



OFFICE OF THE SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1000



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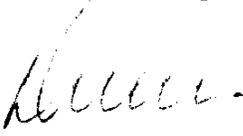
MEMORANDUM FOR DISTRIBUTION

SUBJECT: Contract Closeout - Additional Funds

Contract closeout is a Department of Defense-wide priority. Today, a significant number of contracts cannot be closed because they require additional funds. These additional funds may be required due to unanticipated events such as material and labor cost increases, schedule slips, and other technical difficulties that can occur and subsequently create imbalances between requirements and funding. We are seeking your help in focusing our efforts on contracts administered by the Military Departments and Defense Agencies, as well as those administered by the Defense Contract Management Agency. In this vein, we ask that you ensure additional funding, as required, is provided to facilitate expeditious closeout and that you personally provide management oversight of the contract closeout process.

In those instances where funds are needed to close a contract, we expect resource managers/fund holders to quickly respond to contracting officer requests for additional funds. Providing these additional funds in a timely manner clearly supports the Department's initiatives to closeout contracts. To avoid this problem in the future, greater vigilance should be focused on providing funds during contract performance, when appropriate. Pursuant to the Limitation of Cost and Limitation of Funds clauses (FAR 52.232-20, 21, and 22), contractors are required to notify contracting officers when additional funds will be needed to complete the contract and contracting officers are obligated to promptly provide additional funds or other direction to the contractor. To address these situations, a timely response from the contracting officer is essential. This helps avoid the need for additional funds at contract completion and facilitates contract closeout.

Finally, we are reviewing existing guidance to determine if any improvements are required. If you have any suggestions to improve the process, please have someone contact us. Our staff points of contact for these actions are Mr. Phil Degen for procurement and Mr. Tom Summers for financial matters. Mr. Degen can be reached at (703) 697-8334 or at Philip.degen@osd.mil and Mr. Tom Summers at summerst@osd.pentagon.mil.


Deidre A. Lee
Director, Defense Procurement
& Acquisition Policy


JoAnn R. Boutelle
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