

Deobligation at Contract Closeout

The FMR Volume 3 Chapter 8 081612 A identifies that deobligation can result from multiple actions including "...determination of final contract closure..."

"081612. De-obligation of Dormant Obligations

A. Within 10 calendar days of their identification by the Funds Holders, all required de-commitments, de-obligations, adjustments or corrections identified must be initiated and substantiated by evidence of ongoing corrective actions. Contract de-obligations result from a contract modification, determination of final contract closure, documented adjustments or corrections, cancellation of an order, or when funds are determined to be excess of contract requirements as a result of a periodic review by the Contracting Officer...."

081612 B.1. discusses the use of the DD1594 or electronic equivalent.

"B.1. It is the responsibility of the contracting officer to send notification to the Financial Manager, Program Office, and Funds Holder denoting that a contract is complete and no further valid transactions will be forthcoming through the use of a DD Form 1594, Contract Completion Statement (DD 1594), or electronic equivalent as described in DFARS, PGI 204.804. The Funds Holder must reconcile the contract expenses and disbursements prior to the modification and/or the closeout DD 1594."

Deobligation Prior to Contract Closeout

081612 B.2 covers the deobligation of funds prior to closure where a modification is required.

“B.2. Once the contracts have been physically completed the contracting officer administering the contract must review the contract funds status and notify the Funds Holder of any funds excess to the needs of the contract that can be de-obligated prior to contract closeout. De-obligation will be done through the use of a contract modification.”

In Summary

- If a deobligation occurs before contract closeout, a modification is required (FMR Volume 3 Chapter 8 081612B.2).
- At closeout a DD form 1594 or electronic equivalent can be used to deobligate funds, a modification is not required (FMR Volume 3 Chapter 8 081612 B.1).