

VOLUME 10, CHAPTER 20: “CONTRACT RECONCILIATION”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated October 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Editorial changes for clarity.	Revision

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CHAPTER 20

CONTRACT RECONCILIATION

2001 GENERAL

200101. Purpose

This chapter prescribes overall policy for contract reconciliation and the requirements necessary to maintain complete, consistent and accurate data for contract files and related entitlement and accounting records. It defines the Department of Defense (DoD) Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections timely, and maintaining appropriate supporting records.

200102. Scope

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for Anti-Deficiency Act violations, minimizes the amount of unliquidated obligations and minimizes the number and dollar value of problem disbursements. Accounting and entitlement office contract files will include the information specified in the [Federal Acquisition Regulation \(FAR\) 4.803\(c\)](#). The use of accounting classification reference numbers (ACRNs) are described in the [Defense Federal Acquisition Regulation Supplement \(DFARS\) 204.7101, 204.7103-1 and 204.7107](#) and [DFARS Procedures Guidance Information \(PGI\) 204.7107](#). Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 11.

200103. Internal Controls

Internal Controls will be incorporated into the operations of all stakeholders to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract.

2002 RESPONSIBILITIES

200201. Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of all contract reconciliations. The RCRA is responsible for reviewing the reconciliation request, determining the appropriate level of effort, setting the priority, coordinating assistance, accepting or rejecting reconciliation results, approving accepted adjustments, confirming that adjustments are posted, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation, as well as RCRA qualifications criteria, are contained in the [RCRA Guide](#).

200202. Director, Defense Finance and Accounting Service (DFAS)

The Director, DFAS, is the principal DoD executive for the finance and accounting requirements and procedures as prescribed by [DoD Directive 5118.5](#). The Director, DFAS has the following responsibilities as outlined below:

A. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences among written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses.

B. Provide entitlement and accounting system information to individuals participating in negotiating settlements.

C. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the RCRA Guide (to include RCRAAs, reconcilers and assistants). The RCRAAs will be responsible to oversee and perform reconciliations.

D. Designate qualified DFAS personnel to be trained as part of the core group and assign RCRA personnel to oversee and perform contract reconciliations.

E. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRAAs and maintain the Standard Contract Reconciliation Tool (SCRT), which is a single DoD-wide database that contains a listing of RCRAAs, core group members and contracts being reconciled. SCRT users will receive technical and maintenance support from the Helpdesk at cco-systems-support-helpdesk@dfas.mil.

200203. Enterprise Resource Planning (ERP) Systems

Heads of DoD Components utilizing ERP systems will assume responsibilities to provide data for the support and coordination of contract reconciliation functions performed under the direction of DFAS. The roles and responsibilities of DFAS and the ERP Components may change when SCRT has the capability to interface with ERPs.

200204. Reconciliation Partners

All RCRA reconciliation partners (procuring contracting officers (PCO), administrative contracting officers (ACO), resource managers, and program managers) will perform their respective or combined duties as it relates to the following:

A. Participate in contract reviews and reconciliations and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems.

B. Compare the accounting classification citations in section G, “Contract Administration Data,” of the contract with data in the entitlement and accounting systems. When discrepancies occur, the appropriate entitlement and accounting office will be notified of any significant difference(s), and the appropriate office will provide required supporting documentation.

C. Respond in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification.

D. Modify the contract to correct any disclosed discrepancies in accordance with [FAR Part 43](#).

E. Designate personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

2003 CONTRACT RECONCILIATION

200301. Reconciliation Referrals

Normally, at the end of the contract the total of funds obligated should match the total payments made to the contractor. Cost underruns, mistakes in payments, unearned incentives, or withheld fees may be some of the causes that can result in unliquidated obligations at the completion of the contract. When remaining or excess funds balances exist that cannot be explained, reconciliation is required to compare all source documents with the entitlement and accounting systems. Mechanization of Contract Administration Services (MOCAS) contracts will be forwarded to DFAS Columbus to perform reconciliations. Non-MOCAS contract reconciliations will be performed by the designated entitlement office administering payments for those contracts. See the RCRA Guide for reconciliation request information.

200302. Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review will be performed by the appropriate RCRA or designated entitlement office to determine what corrective action is needed. Recommended adjustments will be reviewed and approved by qualified personnel before distribution to the appropriate location(s) for processing. Approved adjustments will be posted in a timely manner. Reconciled records will be identified by registration in the SCRT. Any subsequent adjustment of reconciled records will be based on a reconciliation registration (see subparagraph 200305). All actions of contract reconciliation will support the timely completion of funds review, deobligation of excess funds, and contract closeout procedures found in [FAR 4.804-5](#). The related requirements for researching and correcting negative unliquidated obligations, unmatched disbursements, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

200303. Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

- A. Incomplete contract, payment, or accounting information,
- B. Insufficient funds,
- C. Progress payment balances,
- D. Possible overpayments,
- E. Unmatched disbursements, or
- F. Negative unliquidated obligations.

200304. Prioritization Concerns

DoD Components will prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High priority conditions include those that involve congressional or senior DoD management interest, prevalidation problems, insufficient funds for payment, potential [Anti-Deficiency Act](#) violations, suspected or identified overpayments, transactions with the highest dollar value, or cancelling/closing year appropriations.

200305. Registration in the Standard Contract Reconciliation Tool

Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. By registering a formal reconciliation request into the DoD contract reconciliation system, the opportunity for duplicated efforts by other DoD Components is greatly reduced or eliminated. Resources, procedural guidance, forms, and other reconciliation tools used to obtain vital information for the contract reconciliation registration process can be obtained from DFAS Columbus Accounts Payable Acquisition Contract Reconciliation Branch at CCO-Reconciliation-MailLog@DFAS.Mil. For more information on reconciliation tools used in the contract reconciliation process, refer to section 2004.

200306. Required Actions

The individual assigned to perform contract reconciliation, whether a government employee or contractor, will compare databases, research differences, identify root cause(s), and recommend adjustment(s) needed to correct differences among contract, entitlement and accounting records. Differences among systems will be researched to determine whether errors exist, where they exist, and the extent of such errors, as well as the required corrective actions. Every effort should be made to complete contract reconciliations within 90 days.

A. Contract reconciliations should include, as applicable, a review and analysis of:

1. The basic contract, including any modifications, and all obligation actions in all systems. This includes contract writing system records if an automated contract writing system was used to prepare the contract.
2. Applicable payment vouchers.
3. Contract payment system records.
4. Official accounting system(s) records for all funds on the contract.
5. Adjustments, including any collection actions or expenditure transactions, to the contract payment or accounting system(s) records that have been processed.

B. Differences that require adjustment generally are identified as:

1. Contractual documents that require correction by the ACO or PCO.
2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

C. If the accounting system records (internal adjustments) require correction and the entitlement records are correct, then a correction is required for the accounting system records to balance with the corresponding entitlement system.

D. If entitlement office system payment records require a correction and the accounting system records are correct, then a correction is required for the entitlement office payment records to balance with the corresponding accounting system.

E. If entitlement office system payment records (external adjustments) affect the accounting system records, then corrections are required by the responsible entitlement office. Entitlement office corrections must flow to the corresponding accounting system.

200307. Documentation and Review

Documents accumulated in compliance with the procedures in this chapter will be retained, made available for, and be subject to internal review and audit.

A. The DoD Component responsible for the review and acceptance of the recommended adjustments will retain adequate documentation to support any adjustment that is processed. Each completed adjustment file will include the preparer's identity, approval, and confirmation of the posting of the adjustment.

B. The retention of adjustment files by the DoD Component will be in

accordance with the financial record retention requirements in Volume 1, Chapter 9 and Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

2004 RECONCILIATION TOOLS

200401. Computer-Based Comparison Tools

The reconciliation process normally begins with a comparison among systems to identify whether there are any discrepancies. Several computer-based tools, described in the RCRA Guide, are available for use with the existing entitlement, disbursement, and accounting systems to facilitate the comparison process. Functionality and system compatibility vary from tool to tool.

200402. Standard Contract Reconciliation Tool

The most recent and comprehensive computer-based tool is the SCRT. The SCRT is the single DoD-wide registration database for contracts being reconciled. In cases where SCRT is not compatible with an accounting system, other existing tools may be used to identify discrepant conditions and aid in their resolution. Further details on SCRT capabilities and instructions for system access and use can be found in the comprehensive DFAS guide, [*“User Manual for the Standard Contract Reconciliation Tool”*](#).

2005 UNRECONCILABLE CONTRACTS

200501. Unreconcilable

A contract is unreconcilable when it has been determined by the designated RCRA, that either:

A. Existing documentation is insufficient to complete the reconciliation and additional documentation is unavailable, or

B. Any benefits to be gained by reconciliation of the contract would be exceeded by the cost of reconciliation. Factors to be considered in this analysis would include the probable size of any debt that might be identified, the probability of being able to prove an identified debt with evidence, the probability of collecting any identified debt, the effect of these accounting records on current operations, the probability of uncovering a potential Anti-Deficiency Act violation, and the probability of meaningful mitigation of any identified potential Anti-Deficiency Act violation.

200502. Insufficient Documentation

Occasionally, existing documentation is insufficient to complete the reconciliation of a contract. In performing a good faith effort to reconcile the contract, the RCRA and designated reconcilers will initiate the Request and Inspection of Documents process to obtain available documents and take all necessary actions to complete the reconciliation. When early detection of

missing documentation seems to prevent the completion of the reconciliation, the RCRA and reconcilers will continue to reconcile the contract to the extent possible.

A. Requirements for Searching Documents. The RCRA and designated reconcilers will perform an extensive and comprehensive search to find missing documentation. Results of the searches, including evidence of missing documentation (e.g., returned file requests and screen prints showing file not found), will be documented for each missing document.

1. The RCRA and reconcilers will search all available hard copy and electronic files for the missing documents. At a minimum, the search will include the Electronic Document Access (EDA) system, the Electronic Document Management (EDM) system, hard copy files, microfiche, archives, and RCRA records. The result of the searches will be documented and certified by the RCRA.

2. If documents are still missing, then records of other agencies, departments, and the contractor will be canvassed. The RCRA will send out a written request asking for assistance in locating the missing documents. This request will be sent simultaneously to:

a. The ACO. In addition to searching the ACO files, the ACO will contact the Contractor for copies of the missing documents.

b. The PCO. In addition to searching the PCO files, the PCO will contact the appropriate Program Management Office for copies of the missing documents.

c. The Resource Manager.

d. The Accounting Station.

e. Records Holding Area.

f. The designated contract reconciliation office.

3. The request will state which electronic and hard copy files have already been searched by the RCRA and the other agencies and departments also being asked to search for documents. The recipient is to search all available electronic, hard copy, and archived files not already searched by the RCRA. The recipient will respond to this request within 30 days by providing copies of found documents and stating which electronic and hard copy files were searched. If any party has not responded after 30 days, the RCRA will send the request to the closeout representative of the Component along with a copy of the request provided to the designated contract reconciliation office. Because of the age of some contracts and the significant reorganizations and base closures that have occurred within DoD, it may take some time for the Component's representative to determine the successor organization. The military service representative will respond to the RCRA within 30 days.

B. Unreconcilable Package Requirements. After exhaustive searches of all available sources for documentation have been completed and missing documentation still

prevents the completion of the reconciliation, the RCRA or reconciler will assemble a package that documents all efforts made to obtain the missing documentation. At a minimum, this package must contain:

1. A list of all missing documents,
2. Reasons why each document is required for reconciliation,
3. A list of hardcopy and electronic files searched and the results of the searches,
4. Results of requests for locating missing documentation from other departments and agencies, and
5. A statement that the contract was accurately reconciled to the extent possible with available documentation.

200503. Costs to Reconcile Exceed Benefits to be Obtained Through the Reconciliation Process

A contract may be deemed “unreconcilable” if the costs to reconcile exceed the benefits to be gained by reconciliation pursuant to paragraph 200501.B. The reconciler must prepare a package justifying the determination that the contract is unreconcilable. The package, at a minimum, must contain:

- A. A business case that documents why the costs to reconcile are expected to exceed any benefits that might result. This documentation will include an estimate of the hours and costs required to complete the reconciliation, as well as the contract dollars involved. Available contract reconciliation operational data will be used to support the estimate.
- B. Evidence of previous efforts to reconcile the contract and discuss the scope and extent of those reconciliation efforts.
- C. A rationale statement for not pursuing any missing documentation.
- D. A statement that the contract was accurately reconciled to the extent possible, but the cost of further reconciliation efforts will exceed any benefit that may result.

200504. Unreconcilable Conditions

All of the conditions in this section must be present before the contract can be determined “unreconcilable”. The appropriate contracting officer must document the following:

- A. The contract is physically complete as defined by [FAR 4.804-4](#).
- B. All known acceptance documents were obtained and entered into the entitlement system.

C. The entitlement system is annotated to indicate the availability of appropriate contracting officer's receipt and acceptance or Contractor's proof of shipment certification statements to support reconciliation when the original documents are missing. This condition applies only to contracts deemed unreconcilable due to insufficient documentation.

D. All known invoices/vouchers have been paid.

E. Unliquidated amounts do not remain on the entitlement system withhold lines.

F. Unliquidated amounts do not remain on the entitlement Work In Progress (WIP) finance line unless the contract is at DFAS for WIP reconciliation.

G. All contract debt or related disputes are resolved.

H. Any known remaining funds are annotated in the entitlement and accounting system records.

200505. Certifying a Contract as Unreconcilable

The unreconcilable package will be sent to the appropriate office for certification:

A. If the RCRA agrees that the contract is unreconcilable, then the RCRA will certify the package contains all of the required information and send it to the appropriate Director of Accounts Payable (MOCAS or Non-MOCAS contracts). The Director of Accounts Payable will review the package and certify the contract as unreconcilable. If the RCRA or the Director of Accounts Payable does not agree that the contract is unreconcilable, the RCRA will return the package to the initiator stating the reason(s) for nonconcurrence. The primary reconciler may require assistance from other reconcilers or RCRA's throughout the network to obtain information required to address the reason(s) for nonconcurrence (e.g., due to incompleteness, missing documentation, unsupported adjustments or inaccurate reconciliation).

B. The Director of Accounts Payable for other DoD Components who retain administration of their contracts will certify their contracts as unreconcilable if the conditions in 200504 and the Component policies are met. Applicable Component policies will be followed when the Component reconciliation agent does not agree that the contract is unreconcilable.

200506. Resolution of Unreconcilable Contracts

When a contract is unreconcilable, a statement will be submitted to DFAS or applicable Component confirming conditions cited under paragraph 200504 of this chapter have been documented and provided to the appropriate RCRA.

A. The appropriate Director of Accounts Payable office, in conjunction with the RCRA, will prepare a recommendation for resolving discrepancies in the entitlement and/or accounting records and forward to appropriate financial managers for concurrence.

B. If an agreement cannot be reached, the RCRA will recommend that the entitlement records be placed in an inactive status after concurrence with all appropriate DoD financial managers. No further attempts will be made to post, reconcile, adjust or correct the entitlement and accounting records. Documents will reside in a paperless repository which can be viewed by DFAS, DCMA and other authorized DoD Components. DFAS or the appropriate DoD Components will retain records in the entitlement system in accordance with Volume 5, Chapter 21.