



PROCURE-TO-PAY

TRAINING SYMPOSIUM 2019

Orlando

Quick Closeout Success and Best Practices

Presented by: Irene Johnson & Larry Lizana,
Defense Contract Management Agency

Bruce Propert, OUSD, A&S, DPC

What is Quick Closeout?

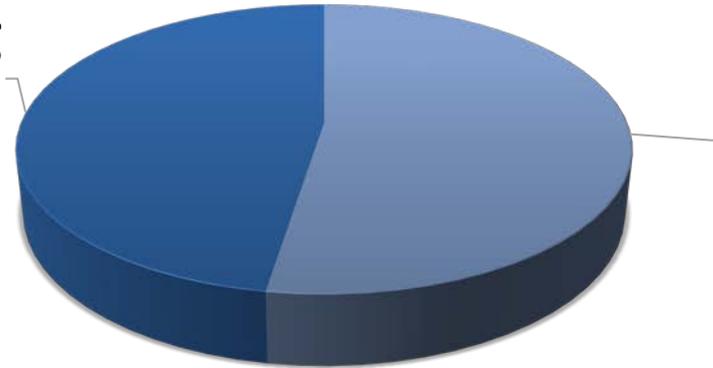
FAR 42.708 - Quick-closeout Procedure

Requires the contracting officer responsible for contract closeout to negotiate the settlement of direct and indirect costs for a specific contract, task order or delivery order ready to be closed, in advance of the determination of final indirect rates based on risk assessment.

DCMA Quick Closeout Success

FY18 QUICK COSEOUT

**Kts Closed using
Final Overhead
Rates
47%**



**Kts Closed
from QCO
Rates
53%**

- Kts Closed from QCO Rates
- Kts Closed using Final Overhead Rates

How Did We Achieve Success?

DCMA Class Deviation

- In accordance with FAR 201.404 deviation DCMA Director issued Class Deviation
- Deviation authorizes ACOs to close contracts **regardless** of dollar value or **percent of unsettled direct and indirect costs** allocable to the contracts
- It applies to Cost-Reimbursement, Fixed-Price Incentive, Fixed-Price Re-determinable, and Time-and-Materials Contracts

Empowered/Trained the Workforce

Created a Culture of Negotiation Intelligence:

- OJT and Formal Training
- Thinking Critically
- Assessing and Understanding Risk
 - Business Systems
 - Company Structure/History
 - Mergers & Acquisitions
- Calculating & Negotiating Rates
- Overcoming Roadblocks (Escalation)
- Top Cover from Senior Management

Encouraged the Use of Quick Closeout

DCMAS Motivated Team through:

- Mandatory use of QCO Procedures
- QCO Specific Metrics w/Goals
- Formalized authority and use into Agency Policy
- Incentives (Awards and Recognition)

Example Tracking QCO

Overage Reason Codes:

| M-Codes | Status | Notes |
|---------|---|---|
| M1 | DCAA Final Audit not started or completed | Contracts assigned to this code NLT 60 days |
| M2 | Quick or early Closeout process being pursued |  |
| M3 | Contractor does not agree to use quick closeout rates | Escalate/Document Reason |
| M4 | All other rate related issues | |
| M5 | Use of QCO not recommended by DACO | Escalate |

QCO Escalation Matrix



| Initial Contact | Personnel | Action | Remarks |
|-------------------------------------|---|--|--|
| 1. Contracting Officer | Divisional Administrative Contracting Officer | Request Segment Level Rates | If No, continue to thru ACO |
| 2. Contracting Officer | Contractor (Contract Specialist) | Agree to list of contracts eligible for QCO | If No, continue to escalate |
| 3. Contracting Officer | Contractor (Senior Contract Specialist) | Explain benefits of QCO vs traditional Closeout | If No, continue to escalate |
| 4. Contracts Supervisor | Contractor (Comptroller) | Demonstrate benefits: <ul style="list-style-type: none"> • Cash Flow • Cost of contracts | If No, continue to escalate |
| 5. Contracts Directors/Branch Chief | Contractor VP Finance/Contracts | Present beneficial cases that reflect 3. & 4. |  |

Training Rate Calculation

Sample Training Table:

- Comparing the proposed rates to the settled rates for the three years historical audit/settlement information provided by the contractor/DACO/DCAA

| | Fiscal Year | Proposed/ Certified Rate | Settled Rate |
|------------------------|-------------|-----------------------------|-----------------|
| 3 Settled Years | FY 2008 | | |
| | Overhead | 123.22% | 122.10% |
| | G&A | 15.23% | 15.57% |
| | FY 2009 | | |
| | Overhead | 124.51% | 122.50% |
| | G&A | 22.00% | 21.85% |
| | FY 2010 | | |
| | Overhead | 125.00% | 123.59% |
| | G&A | 22.30% | 19.86% |
| Unsettled Year | FY 2011 | | |
| | Overhead | 125.79% | |
| | G&A | 18.41% | |

Note: Notice the difference between the proposed and settled rates. Reviewing this history will let you know if proposed rates for the unsettled fiscal year should be adjusted.

Best Practices

Best Practices Created by QCO SMEs:

- Create Training Guides/Job Aides
 - Risk Assessment Checklist
 - [Risk Assessment- Quick Closeout.xlsx](#)
 - Quick Reference Guides
 - [DCMAS QCO Reference Checklist.pdf](#)
 - Training Videos
 - <https://www.dvidshub.net/video/491850/quick-contract-closeouts>
 - Annual Interactive Training Workshop
- Early and Ongoing Communication with Contractor, DACOs, and DCAA
- Monthly Performance Meetings



Microsoft Excel
Worksheet

Benefits

Highlighted Benefits Identified by Workforce:

- Reduces Overage Backlog
- Removes need for audit on low risk contracts
- Prevents cancelling funds and need for replacement funds
- Close contracts before data is too old
- People who worked the program are still likely to be employed and make it easier to close contract
- Maintain employees skill to closeout contracts
- Will not have to maintain obsolete systems

Risks

- Unanticipated significant audit finding –
Cannot recover on closed contracts

Way Ahead

- Pilot - Contract Closeout in Litigation

What Does Success Look Like?

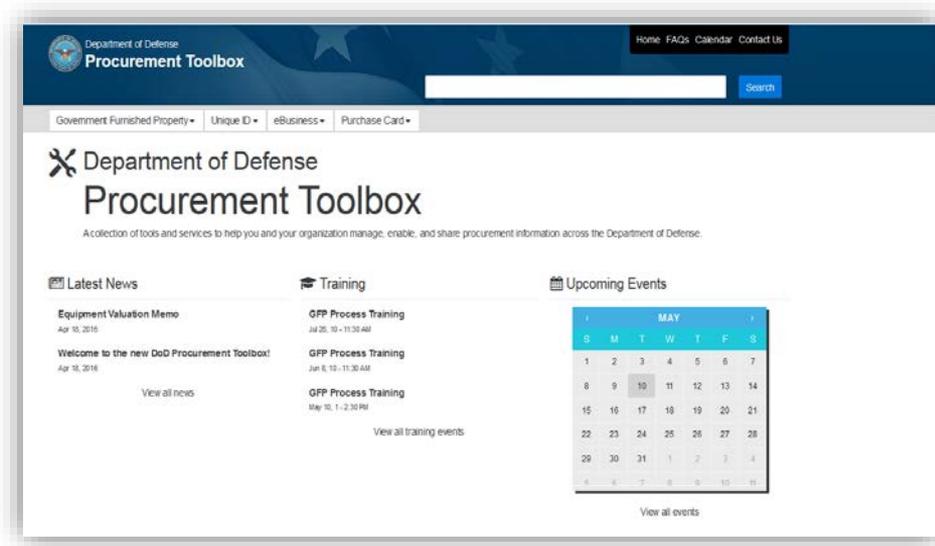
David Packard Award in Acquisition Excellence



Award recognition for closing 4,805 contracts closed using quick closeout alone and enabled a 32.8 percent improvement in average contract reduction, creating a positive contract closeout rate and reducing the overage contract backlog.

Questions?

For more information



- FAQs
- Policy
- [Training](#)
- Contact DPAP DPC
- [Capability Summaries](#)

www.dodprocurementtoolbox.com



Procure-to-Pay

Training Symposium

April 23 - April 25, 2019 • Hilton Lake Buena Vista - Florida