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**AN ORGANIZATIONAL ANALYSIS OF MARINE  
CORPS INSTALLATIONS NATIONAL CAPITAL  
REGION - REGIONAL CONTRACTING OFFICE'S  
CONTRACT CLOSEOUT PROCESS**

Griffin, Jason R.

Monterey, CA; Naval Postgraduate School

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JOINT APPLIED PROJECT REPORT

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## AN ORGANIZATIONAL ANALYSIS OF MARINE CORPS INSTALLATIONS NATIONAL CAPITAL REGION - REGIONAL CONTRACTING OFFICE'S CONTRACT CLOSEOUT PROCESS

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September 2018

**By:** Jason R. Griffin

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Capitol Region - Regional Contracting Office)

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**AN ORGANIZATIONAL ANALYSIS OF MARINE CORPS INSTALLATIONS  
NATIONAL CAPITAL REGION - REGIONAL CONTRACTING OFFICE'S  
(MCINCR-RCO) CONTRACT CLOSEOUT PROCESS**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN CONTRACT MANAGEMENT**

from the

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**AN ORGANIZATIONAL ANALYSIS OF MARINE CORPS  
INSTALLATIONS NATIONAL CAPITAL REGION - REGIONAL  
CONTRACTING OFFICE'S (MCINCR-RCO) CONTRACT  
CLOSEOUT PROCESS**

**ABSTRACT**

The primary purpose of this Joint Applied Project was to analyze the contract closeout process within the Marine Corps Installations National Capitol Region - Regional Contracting Office (MCINCR-RCO) to determine whether it is adequate and effective. The Federal Acquisition Regulation (FAR) Part 4 was analyzed to identify proper contract closeout protocol and procedures. An organizational analysis was conducted to review the MCINCR-RCO's contract closeout process and identify areas that may have been neglected and the resulting consequences. The organizational practices related to contract closeouts were also compared to other Department of Defense (DoD) best practices to support the options that MCINCR-RCO has to manage the closeout process effectively. Research included an in-depth examination of contracts that need to be closed out and dollar values of contracts. Finally, recommendations were introduced that outline ways to improve the closeout process within the organization.



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## LIST OF ACRONYMS AND ABBREVIATIONS

ACC-APG	Army Contracting Command - Aberdeen Proving Ground
ACO	Administrative Contracting Officer
ACRN	Accounting Classification Reference Number
CLIN	Contract Line Item Number
CS	Contract Specialist
DAI	Defense Agencies Initiative
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DO	Delivery Order
DoD FMR	Department of Defense Financial Management Regulation
DoD IG	Department of Defense Inspector General
DoD	Department of Defense
DTRA	Defense Threat Reduction Agency
FAR	Federal Acquisition Regulation
FFP	Firm Fixed Price
GAO	Government Accountability Office
GS	General Schedule
MAPP	Master Acquisition Planning Program
MAPS	Marine Corps Acquisition Procedure Supplement
MCINCR	Marine Corps Installations National Capitol Region



MOCAS	Mechanization of Contract Administration Services
NMCARS	Navy Marine Corps Acquisition Regulation Supplement
OMB	Office of Management
PCO	Procurement Contracting Officer
PD2	Procurement Desktop-Defense (Contract Management Software)
PGI	Procedures, Guidance, and Information
PO	Purchase Order
PPQM	Policy, Procedures, Quality, and Metrics
RCO	Regional Contracting Office
SAP	Simplified Acquisition Procedures
SOP	Standard Operating Procedures
SUBCLINS	Sub Contract Line Item Numbering
USMC	United States Marine Corps

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## I. INTRODUCTION

### A. BACKGROUND

The U.S. Marine Corps (USMC) often administers and executes contracts for services and supplies in efforts to support its mission. The steady rise of contracting activities can be deduced from the annual expenditures by the Marine Corps, especially post-September 11. This is because some Marine Corps operations had to conform to emerging threat levels not anticipated in previous years (USMC, 2016c). Currently, the contract closeout process faces challenges such as documentation hitches, improper conduct, inefficiencies, lack of human resource capacity, and occasionally financial improprieties (USMC, 2016a). The Marine Corps has been implementing situational corrective actions. These include having contract pre-qualifications, hiring the right personnel, contract closeout training, internal ethical reviews, and financial accountability (USMC, 2016b). The Marine Corps has the leeway to adopt tailor-made contract closing policies, regulations, and tested models (USMC, 2016c).

Every year, the Marine Corps undertakes a multitude of contracts to fulfill organizational needs. However, the contract closeout process has been under intense scrutiny over the last few years (USMC, 2016b). Several initiatives have been undertaken by the U.S. Government Accountability Office (GAO) to consolidate the Marine Corps' contracting process to close gaps and ensure utmost efficiency (USMC, 2016a).

In December of 2012, the GAO released the *DoD Initiative to Address Audit Backlog Shows Promise, but Additional Management Attention Needed to Close Aging Contracts* report in 2012 that identified the problematic fact that the Department of Defense (DoD) has a large volume of contracts that have not been closed on time (USMC, 2016d). To solve this issue, GAO stated that the Defense Contract Audit Agency (DCAA) must analyze and measure its "incurred cost audit initiative"; that DCMA "improve data on over-age contracts"; and that the military departments develop contract closeout data and establish performance measures" (DiNapoli, 2012).

The DoD agreed with the recommendation and began to implement measures to address the ongoing issues. However, there are instances where the closeout phases are stymied due to issues with suppliers, or with individuals charged with executing different tasks directly related to contract closeouts. Such delays or interruptions have serious financial consequences, which could lead to exceeding the Marine Corps budgets (USMC, 2016c). This study undertook a critical analysis of the contract closeout procedures with the aim of making recommendations to the Marine Corps for closing gaps and consolidating activities under the Federal Acquisition Regulation (FAR).

At the end of each contract, there is normally an evaluation to ensure that all specifications were achieved. During this closeout stage, management is expected to focus on subsequent performance of the contract (USMC, 2016b). Initially, poor oversight of these performances at the Marine Corps led to a prolonged contract closeout processes (USMC, 2016d). The fact that some completed contracts had or have non-liquidated assets at the time of closing caused or causes spikes in costs associated with the redundancy accompanying lack of appropriate and timely decision-making by management (USMC, 2016b). It is critical for Marine Corps management to fully manage all these activities during the contract closeout stages, yet this competency has been lacking in many cases (USMC, 2016c). There are serious tax implications for the Marine Corps regarding contracts where the depreciating or underutilized value could not be determined (USMC, 2016c). Additionally, the regional Marine Corps offices could face losses on the potential value of the underutilized assets, if these are not officially leased out to relieve financial pressure (Rendon, 2008).

A critical assessment of contracts indicates that the majority are complete but require closeout, which in turn accumulates costs borne by the government (USMC, 2016d). Extracted data presented in the tables contained in Chapter III of this thesis establishes the scope of the contract closeout problem, as the data illustrates the number of contracts that have ended, but that still require closeout. The contract specifications include supply of Marine Corps weapons and hardware, operational installations, and other auxiliary services (USMC, 2016c).

There have been some efforts by the Marine Corps to carry out evaluations of contract closeout procedures at the regional level (USMC, 2016c). The objective has been to reduce wastage and maximize utility of accruing assets by the completion of the contracts (DoD IG, 2014). However, there seems to be a lack of a uniform approach to carrying out the contract closeout activities, which is a key problem identified in this study (DoD IG, 2013). Harmonization of the contract closeout by the Marine Corps Installation National Capitol Region-Regional Contracting Office (MCINCR-RCO) is essential because proper contract closeout processes allows the organization to stay within budget and provides budgetary savings. Contracts that are not properly closed out allow funds to remain unliquidated, holding up resources for other departments or urgent need areas. A significant backlog of contract closeouts causes organizational resources to be stretched thin, which is a negative impact given that contract support is still required for contracts that are not yet closed out. Alternatively, if the organization cannot address this demand for contract services internally, they might be forced to hire externally, which once again provides a budgetary strain on both the organization as well as the funding source. (Garrett & Rendon, 2005).

With clarity on the scope of completed contracts without closeout, the Marine Corps should be able to classify them by chronological order (GAO, 2012). Then the process of these contract closeouts should commence from the oldest to most current so that redundancies and wastage can be curtailed effectively (Rendon, Apte & Apte, 2012). Based on these various problems, the Marine Corps management has undertaken to review contract closeout activities so that all regional offices can work with clarity of purpose (Raymond, 2018).

## **B. PURPOSE**

The purpose of this thesis is to examine the closeout process at MCINCR-RCO and identify issues that have a negative effect on the timely closeout of contracts. The MCINCR-RCO contract closeout process will be analyzed to determine the overall impact on the organization. This includes the amount of funding which is lost each year when contracts are not closed out on time, and an assessment and analysis of proper

contract closeout protocol and procedures (United States Congress Senate Committee on Appropriations, 2008). Further analysis was conducted focused on the MCINCR-RCO's contract closeout process with the intent to identify factors that hinder the closeout process, may have been neglected, and the resulting consequences (USMC, 2016c). The MCINCR-RCO's closeout process is also compared to other DoD agencies in this thesis.

This thesis has several secondary objectives. The current industry best practices related to contract closeouts will be examined. Analysis on contracts, cost savings, and best practices will be compared from the MCINCR-RCO and other DoD agencies (USMC, 2016b). The research will conclude with recommendations that support the outsourcing of contract closeouts to capable contractors within industry (United States Congress Senate Committee on Appropriations, 2008).

### **C. PROBLEM STATEMENT**

The problem is that delays in the Marine Corps contract closeout have a negative impact on the financial accountability of this institution, where resources that are currently wasted or mismanaged could otherwise be used to meet other urgent obligations faced by the Marine Corps (United States Congress Senate Committee on Appropriations, 2008). This thesis aims to identify proper contract closeout protocols and procedures, analyze the MCINCR-RCO contract closeout process, identify potential cost savings to the MCINCR-RCO, examine industry best practices regarding contract closeout, and provide recommendations to the MCINCR-RCO for an alternative contract closeout process.

### **D. RESEARCH QUESTIONS**

For the purpose of this study, the following question were addressed:

1. Does the MCINCR-RCO have an existing process that is capable of handling current and backlogged contract closeouts?
2. In support of the primary question, the following secondary research questions will be addressed:

3. According to FAR, how should contract closeout be accomplished?
4. What are the current policies and procedures at the MCINCR-RCO?
5. What factors contribute to untimely contract closeout?
6. What best practices are other DoD agencies utilizing related to the contract closeout process that would be beneficial to the MCINCR-RCO?

#### **E. SCOPE OF THE THESIS**

The scope of this study is limited to examining the MCINCR-RCO contract closeout process. The study will cover individual contract types by cost ranging from \$25,000 up to \$1,000,000, even though the data indicates that many contracts exceed that amount. The scope of this study is limited to contracts whose prices are fixed. The choice of fixed price contracts is justified, as the stages are more direct and thus it is easier to track the responsibilities of individual contractors and other details. These contracts of interest are those where contractors have been paid by the Marine Corps, yet the closeout processes were skipped or delayed without justification. A spreadsheet of data populated with contract details was used to track the details and understand the closeout problems experienced by the Marine Corps. The cumulative data in the spreadsheet provided a clear path to understanding the challenges arising with delayed contract closeout as is evident at the Marine Corps regional offices (USMC, 2016a, 2016b, 2016c, 2016d).

#### **F. METHOD**

The author adopted mixed methodology in conducting this study. This includes an in-depth literature review, primary interviews of government employees, and a review of quantitative data related to contract closeouts. A literary review was conducted to examine the FAR Part 4 contract closeout process, the MCINCR-RCO internal closeout process, other DoD agencies internal closeout processes, industry best practices, to validate the argument that contractors within the defense industry should be utilized to support contract closeout issues (FAR, 2009).



Additionally, interviews were conducted among stakeholders involved in the Marine Corps contracting process. An analysis of previous and current contract scope and deliverables was also undertaken. The author targeted interview participants who are familiar with the contract closeout process within their respective organizations. For ethical reasons, the identity of the interview participants will be withheld to ensure anonymity. The interview participants were selected based on their experience, relative insight, and ability to contribute to addressing the questions raised after identifying the problem. The participants in the study are all government employees who work within the contracting field. Appropriate consent and permissions to undertake these interviews were secured prior to beginning this process.

The author made several visits to the MCINCR-RCO office to get permission for accessing and utilizing quantitative contracts data. The data was utilized to analyze backlogged closeouts, dollars amounts, and the related fiscal impact. The author had partial access to list of contracts from the MCINCR-RCO, which have several months to years' worth of data on existing closeout delays. The list further indicates the fixed contract costs and deliverables, sorted by specifications. Even though the list provided includes contracts whose values are out of the scope determined in this study, the author only worked on and analyzed data for the contracts that fit this thesis' scope. Not all the actual details of completed contracts could be successfully accessed. The author's assumption is that the available data is sufficient to highlight the problems experienced by the Marine Corps management regarding contract closeout. Data that did not meet the above criteria was excluded from the study (USMC, 2016a, 2016b, 2016c).

## **G. ORGANIZATION OF THESIS**

This thesis has different sections. Chapter I is the introduction of the case study of Marine Corps contract and closeout prospects. The study background is structured as follows: establishing study objectives, stating primary and secondary research questions, describing the methodology in brief, and defining sampling and data selection criteria. The regional scope of Marine Corps contracting is introduced in this chapter alongside the method for gathering primary information and data. This chapter also includes the

problem statement, scope, and an introduction to contract closeout stages. It covers background information about the justification for study regarding Marine Corps Contract Closeout procedures. The problems faced by the Marine Corps in contract closeout management are highlighted and include the central research question. This chapter lays the foundation for this study, by offering preliminary definitions of the challenges in contract closeout procedures and reasons these are gaining visibility in the Marine Corps and related organizations.

Chapter II covers the literature review, including comparison and contrast of the literature findings. The chapter reviews the key problems associated with laxities in closeout processes. Chapter III covers the primary and secondary data findings. These include the steps in Marine Corps contract closeout processes, and presentation of interviews and the contract data in narrative format. Chapter IV includes a discussion of the research questions on the contract closeout process itself and the justification for adhering to timeliness. Chapter V contains conclusions and recommendations for Marine Corp management.

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## **II. LITERATURE REVIEW**

### **A. INTRODUCTION**

The primary question is whether the MCINCR-RCO has an existing process that is capable of handling current and backlogged contract closeouts. This chapter presents an overview of relevant literature that addresses the main question and provides a review of industry-related perspectives on the effectiveness of FAR in guiding contract closeout processes, existing policies, and causes of delays. This chapter gives a theoretical backbone for understanding the contract closeout process and the concerns (USMC, 2016b, 2016c, 2016d).

### **B. ADHERENCE TO FAR IN CONTRACT CLOSEOUT PROCESS**

The FAR has outlined several steps for contract execution (FAR, 2009). However, some contractors fail to pay attention to these FAR details and these problems are flagged late during the closeout process, which inconveniences the organization and teams involved (Deputy Secretary of Defense, 2009). Among the consequences of such failures are cost increments that are not part of the original budget (Under Secretary of Defense, 2010). The best practice for avoiding such FAR related problems is to ensure all the contract stakeholders have prior orientation on applicable regulations from the beginning to closeout stages of contracts (Garret, 2007).

Significant numbers of military contracts have special requirements which means experts are engaged throughout (Grasso, 2005). However, where there are clear contract work instructions, it is possible to engage a different team in the closeout process to avoid delays and to rationalize costs (USMC, 2016b). This could mean prior briefing of the contract closeout assistants by the experts to have smooth flow of information (Needham, 2010). Similarly, if employees from within the organization are engaged, it is possible for the managers to create some incentive schemes for timely contract closeout since significant amount of resources is wasted with laxity (Soloway, 2010). The incentives can follow the FAR guidelines to ensure attention to details on the contract closeout process

(GAO, 2007). Inter-departmental training of the stakeholders could also ensure mutual coverage leading to timely contract closeout (Garrett & Rendon, 2005).

### **C. EFFECTIVENESS OF CURRENT POLICIES AND PROCEDURES FOR INTERNAL CONTRACT CLOSEOUT PROCESSES**

The essence of value for money has been stressed as the underlying justification for effective contract closeout (Puma & Scherr, 2009). Various reasons support the policy of timely closeout (Needham, 2010). These include the ability to flag out fictitious claims following poor quality of goods and service delivery, avoidance of wasting resources, misappropriation by contractors, and finally opportunity to identify the non-liquidated assets (Rendon, 2011). Regarding non-liquidated assets, Marine Corps procurement managers are expected to identify the contract assets and coordinate with the rest of the team members on its other possible utilization (USMC, 2016b).

However, tight control and discipline in adhering to the contract specifications requires skilled administrators and performers available at the MCINCR-RCO (USMC, 2016c). Even though the number of skilled personnel at the MCINCR-RCO is affected by some turnover, the remaining staff is expected to uphold the principles of ethics and accountability so that the closeout process does not encounter delays (Jeffers, 2009). One of the challenges during the contract closeout stages is what to do with the non-liquidated assets. The related accounting procedures often seem complex with debate on whether they should be written off, owned, or sublet by to other related contracts (USMC, 2016d). The problem with such non-liquidated assets is that the limited finances could be idle or not spent on a worthy cause, or dire need (USMC, 2016b).

### **D. FACTORS THAT CONTRIBUTE TO UNTIMELY CONTRACT CLOSEOUT**

Mismanaging contract information system is a recipe for chaos during closeout process (Corrin, 2010). Organizations having a multitude of contracts overlapping any time of the year sometimes have missing data or information, which is critical for assessing their compliance and ultimately for ensuring a timely closeout process. When such critical information is missing, even the payment system could be problematic

(GAO, 2008). Therefore, setting up a credible contract management information system is useful for eliminating some of these problems, and for supporting the capacity of the people involved in the closeout process (GAO, 2003). Additionally, allowing contract parties to use support data for the closeout process when such data is missing from the system is a progressive solution for eliminating delays and its effects (Puma & Scherr, 2009).

Communication gaps among the contract stakeholders are a leading cause for delays in contract closeout (Rendon, 2010). This situation worsens when the internal audit or oversight teams fail to provide reliable updates on the contract progress, where delays have cost implications (Deputy Secretary of Defense, 2009). When cost disputes arise whether due to the contractor seeking modifications or unforeseen events, it is critical for the inspection personnel to keep the rest of the contract stakeholders in the picture to avert delays during the closeout period (Under Secretary of Defense, 2010). Having a robust contract information system from the beginning saves time and costs when mature contracts are due for closeout (Rendon, Apte & Apte, 2012).

Such a contract information system must maintain current details on contract activities so that auditors can advise on the closeout process accordingly (GAO, 2008). Additionally, training staff on the efficient use of the contact information system is a catalyst for timely closeout (U.S. General Accounting Office, 2003). Ultimately, information collaboration during the contract closeout process is a mark of transparency and accountability that public and private stakeholders favor highly (Corrin, 2010). A robust information system also acts as the document trail for the entire contract process and can provide due diligence in case of litigation (Schapper, Veiga & Gilbert, 2006).

Delayed audits of contracts ultimately affect the closeout process. The multitude of special contracts sometimes faces audit delays due to lack of auditors or sheer workload (Grasso, 2005). Audits are critical for flagging problems like fraud, poor quality, and substandard material and services affecting contracts. Delayed audits mean the problems are flagged when recommendations call for extra costs or wastage of resources to bring process back to specifications (Under Secretary of Defense, 2010). This is accompanied by counter claims depending disputes escalating beyond the contract

period (GAO, 2003). Timely audits are an essential risk evaluation tool that allows the closeout process to proceed without a hitch, especially considering that most special contracts are fixed price types (GAO, 2007). Moreover, when the main and subcontractors present their vouchers on schedule, the related audit agencies will be able to settle discrepancies in costs and ensure smooth closeout process. Recommended best practice for financial auditors is to check or audit cost differences against benchmark industry rates (Rendon, 2011).

**E. CONTRACT CLOSEOUT BEST PRACTICES THAT WOULD BE BENEFICIAL TO THE DOD AND RELATED AGENCIES**

There are diverse stakeholder views on the causes and solutions for contract closeout delays in general. Top among these concerns is the tendency of procurement teams and leaders to lose focus on the contract closeout requirements. Best practices entail establishing a special department or committee to follow up on timely contract closeouts, specifically during the calendar weeks when the organization has the lowest levels of activities (Cullen, 2009). This will ensure utmost attention of the leading officials within the organization. The window from October to February has been touted as a possible time for reviewing mature contract closeout activities. When the organization or department in question has a consistently high workload, it is advisable to engage external support or a focus group whose mandate is to oversee the timely closeout. However, there are concerns that such initiatives have problems if the engaged parties do not have in-depth knowledge of the organization's activities to enable them to understand the problems leading to contract closeout delays (Schapper, Veiga & Gilbert, 2006).

Understanding the dollar value in contracts is essential for all stakeholders to participate with urgency and purpose in contract closing, leading to successful closeout (GAO, 2007). The best practice is to attach a specific dollar value for every contract stage accomplished, so that the ultimate closeout stage is highly rated and cost effective. Therefore, prequalification of the contractors and subcontractors is the guarantee that the dollar value of the work will achieve, since previous performances are fair indicators (Rendon, 2008).

Stakeholder disputes during the contract closeout stage are a common cause for delays. The most common cause for dispute is claims for cost modification. When the internal process cannot resolve the problems, there should ideally be alternative avenues to arrive at an amicable solution. The best practice is for stakeholders to collaborate during the contract to create harmony during closeout phases. Additionally, having such partnership in assigned formats even creates a commitment for ensuring all stakeholders work within budget and schedule for an efficient closeout (Brandmeier & Rupp, 2010).

Views regarding delays in contract closeout vary depending on the nature of the delays, and the contractor characteristics. These concerns lead organizations to adopt alternative contract closing methods, which could include arbitration or legal processes (ACC-APG, 2014). To begin with, there are non-liquidated assets, which accrue at the end of the contract and can lead to idling of resources (Brandmeier & Rupp, 2010). Typically, these are machinery used by the contractors to carry out various activities that are paid for by and thus in the end still belong to the organization (DoD IG, 2009). It is critical that such contract assets are identified in the preparation stage so that adequate measures are in place for their utilization once the contract work is complete (DoD IG, 2013). When such assets lie idle, their dollar value also depreciates, which is a major concern for many organizations. Underutilization of such assets can negatively affect other departments in the organization that are tight on budget or are in urgent need of the underutilized dollar value of these assets (DoD IG, 2014).

Some heavy contract materials that are not easily movable often remain at the contractors' location of work. However, these challenges often delay contract closeout because the documentation and signoff require verification, which is not possible if material is not on site (GAO, 2007). Depending on the location or storage of such contract material, there have been reports on their misuse, theft, degradation, and sheer damage, which further lower their dollar value. Therefore, advance planning on how such material is transferred to the contracting organization is essential (Rendon, 2011).

Some contracts are financed using organizational loans. However, if the process of paying the contractor is via installments, certain stages of the project may not proceed according to schedule, which means the completion time is also affected. During such



delays, the contractor may also accumulate extra interest charges, and this needs to be agreed upon during the contract closeout stages (GAO, 2012).

Some proceedings such as Congressional hearings often require volumes of documentation to conduct proper inquiries on contractual events (GAO, 2007). During such processes, the contracts in question may not be closed until completion of inquiry. This is because where there are problems with the contract delivery or performance, coupled with closeout delays, it is easy for the organization to pass the responsibility back to the contractor and claim partial compliance as reasons. If the contract closeout is on time, there will be easier resolution by the investigating authorities and this is essential for properly assigning responsibilities arising out of contract anomalies (United States Congress Senate Committee on Appropriations, 2008).

According to the GAO (2013), documentation of the contract process is very critical considering the due diligence standards expected by organizations. Furthermore, contract-closing procedures are best accomplished with in-depth documentation so that the process commissioning recipients can be informed of operations. However, when closeout processes are delayed, and the delivered contracts has problems shortly afterwards, there could arise prolonged disputes culminating to huge financial claims. Detailed documentation forms a significant part of legal defense for the parties.

In terms of settling payment disputes, the GAO (2012) states that it is important for contract closeout sessions to discuss cost discrepancies. It is very common for the contractor to exceed the pre-fixed prices of the contract due to unforeseen circumstances or natural matters beyond human control. In such events, the contractor could be seeking some payment adjustment from the organization to defray part of the emergency expenditures. However, the best time to resolve such a matter is during the contract closeout process because the task must first be completed ahead of a claim.

## **F. CHAPTER SUMMARY**

This chapter has covered the contract closeout process in general and the views of stakeholders regarding common problems and possible solutions. The chapter concludes that proper contract management ends with effective and timely closeout (Cohen &

Eimicke, 2008). Additionally, the chapter concludes that the role of different oversight bodies in ensuring that contracts closeout in time is critical for all organizations whether private or public (GAO, 2007). Lapses in managing contract closeout in critical agencies such as the Marine Corps have dire financial, administrative, and sometimes legal consequences among the concerned stakeholders. Similarly, in this chapter are various recommendations on how problems emanating from contract closeout delays can be escalated or addressed by the responsible officers as best practices (GAO, 2003).

This chapter concludes that successful implementation of the contract closeout procedures at the Marine Corps requires more than an internal memo to the regional offices (USMC, 2016a, 2016b, 2016c). These efforts are not easy to achieve and are currently bogged down by bureaucratic systems (ACC-APG, 2014). In this chapter, the significant progress on contract closeout processes has been highlighted, even though several gaps exist within DoD-related agencies. Ultimately, internal policies, which could make it easier for the administration of the closeout phase, also need strengthening in line with FAR (Cohen & Eimicke, 2008).

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### **III. DATA FINDINGS ON CONTRACT CLOSE OUT AT DOD RELATED ORGANIZATIONS**

#### **A. INTRODUCTION**

This chapter covers primary and secondary data from the study. This includes interviews, specifications of the details for contract closeout stages, adequate regulation and legislative support, strengthening of an internal oversight body, and overhaul of the entire contracting process. This chapter explores contract closeout activities and the significance of managing time in every case. This chapter further reviews literature on common factors resulting from delays in contract closeout and potential remedies even though these could differ on case by case. The previous chapter highlighted the importance of effective contract closeout in organizations including the Marine Corps due to budgetary constraints.

#### **B. FINDINGS ON LAWS, REGULATIONS AND POLICY GUIDANCE FOR COVERING CONTRACT CLOSEOUT**

Regarding the expected timelines for contract closeout, FAR 4.804-1 articulates best practice regulations and specifications. The relevant FAR Part 4 details are provided in Appendix Despite this elaborate regulation on contract closeout, delays still prevail and this is a major issue in organizations such as the MCINCR-RCO. It is also important to observe that physical delivery of a contract should not be taken as the end of the contract such that the file can be archived forever. Rather, there is need for documentation and institutional memory because of future financial references in case similar contracts are to be undertaken elsewhere. FAR Part 4 covers such issues in depth (FAR, 2009).

The following is a list of the contract closeout process as defined by FAR:

1. Disposition of classified material is complete
2. Final patent report is cleared
3. Final royalty report is cleared
4. There is no outstanding value engineering change proposal

5. Plant clearance report is received
6. Property clearance report is received
7. All interim or disallowed costs are settled
8. Price revision is completed
9. Subcontracts are settled by the prime contractor
10. Prior indirect costs are settled
11. Termination docket is completed
12. Contract audit is completed
13. Contract's closing stated is completed
14. Contract's final invoice has been submitted
15. Contract's fund review is completed and de-obligation of any excess funds is recommended (FAR, 2009).

### **C. CONTRACT CLOSEOUT PROCESS AT MARINE CORPS**

The effective and efficient performance of the MCINCR-RCO closely ties to their ability to procure contracts and closeout each one with minimal problems (USMC, 2016a). Most of the administered contracts are complex and include all phases as follows:

1. **Contract Pre-Award:** This covers the specifications on the contract details, soliciting for potential bids, and receiving the proposals by contractors. It is important to accomplish the contract pre-award phase because it gives the opportunity to the interested bidder to assess their capacity to deliver according to contract specifications. It is significant to note that there is a gap in studies that analyze or indicate how flaws in the contract pre-award stages lead to problems in the contract closeout process (USMC, 2016a).
2. **The actual contract award:** This covers the selections of qualified contractors and initial signing by all stakeholders, and contract performance. This second stage is important because lack of proper qualification of bidders could lead to inability to deliver, which ultimately affects the contract closeout stages. Additionally, flaws in this phase are potential sources of conflict leading to disputes and calling for alternative contract closeout process. There is need for additional research to illustrate how problems during the actual contract award stage escalate to poor performance and even delays in contract closeout (USMC, 2016a).

3. The contract post-award: This third stage covers the evaluation of performance and deliverables by the contractor, so the Marine Corps can receive or accept the same on as-is basis, allowing for closeout activities to terminate the entire process. There is wide indication that lack of proper monitoring of the post award stages is a leading contributor to delays in contract closeout process (USMC, 2016c).

The scope of MCINCR-RCO contract closeout process is varies depending on the specification (USMC, 2016c). However, there is a standard procedure adhered to by the MCINCR-RCO's Project and Contracting Offices (PCOs) and Assistant Commanding Officers (ACOs) as applicable. These activities are listed below:

1. Once the filing of the contract details is presented to the contracting officers, there is a preliminary inspection to ensure they adhere to the FAR 4.804 closeout sections and specifications. Only files that are above board should be advanced to the next stage while others should be sent back for amendments or rejection. This is important commitment by the organizations' Regional Contracting Offices (RCOs) to adhere to the laws and specification because test of due diligence is a challenge in many case studies (USMC, 2016c).
2. The RCO will peruse the files on the contract terms and costs to determine if there are any material differences that would require additional amendments via the financial controller in liaison with the legal team. Some minor material differences can be resolved with proper liaison between the contractors and the organizations while others require extensive engagement. This stage further ensures that the contract delivery conforms to the Defense Finance and Accounting Service (DFAS) Mechanization of Contract Administration Services (MOCAS) system and the Defense Agencies Initiative (DAI) standards (USMC, 2016c).
3. The RCO will then fill in the appropriate MCINCR-RCO contract forms along the stipulated Standard Operating Procedures (SOPs) to account for all the contract terms and costs incurred. Deviations from the original terms and conditions are potential grounds for disputes and eventual delays in closeout process (USMC, 2016c).
4. The RCO will make amendments to the form that include any unliquidated assets that remain at the end of the contract completion, including clarity of the financial obligations. This stage emphasizes the importance of proper inventory management during contract process because this accountability at closeout process can allow the process to proceed without hitches (USMC, 2016c).

5. The RCO will lead the reconciliation of any discrepancies or anomalies encountered during this early process of contract closeout in liaison with all the relevant stakeholders. It is also important that all present members' sign the common reconciliation document so that any subsequent problems arising can be deliberated based on the consensus (USMC, 2016c).
6. The RCO will invite the commencement of audits normally using the DCAA office. This audit process is a mark of internal accountability, which is a major concern for most cases of delayed contract closeout (USMC, 2016c).
7. The RCO will harmonize the completed audit report with the contract costs, invoices and any type of claims presented by the delivery of contract. Continuous engagement of the stakeholders can shorten the contract closeout process because most typical concerns are addressed along the way (USMC, 2016c).
8. The RCO will document the completed contract and attach the costs to the appropriate financial calendar to direct payment of any pending costs where applicable. The most important back up for any dispute resolution or inquiry into delays in contract closeout is the availability of signed and approved document. These documents accompany any cost claims that can otherwise delay closeout process (USMC, 2016c).
9. The RCO will proceed to file and archive the contract documents until the stipulated period or until any pending arbitration process concludes. The regulatory requirement for holding the documents up to a specific time is essential for proper dispute resolution and for maintaining institutional memory. However, lack of detailed documents has been faulted as a reason for delays in the contract closeout process (USMC, 2016c).
10. The RCO is responsible for the extraction of any contract documents from archives once the waiting period is completed and is also responsible for eliminating the same according to regulations, such as incineration. Even after this is accomplished, a master document process is held indicating which documents were extracted according to the established regulations, listing accompanying dates and responsibilities (USMC, 2016c).
11. The RCO is responsible for monitoring the progress of any ongoing contract to ensure all specifications are on track. Continuous monitoring of the contracting process has been emphasized in many cases as a proactive measure for working towards a timely contract closeout process (USMC, 2016c).
12. The RCO has further responsibilities in compliance with FAR Section 8.4 on contract specifications; FAR Chapter 12 dealing with commercial

transactions; Chapter 13 on government contracts and Chapter 16 contract modifications. This implies that the RCOs have primary legal and institutional responsibility for any delayed contract closeout process (USMC, 2016c).

#### **D. PARTICIPANTS AND ORGANIZATIONAL STRUCTURE**

The success of contract closeout hinges on the initial actions of the stakeholders within the administration (GAO, 2013). The MCINCR-RCO has a very detailed organization structure, which also indicates the contracting office and its participants. A director heads the organization, supported by a deputy director. Below these two are four branch chiefs; each chief is responsible for their own buying teams. Additionally, the director oversees the work of the procurement chief, management analysts, branch chiefs, metric analysts, and quality assurance (USMC, 2017). The following figure illustrates the participants in the MCINCR-RCO organizational structure:



# Current Organization

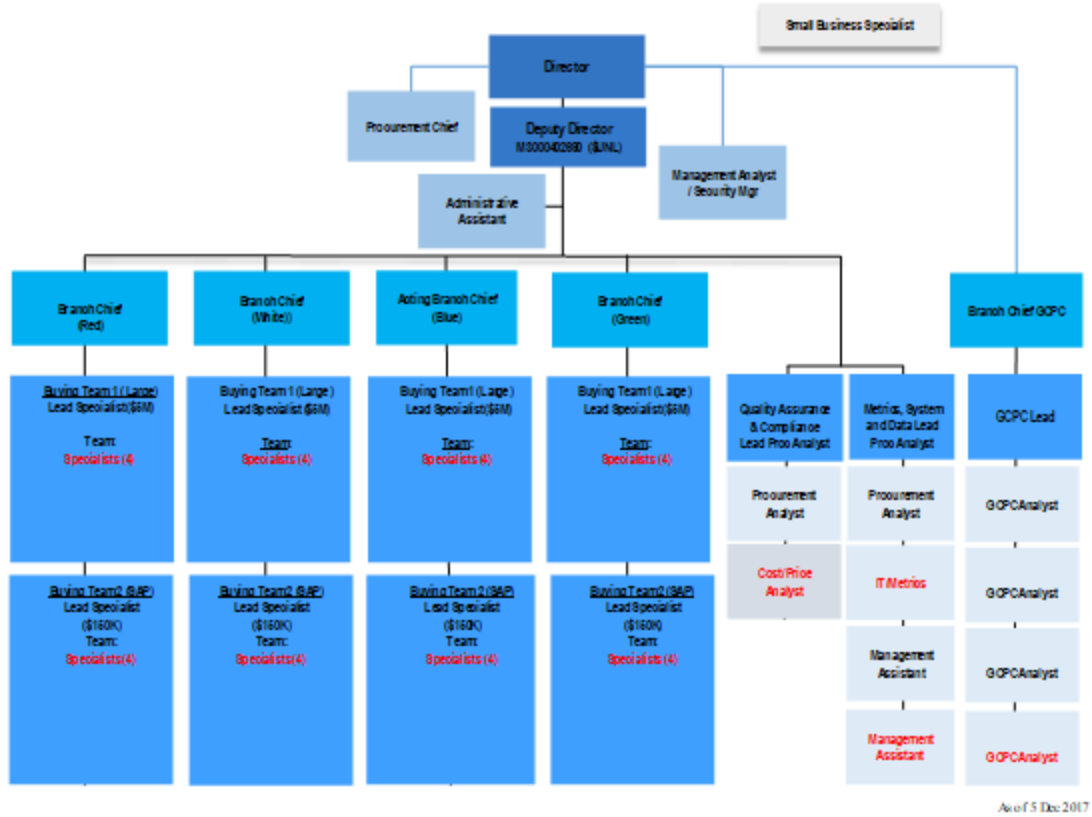


Figure 1. Marine Corps RCO Organizational Structure.  
Source: U.S. Marine Corps, 2017

The participants are illustrated within the MCINCR-RCO organizational structure. The MCINCR-RCO administers contracts with multiple participants, and operations need clarity in terms of responsibility and time lines so that the closeout phase also runs smoothly (USMC, 2016b). As indicated in the earlier phases of contracting, the participants in the MCINCR-RCO structure append their signature as indication of liability for performance that is tracked at every step (USMC, 2016d). This is crucial so that when payments for the contracts are done during the closeout stages there is value for money. The MCINCR-RCO undertakes similar strict procedures for contracting including the closeout phase. When closing out a contract, various amounts of

documentation is processed that the parties fill in as the sign of termination of official procedures (USMC, 2016b, 2016c, 2016d).

**E. INTERVIEW AND DATA FINDINGS FROM THE MANAGEMENT OF CONTRACT CLOSEOUT DEFENSE THREAT REDUCTION AGENCY (DTRA)**

There were questions asked and answers provided from DTRA, who also recommend a closeout team. Contract closeout was not officially established within DTRA until a financial officer was unable to reconcile their obligation records and a contractor went unpaid, which happened somewhere around 2000 or 2001. A service contract for contract closeout support was initiated in 2001. Most departments were mainly focused on pre-award file maintenance and due to the loss of ownership once a contract was physically complete, acquisition agencies were encouraged to implement procedures that would ensure the complete closure of a contract file. (See Appendix C).

Currently, DTRA spends approximately \$600K on a support contract for closeout annually. There are anywhere between 100 to 500 closeouts accomplished each year. The amount of money saved from contracting support is unclear and the interviewee believes that these positions should be staffed by a government employee. (See Appendix C).

According to the interviewee, contract closeout takes a very long time due to the closeout process, which can vary from very simple in the case of a Firm Fixed Price (FFP) supply order using simplified acquisition procedures, to very complex and convoluted, such as in the case of a multiple year cost reimbursement contract. The acquisition process from pre to post to closeout requires coordination from all parties that put the procurement together. DTRA's closeout team comprises the contracting office, the finance office, the program office, and the contractor. Without all these key players within the team, closeout would be a nightmare for the agency. (See Appendix C).

**F. INTERVIEW AND DATA FINDINGS FROM THE MANAGEMENT OF CONTRACT CLOSEOUT THE MCINCR-RCO**

Currently, the MCINCR-RCO has about 4000 contracts that need to be closed out. In terms of guidelines and procedures that are utilized for contract closeouts, there is a

process of verifying that all administrative matters are concluded on a contract that is otherwise physically complete (FAR, 2009). This includes verification that the seller has delivered the required supplies or performed the required services, and the buyer has inspected and accepted the supplies or services (FAR, 2009). There must be additional compliance to the following: FAR 4.804 and 4.805; Defense Federal Acquisition Regulation Supplement (DFARS) 204.804; Procedures, Guidance, and Information (PGI) 204.804; Master Acquisition Planning Program (MAPP) 4.802 and 4.805; Navy Marine Corps Acquisition Regulation Supplement (NMCARS) 5204.805; Department of Defense Financial Management Regulation (DoD FMR) 7000.14-R Volume 3; Chapter 8; The Defense Logistics Manual, 4000.25 Volume 7, Contract Administration, Chapter 4, Contract Completion Status Reporting online; MCINCR-RCO-SOP-16-004, viz. SOPs for Establishment of Contract Files. (See Appendix C).

There is no contract closeout team or dedicated PCO/ACO/Contract Specialist (CS) in place at or set up by MCINCR-RCO. The entire closeout process is managed by the Policy, Procedures, Quality, and Metrics (PPQM) branch. The Marine Corps Acquisition Procedure Supplement (MAPS) process differs from other DoD agency closeout processes because it tailors its policies and regulations in accordance with the Marine Corps assets, resources, and mission. Other agencies have more resources to assist with the closeout process and more resources to store files until destruction. (See Appendix C).

This affects contracts requiring closeout, as it requires the contracting specialist to work requirements “cradle to grave.” There is no separate closeout section. Therefore, it is the responsibility of the contract specialist to not only do pre-award, but also conduct post award to include close out. The impact is that the closeout process is often forgotten due to the focus on execution and obligation. The MCINCR-RCO has a significant contract closeout backlog due to lack of personnel, resources, and focus on execution and obligation. (See Appendix C).

In the contract closeout process for the MCINCR-RCO, a report is initiated in the contract writing system viz. Procurement Desktop-Defense (PD2) to identify contracts ready to be closed. The report is sent to all the respective branches. At that time, the

Branch Chiefs should pull those files from the file room and have the contract specialist closeout the file. The process is efficient and working. However, it still comes down to time and resources. This is lacking in most cases. Therefore, there is a tremendous backlog of folders ready for closeout. (See Appendix C).

In terms of industry best practices that would help the closeout process within the MCINCR-RCO, there is need for a separate administration and closeout team responsible for modifications and closeouts. This will provide the resources to dedicate a contract specialist within the organization to strictly work closeouts. In 2015, the MCINCR-RCO contracted a vendor to assist with closeouts. The problem was that the vendor did not have access to organizations' PD; therefore, it hindered them from being able to complete the closeout process. The vendor was able to track down invoices and payments, but without access to PD2, there were issues with electronically submitting the completion form (1594) to a warranted contracting officer. Such an electronic submission would be beneficial if the vendor had access to PD2 and was able to initiate the 1594 and forward it to a warranted contract officer to close the file. Otherwise, there is limited value for this vendor hire. (See Appendix C).

Internal practices MCINCR-RCO that can be implemented to improve contract closeouts are plentiful. For example, the contract files should be kept with the contract specialist until the contract is complete and closed before sending the folder to the file room. Currently, the contract specialist turns in all files once the contract is awarded. This lead to lack of follow up, yet if the folder is with the contract specialist, it is a reminder that it needs to be closed. (See Appendix C).

The workload has an impact on the ability to adequately closeout contracts, because the MCINCR-RCO mission is to support the War Fighter. Therefore, focus is on execution. Administering contracts are mainly done if problems arise. This keeps the MCINCR-RCO in a reactive mode as opposed to being proactive. Currently, there are factors that hinder the closeout process or areas that may have been neglected. These include lack of resources, time, and the "fire and forget" mentality of awarding contracts and immediately taking them to the file room instead of keeping the folders with each contract specialist as a reminder. (See Appendix C).

The MCINCR-RCO awards contracts of which 90% are commercial FFPs ranging from \$100 to \$80 million dollars. The average number of contracts is about 1,300 per year. A lot of money goes to waste from contracts that are not closed out on time, estimated at \$1 to \$2 million dollars. There could be immense savings with a timely contract closeout incorporated into the organization. (See Appendix C).

**G. MCINCR-RCO OVER-AGE CONTRACTS THAT DO NOT ABIDE BY THE FAR STIPULATIONS ON CLOSEOUT TIMELINES**

With limited budgets to operate on, the Marine Corps has narrowed down on the contract timelines as one of the areas of expenditure that often attracts attention from the GAO and public overseers (GAO, 2012; 2013). The following table provides a breakdown of these timelines that have been adopted by relevant organizations including the MCINCR-RCO (FAR, 2009):

Table 1. Contract Closeout Timelines. Source: FAR (2009).

**TIME STANDARDS FOR CONTRACT CLOSEOUT**

<b>CATEGORY</b>	<b>CONTRACT TYPE</b>	<b>MONTHS FOLLOWING THE MONTH OF PHYSICAL COMPLETION</b>
<b>A</b>	<b>FIXED PRICE SMALL PURCHASE (25,000 AND BELOW)</b>	<b>3</b>
<b>B</b>	<b>FIRM FIXED PRICE EXCLUDING CAT A</b>	<b>6</b>
<b>C</b>	<b>COST REIMBURSEMENT (CONTRACTS REQUIRING SETTLEMENT OF INDIRECT COST OR OTHER RATES)</b>	<b>36</b>
<b>D</b>	<b>ALL OTHERS</b>	<b>20</b>

**EXCEPTIONS: A CONTRACT FILE SHALL NOT BE CLOSED OUT IF THE CONTRACT IS IN LITIGATION OR UNDER APPEAL, OR ALL TERMINATION ACTIONS HAVE NOT BEEN COMPLETED [6, Section 4-7]**

Institutions such as the Congress and Office of Management (OMB) often summon heads and managers of the Marine Corps to explain issues that seem to deviate from expected timelines or accountability standards (USMC, 2016c). For the Marine Corps to make ends meet with the budgetary constraints, it is critical for periodic review of the contracting timelines and process to eliminate wastages and unnecessary activities that seem to affect the overall performance (USMC, 2016b). This implies that the Marine Corps are required to provide explanations for all expenditures caused by delays (USMC, 2016d).

Analysis of different contracts that do not abide by the FAR stipulations on closeout timelines was undertaken. The following tables provide sampled exhibits populated with data provided by the MCINCR-RCO:

Table 2. MCINCR-RCO Contract Closures in Violation of FAR Chapter 4  
 “Category A” Regulations of fixed prices \$25,000 or less and 3  
 months maximum period to completion. Source: USMC (2017).

Contract ID Number	Award Description & Completion Status	Fixed Prices	Contract Award Date	Award Effective Date	Award Retention Date	Contract Admin Office
M00264-08-D-0006-000401	Commercial Delivery Order Modification - Full and Open	\$ 13,863.46	10-Dec-09	10-Jan-10	10-Dec-12	COMMANDING GENERAL - REG CON OFFICE NCR
M00264-08-D-0005-000301	Commercial Delivery Order Modification - Full and Open	\$ 6,430.02	30-Sep-10	30-Oct-10	30-Sep-13	COMMANDING GENERAL - REG CON OFFICE NCR
M00264-08-D-0005-000203	Commercial Delivery Order Modification - Full and Open	\$ 20,129.58	30-Sep-09	30-Oct-09	30-Sep-12	COMMANDING GENERAL - REG CONT OFFICE NE

Table 3. MCINCR-RCO Contract Closures in Violation of FAR Chapter 4 “Category B” Regulations of fixed prices above \$25,000 and 6 months maximum period to completion. Source: USMC (2017).

Contract ID Number	Award Description & Completion Status	Fixed Prices	Contract Award Date	Award Effective Date	Award Retention Date	Contract Admin Office
M00264-08-D-0007-000402	PO/DO Mod – Full and open	\$166,988.58	31-May-09	30-Nov-09	31-Aug-15	COMMANDING GENERAL - REG CONT OFFICE NE
M00264-08-D-0007-000207	PO/DO Mod - Full and open	\$4,144,660.03	17-Jul-10	17-Jan-11	17-Oct-16	COMMANDING GENERAL - REG CONT OFFICE NE
M00264-08-D-0007-000504	PO/DO Mod – Full and open	\$599,769.22	6-Feb-10	6-Aug-10	6-May-16	RCO-NE2010 HENDERSON RDLOTHRIDGE, JAMES

Table 4. All other MCINCR-RCO Contract Closures in Violation of FAR Chapter 4 “Category C” seeking cost reimbursement from indirect rates up to 36 months maximum period to completion. Source: USMC (2017).

Contract ID Number	Award Description	Fixed Prices	Contract Award Date	Award Effective Date	Award Retention Date	Contract Admin Office
M00264-08-D-0001-001906	Correct Mod 0005CLIN 0006AA	\$93,798,638.00	30-Nov-11	30-May-12	28-Feb-18	



Table 5. All other MCINCR-RCO Contract Closures in Violation of FAR Chapter 4 “Category D” up to 20 months maximum period to completion. Source: USMC (2017).

Contract ID Number	Award Description	Fixed Prices	Contract Award Date	Award Effective Date	Award Retention Date	Contract Admin Office
M00264-15-C-1031-P00002	Extend POP – Full and open	\$338,118.53	16-Sep-16	16-Mar-17	16-Dec-22	COMMANDING GENERAL - REG CON OFFICE NCR
M00264-15-C-1013-P00001	Commercial Award Modification – Full and open	\$2,701,464.48	7-Jul-16	7-Jan-17	7-Oct-22	2010 HENDERSON RD CYNTHIA VASS-LASSITER
M00264-15-C-1014-P00002	Add Security Clause – Full and open	\$1,303,159.32	19-Jul-16	19-Jan-17	19-Oct-22	COMMANDING GENERAL - REG CON OFFICE NCR

Table 6. MCINCR-RCO Contract Closures in delayed due to ongoing litigation process as defined by FAR Chapter 6 Section 4 -7. Source: USMC (2017).

Contract ID Number	Award Description	Disputed fixed prices under litigation / arbitration	Contract Award Date	Award Effective Date	Award Retention Date	Contract Admin Office
M00264-15-C-1026-P00006	\$6,415,181.40 - Commercial Award Modification – Full and open	\$2,684,463.58	29-Sep-16	29-Mar-17	29-Dec-22	RCO-NCR, MCB QUANTICO
M00264-15-C-1024	\$3,997,104.48 - Commercial Contract Award – Full and open	\$363,009.24	29-Sep-16	29-Mar-17	29-Dec-22	COMMANDING GENERAL - REG CON OFFICE NCR
M00264-15-C-1020-P00001	\$383,488.08 - Commercial Award Modification – Full and open	\$6,784.08	16-May-16	16-Nov-16	16-Aug-22	COMMANDING GENERAL - REG CON OFFICE NCR

## **H. CHAPTER SUMMARY**

This chapter presented contract management data from Marine Corps (USMC, 2017). Over the years, there has been a lot of internal and external interest in Marine Corps' contracts, including allegations of insider bidding and favoritism (USMC, 2016b). Such flaws could compromise the performance and delivery of contract and the Marine Corps management must curtail the same. It is critical for contracts to run through the entire life circle so that the closeout process can be successful (GAO, 2013).

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## **IV. DISCUSSION OF FINDINGS AND RESULTS**

### **A. INTRODUCTION**

The previous chapter highlighted the only two successful interviews that were consented to for this thesis. The first is from DTRA and the other is MCINCR-RCO, which also provided contract data in excel format. This chapter covers discussion and analysis of contract management data from the Marine Corps and different literature perspectives (USMC, 2017).

### **B. ANALYSIS**

The primary question is this: Does the MCINCR-RCO have an existing process that is capable of handling current and backlogged contract closeouts? From the literature and available raw data from MCINCR-RCO, there is overwhelming evidence of delays in contract closeout. The data analysis specifically captures MCINCR-RCO violations contrary to FAR Part 4. From the interviews, there are mixed reasons for these delays including differences in understanding on the part of MCINCR-RCO and the contractor regarding who should take responsibility (USMC, 2016b, c). Other oversight bodies whose laxity also contributes to the delays in contract closeout are the DCAA, the MCINCR-RCO's lack of internal management systems, and lack of follow up by the ACO (GAO, 2013).

In support of the primary question, the following secondary research questions were addressed:

According to the FAR, how should contract closeout be accomplished?

A critical analysis of FAR Part 4 indicates lack of consequences experienced by contractors who violate the closeout period as defined in the various sections. This is perhaps the biggest predictor of the attitude of contractors not complying with the set timelines because FAR Part 4 is weak in enforcements such as fines or other appropriate sanctions aimed at contracting parties (FAR, 2009). The GAO should mirror the

sanctions similar to those imposed by the private sector, where delays have serious financial consequences that force contract parties to stay in schedule.

What are the current policies and procedures at the MCINCR-RCO?

As far as closeout delays regarding invoice cost modification are concerned, there are several efforts by the contract parties to negotiate these. However, from the data provided by MCINCR-RCO, it is a common practice by the contracting office to extend the closeout period by over 20–24 months to allow for amicable solutions (USMC, 2017). This practice does not however shield the contracting process from negative impact earlier cited in the literature review as consequences of contract closeout delays. Overall, the literature identifies the different antecedences of closeout delays as parties waiting for the final invoice, pending clarifications on the resource rates and costs, and lack of reasons by the contractor. Other reasons include delays due to the contractor waiting for ACO approval, an impending final audit, lack of financial resources, and problems associated with subcontractors. The two agencies whose representatives were interviewed in this study obviously engage subcontractors periodically and there is high probability these problems affect their closeout stages as well (USMC, 2017).

What factors contribute to untimely contract closeout?

The data from MCINCR-RCO indicates that there are contracts that are currently heading towards closeout delays because the parties are yet to agree on the actual cost of delivery (USMC, 2017). Other contracts are under litigation and appear to adopt this method as the alternative to the specifications in FAR Part 4 and relevant sections. Some contracts whose delivery is completed by closeout period could face difficulty litigating because the contractor earlier indicated confidence and qualification of meeting requirements. Therefore, where there are shortages of the preferred materials and contract opts to substitute, the closeout process is delayed as the contracting offices seek more approval (United States Congress Senate Committee on Appropriations, 2008).

What best practices are other DoD agencies utilizing related to the contract closeout process that would be beneficial to the MCINCR-RCO?

The unique situation arising from the engagement of subcontractors is the need for a closeout within a closeout at MCINCR-RCO. Therefore, the main MCINCR-RCO contractor must first closeout the subcontractor before submitting a request to the organization that issued the primary contract (FAR, 2009). Thus, when issues like disagreement about unforeseen rates or costs arise with the subcontractors, the main contractor must first resolve these, whether through arbitration, litigation, or other agreeable alternative means (Rendon, 2011). Additionally, where the organization or government provides the funding in general and the MCINCR-RCO contractor must come in with their own resources to avert delays, there should be interest free clauses (FAR, 2009). This is to reduce need for adjustment to modification of contract fixed costs, which often leads to disputes (GAO, 2013).

### **C. CHAPTER SUMMARY**

This chapter has covered the key contracting procedures, laws, and regulations that MCINCR-RCO organization must adhere to, towards contract closeout. Ordinarily, the contract closeout activities commence when the last phase of the project has been delivered according to the specifications of the contract and payment for the same. However, there are myriad tasks that must be accomplished if the contracting process by the MCINCR-RCO is to be successful. Extensive documentation of these contract closeout activities is normally undertaken, and these are stored for purposes of due diligence or in case of dispute arbitration. Overall, the MCINCR-RCO have different contracts in their installation requirements and this implies that the closeout procedures may differ in some cases (USMC, 2016a, 2016b, 2016c, 2016d).

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## **V. SUMMARY, CONCLUSION AND RECOMMENDATIONS.**

### **A. SUMMARY**

The large numbers of delayed contract closeouts by MCINCR-RCO are an indication of lack of proper internal audits to flag these problems and commence the process of addressing the same systematically. FAR Part 4 has some guidelines on how to address the closeout problems, and there is indication of internal challenges at MCINCR-RCO, which require multi-agency input. Additionally, the ACO has a critical role in advising the MCINCR-RCO on ways of achieving an efficient contract closeout process (USMC, 2016a, 2016b, 2016c, 2016d).

When contracts have been delivered but are awaiting closeout for indefinite periods of time, there are some administrative costs incurred by either party (Chang et al., 2012). The contractor might have to employ and retain some supervisors to review contract details, while the organization must do the same in oversight (Brandmeier & Rupp, 2010). This issue is a major concern especially when there are movable assets and the process of controlling the same can stretch available human resources either way (Puma & Scher, 2009). When organizations have several of such control problems, there will arise a need for longer closeout times, because the handing over must be free of any mistakes (Rendon, 2008).

### **B. CONCLUSIONS**

Whenever organizations like the MCINCR-RCO undertake different contracts, there are some common perceptions that delays in closeout process border on unethical activities (GAO, 2012). Likewise, when completed MCINCR-RCO contracts have delayed closeout, it is important to undertake a review of the process to undertake preemptive corrective action ahead of future contracts in a timely manner. This is evident in some Congressional proceedings going by the line of questions posed (United States Congress Senate Committee on Appropriations, 2008). Additionally, if MCINCR-RCO contract closeout is fast tracked, there will be no insinuation of kickback payments to the contractors from the management as an act of fraud (USMC, 2016b, 2016c, 2016d).



The integrity of the MCINCR-RCO contract is of paramount importance and must meet industry standards (Garrett & Rendon, 2005). However, when there are delays in MCINCR-RCO contract closeout, part of the value may be lost, such as when the asset depreciates (Commission on Army Acquisition and Program Management in Expeditionary Operations, 2007). Whereas some MCINCR-RCO contractors have been paid in full for the work done, delayed contract closeout denies them opportunity to demonstrate to future organizations requiring similar goods and services that they are effective in their administrative procedures (Cohen & Eimicke, 2008). This matter is a serious legal concern since many MCINCR-RCO contracts often specify the need for experience from bidding contractors to demonstrate their integrity and ability to deliver (Cullen, 2009). Such closeout delays do not provide clarity to prospective MCINCR-RCO contract providers regarding whose fault it was in previous undertakings (DoD IG, 2013).

### **C. RECOMMENDATIONS**

Various recommendations arise from the literature and data gaps highlighted in the study of MCINCR-RCO management of contract closeout activities. The contract closeout data from MCINCR-RCO indicate multiple violations of guidelines per FAR. Therefore, the MCINCR-RCO must make a dedicated effort to closeout all backlogged contracts. The sheer numbers of the MCINCR-RCO delays in contract closeout process indicate that the process is overwhelming management because there are outstanding and new initiatives running simultaneously. Therefore, MCINCR-RCO must develop a tracking system to monitor contract closeout from physical completion through final payment.

The growing numbers of delayed contract closeouts is an indication that MCINCR-RCO is yet to establish a focus group or team for dealing with the problem. Therefore, MCINCR-RCO must establish a separate closeout function within the organization that emphasizes the importance of contract closeout. Additionally, MCINCR-RCO should utilize contractor support to accomplish contract closeout due to limited internal resources. In which case, the MCINCR-RCO contract specialist must

continue to work with the contractor through physical completion under “cradle-to-grave” contract administration, including follow-up with the dedicated closeout team from closeout completions.

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**APPENDIX A. RESEARCH TIMELINE  
AND PROCESS DESCRIPTION**

Milestone Due	Date, Quarter
Project Approval	January 2018, AY18 Q1
Literature Review/Background	January 2018, AY18 Q1
Collection of Data	February 2018, AY18 Q1
Analysis of Data	March 2018, AY18 Q1
Conclusions/Recommendations	March 2018, AY18 Q1
Introduction	March 2018, AY18 Q1
Draft Report	May 2018, AY18 Q2
Final Report	June 2018, AY18 Q2

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## **APPENDIX B. FAR SUBPART 4.8—GOVERNMENT CONTRACT FILES**

This subpart prescribes requirements for establishing, maintaining, and disposing of contract files.

### **1. 4.801 General.**

(a) The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions.

(b) The documentation in the files (see 4.803) shall be sufficient to constitute a complete history of the transaction for the purpose of—

(1) Providing a complete background as a basis for informed decisions at each step in the acquisition process;

(2) Supporting actions taken;

(3) Providing information for reviews and investigations; and

(4) Furnishing essential facts in the event of litigation or congressional inquiries.

(c) The files to be established include—

(1) A file for cancelled solicitations;

(2) A file for each contract; and

(3) A file such as a contractor general file, containing documents relating—for example—to—

(i) No specific contract;

(ii) More than one contract; or

(iii) The contractor in a general way (e.g., contractor's management systems, past performance, or capabilities).

### **2. 4.802 Contract files.**

(a) A contract file should generally consist of—

(1) The contracting office contract file that documents the basis for the acquisition and the award, the assignment of contract administration (including payment responsibilities), and any subsequent actions taken by the contracting office;

(2) The contract administration office contract file that documents actions reflecting the basis for and the performance of contract administration responsibilities; and

(3) The paying office contract file that documents actions prerequisite to, substantiating, and reflecting contract payments.

(b) Normally, each file should be kept separately; however, if appropriate, any or all of the files may be combined; e.g., if all functions or any combination of the functions are performed by the same office.

(c) Files must be maintained at organizational levels that ensure—

(1) Effective documentation of contract actions;

(2) Ready accessibility to principal users;

(3) Minimal establishment of duplicate and working files;

(4) The safeguarding of classified documents; and

(5) Conformance with agency regulations for file location and maintenance.

(d) If the contract files or file segments are decentralized (e.g., by type or function) to various organizational elements or to other outside offices, responsibility for their maintenance must be assigned. A central control and, if needed, a locator system should be established to ensure the ability to locate promptly any contract files.

(e) Contents of contract files that are contractor bid or proposal information or source selection information as defined in 2.101 must be protected from disclosure to unauthorized persons (see 3.104-4).

(f) Agencies may retain contract files in any medium (paper, electronic, microfilm, etc.) or any combination of media, as long as the requirements of this subpart are satisfied.

### **3. 4.803 Contents of contract files.**

The following are examples of the records normally contained, if applicable, in contract files:

(a) Contracting office contract file.

(1) Purchase request, acquisition planning information, and other pre-solicitation documents.

(2) Justifications and approvals, determinations and findings, and associated documents.

(3) Evidence of availability of funds.

- (4) Synopsis of proposed acquisition as required by Part 5 or a reference to the synopsis.
- (5) The list of sources solicited, and a list of any firms or persons whose requests for copies of the solicitation were denied, together with the reasons for denial.
- (6) Set-aside decision including the type and extent of market research conducted.
- (7) Government estimate of contract price.
- (8) A copy of the solicitation and all amendments thereto.
- (9) Security requirements and evidence of required clearances.
- (10) A copy of each offer or quotation, the related abstract, and records of determinations concerning late offers or quotations. Unsuccessful offers or quotations may be maintained separately, if cross-referenced to the contract file. The only portions of the unsuccessful offer or quotation that need be retained are—
  - (i) Completed solicitation sections A, B, and K;
  - (ii) Technical and management proposals;
  - (iii) Cost/price proposals; and
  - (iv) Any other pages of the solicitation that the offeror or quoter has altered or annotated.
- (11) Contractor's representations and certifications (see 4.1201(c)).
- (12) Pre-award survey reports or reference to previous pre-award survey reports relied upon.
- (13) Source selection documentation.
- (14) Contracting officer's determination of the contractor's responsibility.
- (15) Small Business Administration Certificate of Competency.
- (16) Records of contractor's compliance with labor policies including equal employment opportunity policies.
- (17) Data and information related to the contracting officer's determination of a fair and reasonable price. This may include—
  - (i) Certified cost or pricing data;
  - (ii) Data other than certified cost or pricing data;
  - (iii) Justification for waiver from the requirement to submit certified cost or pricing data;or
  - (iv) Certificates of Current Cost or Pricing Data.



- (18) Packaging and transportation data.
- (19) Cost or price analysis.
- (20) Audit reports or reasons for waiver.
- (21) Record of negotiation.
- (22) Justification for type of contract.
- (23) Authority for deviations from this regulation, statutory requirements, or other restrictions.
- (24) Required approvals of award and evidence of legal review.
- (25) Notice of award.
- (26) The original of—
  - (i) The signed contract or award;
  - (ii) All contract modifications; and
  - (iii) Documents supporting modifications executed by the contracting office.
- (27) Synopsis of award or reference thereto.
- (28) Notice to unsuccessful quoters or offerors and record of any debriefing.
- (29) Acquisition management reports (see subpart 4.6).
- (30) Bid, performance, payment, or other bond documents, or a reference thereto, and notices to sureties.
- (31) Report of post-award conference.
- (32) Notice to proceed, stop orders, and any overtime premium approvals granted at the time of award.
- (33) Documents requesting and authorizing modification in the normal assignment of contract administration functions and responsibility.
- (34) Approvals or disapprovals of requests for waivers or deviations from contract requirements.
- (35) Rejected engineering change proposals.
- (36) Royalty, invention, and copyright reports (including invention disclosures) or reference thereto.
- (37) Contract completion documents.

- (38) Documentation regarding termination actions for which the contracting office is responsible.
- (39) Cross-references to pertinent documents that are filed elsewhere.
- (40) Any additional documents on which action was taken or that reflect actions by the contracting office pertinent to the contract.
- (41) A current chronological list identifying the awarding and successor contracting officers, with inclusive dates of responsibility.
- (42) When limiting competition, or awarding on a sole source basis, to economically disadvantaged women-owned small business (EDWOSB) concerns or women-owned small business (WOSB) concerns eligible under the WOSB Program in accordance with subpart 19.15, include documentation—
  - (i) Of the type and extent of market research; and
  - (ii) That the NAICS code assigned to the acquisition is for an industry that SBA has designated as—
    - (A) Underrepresented for EDWOSB concerns; or
    - (B) Substantially underrepresented for WOSB concerns.
- (b) Contract administration office contract file.
  - (1) Copy of the contract and all modifications, together with official record copies of supporting documents executed by the contract administration office.
  - (2) Any document modifying the normal assignment of contract administration functions and responsibility.
  - (3) Security requirements.
  - (4) Certified cost or pricing data, Certificates of Current Cost or Pricing Data, or data other than certified cost or pricing data; cost or price analysis; and other documentation supporting contractual actions executed by the contract administration office.
  - (5) Pre-award survey information.
  - (6) Purchasing system information.
  - (7) Consent to subcontract or purchase.
  - (8) Performance and payment bonds and surety information.
  - (9) Post-award conference records.

- (10) Orders issued under the contract.
- (11) Notice to proceed and stop orders.
- (12) Insurance policies or certificates of insurance or references to them.
- (13) Documents supporting advance or progress payments.
- (14) Progressing, expediting, and production surveillance records.
- (15) Quality assurance records.
- (16) Property administration records.
- (17) Documentation regarding termination actions for which the contract administration office is responsible.
- (18) Cross reference to other pertinent documents that are filed elsewhere.
- (19) Any additional documents on which action was taken or that reflect actions by the contract administration office pertinent to the contract.
- (20) Contract completion documents.
- (c) Paying office contract file.
  - (1) Copy of the contract and any modifications.
  - (2) Bills, invoices, vouchers, and supporting documents.
  - (3) Record of payments or receipts.
  - (4) Other pertinent documents.

**4. 4.804 Closeout of contract files.**

**4.804-1 Closeout by the office administering the contract.**

- (a) Except as provided in paragraph (c) of this section, time standards for closing out contract files are as follows:
  - (1) Files for contracts using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulations.
  - (2) Files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion.

(3) Files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the contracting officer receives evidence of physical completion.

(4) Files for all other contracts should be closed within 20 months of the month in which the contracting officer receives evidence of physical completion.

(b) When closing out the contract files at 4.804-1(a)(2), (3), and (4), the contracting officer shall use the closeout procedures at 4.804-5. However, these closeout actions may be modified to reflect the extent of administration that has been performed. Quick closeout procedures (see 42.708) should be used, when appropriate, to reduce administrative costs and to enable deobligation of excess funds.

(c) A contract file shall not be closed if—

(1) The contract is in litigation or under appeal; or

(2) In the case of a termination, all termination actions have not been completed.

**4.804-2 Closeout of the contracting office files if another office administers the contract.**

(a) Contract files for contracts using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulation.

(b) All other contract files shall be closed as soon as practicable after the contracting officer receives a contract completion statement from the contract administration office. The contracting officer shall ensure that all contractual actions required have been completed and shall prepare a statement to that effect. This statement is authority to close the contract file and shall be made a part of the official contract file.

**4.804-3 Closeout of paying office contract files.**

The paying office shall close the contract file upon issuance of the final payment voucher.

**4.804-4 Physically completed contracts.**

(a) Except as provided in paragraph (b) of this section, a contract is considered to be physically completed when—

- (1)(i) The contractor has completed the required deliveries and the Government has inspected and accepted the supplies;
  - (ii) The contractor has performed all services and the Government has accepted these services; and
  - (iii) All option provisions, if any, have expired; or
- (2) The Government has given the contractor a notice of complete contract termination.
- (b) Rental, use, and storage agreements are considered to be physically completed when—
- (1) The Government has given the contractor a notice of complete contract termination;
  - or
  - (2) The contract period has expired.

**4.804-5 Procedures for closing out contract files.**

- (a) The contract administration office is responsible for initiating (automated or manual) administrative closeout of the contract after receiving evidence of its physical completion. At the outset of this process, the contract administration office must review the contract funds status and notify the contracting office of any excess funds the contract administration office might deobligate. When complete, the administrative closeout procedures must ensure that—
- (1) Disposition of classified material is completed;
  - (2) Final patent report is cleared. If a final patent report is required, the contracting officer may proceed with contract closeout in accordance with the following procedures, or as otherwise prescribed by agency procedures:
    - (i) Final patent reports should be cleared within 60 days of receipt.
    - (ii) If the final patent report is not received, the contracting officer shall notify the contractor of the contractor's obligations and the Government's rights under the applicable patent rights clause, in accordance with 27.303. If the contractor fails to respond to this notification, the contracting officer may proceed with contract closeout upon consultation with the agency legal counsel responsible for patent matters regarding the contractor's failure to respond.
  - (3) Final royalty report is cleared;

- (4) There is no outstanding value engineering change proposal;
  - (5) Plant clearance report is received;
  - (6) Property clearance is received;
  - (7) All interim or disallowed costs are settled;
  - (8) Price revision is completed;
  - (9) Subcontracts are settled by the prime contractor;
  - (10) Prior year indirect cost rates are settled;
  - (11) Termination docket is completed;
  - (12) Contract audit is completed;
  - (13) Contractor's closing statement is completed;
  - (14) Contractor's final invoice has been submitted; and
  - (15) Contract funds review is completed and excess funds deobligated.
- (b) When the actions in paragraph (a) of this subsection have been verified, the contracting officer administering the contract must ensure that a contract completion statement, containing the following information, is prepared:
- (1) Contract administration office name and address (if different from the contracting office).
  - (2) Contracting office name and address.
  - (3) Contract number.
  - (4) Last modification number.
  - (5) Last call or order number.
  - (6) Contractor name and address.
  - (7) Dollar amount of excess funds, if any.
  - (8) Voucher number and date, if final payment has been made.
  - (9) Invoice number and date, if the final approved invoice has been forwarded to a disbursing office of another agency or activity and the status of the payment is unknown.
  - (10) A statement that all required contract administration actions have been fully and satisfactorily accomplished.
  - (11) Name and signature of the contracting officer.
  - (12) Date.

(c) When the statement is completed, the contracting officer must ensure that—

(1) The signed original is placed in the contracting office contract file (or forwarded to the contracting office for placement in the files if the contract administration office is different from the contracting office); and

(2) A signed copy is placed in the appropriate contract administration file if administration is performed by a contract administration office.

**4.805 Storage, handling, and contract files.**

(a) Agencies must prescribe procedures for the handling, storing, and disposing of contract files, in accordance with the National Archives and Records Administration (NARA) General Records Schedule 1.1, Financial Management and Reporting Records. The Financial Management and Reporting Records can be found at <http://www.archives.gov/records-mgmt/grs.html>. These procedures must consider documents held in all types of media, including microfilm and various electronic media. Agencies may change the original medium to facilitate storage as long as the requirements of Part 4, law, and other regulations are satisfied. The process used to create, and store records must record and reproduce the original document, including signatures and other written and graphic images completely, accurately, and clearly. Data transfer, storage, and retrieval procedures must protect the original data from alteration. Unless law or other regulations require signed originals to be kept, they may be destroyed after the responsible agency official verifies that record copies on alternate media and copies reproduced from the record copy are accurate, complete, and clear representations of the originals. When original documents have been converted to alternate media for storage, the requirements in Table 4–1 of this section also apply to the record copies in the alternate media.

(b) If administrative records are mixed with program records and cannot be economically segregated, the entire file should be kept for the period of time approved for the program records. Similarly, if documents described in the following table are part of a subject or case file that documents activities that are not described in the table, they should be treated in the same manner as the files of which they are a part.

(c) An agency that requires a shorter retention period than those identified in Table 4-1 shall request approval from NARA through the agency's records officer.

**Table 4-1—Retention Periods**

<b>Record</b>	<b>Retention Period</b>
(1) Contracts (and related records or documents, including successful and unsuccessful proposals, except see paragraph (c)(2) of this section regarding contractor payrolls submitted under construction contracts).	6 years after final payment.
(2) Contractor's payrolls submitted under construction contracts in accordance with Department of Labor regulations (29 CFR 5.5(a)(3)), with related certifications, anti-kickback affidavits, and other related records.	3 years after contract completion unless contract performance is the subject of an enforcement action on that date (see paragraph (c)(8) of this section).
(3) Unsolicited proposals not accepted by a department or agency.	Retain in accordance with agency procedures.
(4) Files for canceled solicitations.	6 years after cancellation.
(5) Other copies of procurement file records used for administrative purposes.	When business use ceases.
(6) Documents pertaining generally to the contractor as described at 4.801(c)(3).	Until superseded or obsolete.
(7) Data submitted to the Federal Procurement Data System (FPDS). Electronic data file maintained by fiscal year, containing unclassified records of all procurements exceeding the micro-purchase threshold, and information required under 4.603.	6 years after submittal to FPDS.
(8) Investigations, cases pending or in litigation (including protests), or similar matters (including enforcement actions).	Until final clearance or settlement, or, if related to a document identified in paragraphs (c)(1) through (7) of this section, for the retention period specified for the related document, whichever is later.



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## **APPENDIX C. DETAILED INTERVIEW TRANSCRIPTS**

### **A. QUESTIONS/ANSWERS FROM OUTSIDE AGENCY - DEFENSE THREAT REDUCTION AGENCY (DTRA)**

Q- When and why did DTRA create a close out team?

A- The DTRA contracting office was established in 1998 and is the youngest contracting agency in the Department of Defense, but in a way, it is also the oldest, pre-dating the Department itself. In 1998 from a number of other entities of focus such as efforts on terrorism, our own nuclear surety, and counter proliferation, but DTRA's rich legacy extends back to the Manhattan Engineering Project that was created to develop the world's first atomic bomb during World War II. Contract closeout was not officially established until a financial officer was unable to reconcile their obligation records and a contractor went unpaid, this happened somewhere around 2000 or 2001.

Q- When was the first close out support contract initiated? Why was it needed?

A- A service contract for contract closeout support was initiated in 2001 (not certain it's before my time). Most departments were mainly focused on pre-award file maintenance and due to the loss of ownership once a contract was physically complete, acquisition agencies were encouraged to implement procedures that would ensure the complete closure of a contract file. This was especially when the Director of the agency received mail from a small business contractor not being paid for approximately fifteen months after the period of performance on an FFP/SAP contract! Contracting Officer Representatives, Program Managers, budget analyst, financial managers were unable to reconcile the obligations and needed the assistance of someone in contracting to assist them in understanding the procurement process.

Q- How much money is spent on close out annually?

A- Currently, approximately \$600K is used on a contractor support for closeout.

Q- How many closeouts are done per year?

A- Anywhere between 100 to 500. The number varies drastically due to the difficulty (lines of accounting, ACRNS, Clins, SubClins, etc.) of a contract.

Q- How much money has been saved from closing out contracts utilizing contracted support?

A- None, (my personal opinion). These positions should be inherently government positions.

Q- Who recommended a closeout team to DTRA? Why did they feel it was necessary?

A- See responses to 1 and 2 above.

Q- Where did the close out procedures come from? Besides the FAR. Interagency procedures?

A- FAR/DFAR and Contract Specialist knowledge of contracting process for FFP and for cost there is an internal SOP for Contract Specialist to follow.

Q- Would you recommend close out support for other agencies? Benefits?

A- No, due to what I have seen throughout my career in acquisition, I believe that contractors do not have the governments best interest in mind and rotate in and out way more often than not and take allot of knowledge and history with them. Therefore, turning these positions into Military or GS would provide a more stable environment, especially when it comes to the governments money/funds.

Q- Is contract closeout mandatory by PPMAP?

A- Yes, per the FAR/DFAR.

Q- Why do closeouts take a long time? Has the time decreased since the external support was put in place?

A- Contract closeout takes a very long time due to the closeout process, which can vary from very simple in the case of a firm fixed price supply order using simplified acquisition procedures to very complex and convoluted in the case of a multiple year cost reimbursement contract. The acquisition process from pre to post to closeout requires coordination from all parties that put the procurement together. The team: contracting office, the finance office, the program office, and the contractor. Without all the key players within the team closeout can be a nightmare.

Q- Would you recommend that all agencies contract closeout support? If so, why?

A- I do recommend that every agency have a closeout team, however, would highly stress the positions should be Military or GS. In order to retain the knowledge/history of all the different programs/systems utilized and to ensure the government receives everything due back to us.

## **B. QUESTIONS/ANSWERS FROM OUTSIDE AGENCY - MCINCR-RCO**

Q- Can you provide the current closeout data?

A- Currently we have approximately 4K actions that need to be closed out.

Q- What guidelines and procedures are utilized for contract closeouts?

A- Contract closeout is the process of verifying that all administrative matters are concluded on a contract that is otherwise physically complete. In other words, the seller has delivered the required supplies or performed the required services, and the buyer has inspected and accepted the supplies or services.

FAR 4.804 and 4.805

DFARS 204.804

PGI 204.804

MAPP 4.802 and 4.805

NMCARS 5204.805

DoD FMR 7000.14-R Volume 3, Chapter 8

The Defense Logistics Manual, 4000.25 Volume 7, Contract Administration, Chapter 4, Contract Completion Status Reporting, available at [http://www.dla.mil/j-6/dlmso/elibrary/manuals/dlm/dlm\\_pubs.asp](http://www.dla.mil/j-6/dlmso/elibrary/manuals/dlm/dlm_pubs.asp), and MCINCR-RCO-SOP-16-004 “Standard Operating Procedures (SOP) for Establishment of Contract Files

Q- Is there a contract closeout team in place?

A- No

Q- Dedicated PCO/ACO/CS?

A- No

Q- Who manages closeouts?

A- The Policy, Procedures, Quality, and Metrics (PPQM), Branch

Q- Why does the Marine Corps Acquisition Procedure Supplement (MAPS) differ from other DoD agency closeout processes?

A- The MAPS tailors its policies and regulations in accordance with the Marine assets, resources, and mission. Other agencies have more resources to assist with the closeout process and more resources to store files until destruction.

Q- How does it affect contracts requiring closeout?

A- It requires the contracting specialist to work requirements “cradle to grave.” In other words, we don’t have a separate closeout section. Therefore, it is the responsibility of the contract specialist to not only do pre-award, but also conduct post award to include close out. The impact is that the closeout process is often forgotten as the focus is on execution and obligation.

Q- Why does the RCO have a significant contract closeout backlog?

A- Due to lack of personnel, resources, and focus on execution and obligation.

Q- What is the contract closeout process for the RCO?

A- A report is initiated in our PD2 to identify contracts ready to be closed. The report is sent to all the Branches. At that time, the Branch Chiefs should pull those files from the file room and have the contract specialist closeout the file.

Q- Is it efficient and working?

A- The process is efficient. However, it still comes down to time and resources. Which in most cases, we lack. Therefore, we have a tremendous backlog of folders ready to close.

Q- Are there any industry best practices that you feel would help the closeout process within the RCO?

A- Industry has a separate administration and closeout team responsible for modifications and closeouts. It would be helpful to have the resources to dedicate contract specialist in the organization to strictly work closeouts.

Q- Has the RCO consider contractor support for contract closeouts?

A- About three (3) years ago we contracted a vendor to assist with closeouts. The problem was that they did not have access to our PD2. Therefore, it hindered them from being able to complete the closeout process. They were able to track down invoices and payments, but without access to PD2, they were not able to electronically submit the completion form (1594) to a warranted contracting officer.

Q- Do you think that it would be beneficial?

A- If the vendor had access to PD2 and were able to initiate the 1594 and forward it to a warranted contract officer to close the file, then yes it would be very beneficial. If not, then it is moot point to contract it out.

Q- What internal practices can you implement to improve contract closeouts?

A - I believe that FFP purchase orders should be kept with the contract specialist until the contract is complete and closed before sending the folder to the file room. Right now, the contract specialist turns in all files once the contract is awarded. This creates a fire and forget mentality. But if the folder is with the contract specialist, it is a reminder that the folder needs to be closed.

Q- Does the workload have an impact on the ability to adequately closeout contracts?

A- Yes, workload impacts the closeout process significantly.

Q- Why?

A- Our mission is to support the War Fighter. Therefore, our focus is on execution. Administering contracts are mainly done if problems arise. This keeps us in a reactive mood as oppose to being proactive.

Q- Is there anything that hinders the closeout process or areas that may have been neglected?

A- Yes, resources, time, and the “fire and forget” mentality of awarding contracts and immediately taking them to the file room instead of keeping the folders with each contract specialist as a reminder.

Q - What recommendations do you propose to improve the closeout process within the RCO?

A- I believe that FFP purchase orders should be kept with the contract specialist until the contract is complete and closed before sending the folder to the file room. Right now, the contract specialist turns in all files once the contract is awarded. This creates a fire and forget mentality. But if the folder is with the contract specialist, it is a reminder that the folder needs to be closed.

Q- What types of contracts, dollar values, etc., does the MCINCR-RCO award?

A- Ninety percent of our contracts are commercial FFP ranging from \$100 to \$80 million dollars.

Q- How many per year?

A - We average about 1,300 per year.

Q- How much money is wasted from contracts that are not closed out on time?

A- Without having the actual numbers, I would guess about \$1 to \$2 million dollars.

Q- How much money is likely to be saved/reinvested if contracts are closed out on time?

A- Without having the actual numbers, I would guess about \$1 to \$2 million dollars.



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