have any questions, please contact me by phone at _____ (Phone number) or by email at _____ (Email address).