

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

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

Substantive revisions are denoted by an **asterisk (*)** 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 **November 2017** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
200102	Clarified guidance by including contract line items based on Defense Federal Acquisition Regulation Supplement (DFARS) 204.703-1; and added a reference to DFARS 204.804, authority for streamlined contract closeout.	Revision
200202.E	Revised the Systems Support Office-Defense Finance and Accounting Service Columbus helpdesk email address.	Revision
200302	Clarified the requirement to perform a preliminary review by the Responsible Contract Reconciliation Agent when discrepancies exist within payment and accounting records, and the requirement to post adjustments in a timely manner.	Revision
200303.C	Clarified the situation in which progress payment balances could cause a condition for contract reconciliation.	Revision
2004	Clarified the purpose and function of the Standard Contract Reconciliation Tool.	Revision
2005	Deleted policy on unreconcilable contracts as this policy was superseded by the Deputy Chief Financial Officer (DCFO) policy memorandum, “National Defense Authorization Act Contract Closeout Authority (FPM 19-06),” dated May 14, 2019.	Deletion
Policy Memo	This revision incorporated relevant information from the DCFO memorandum, FPM 19-06. The procedural information from the memorandum remains available on the DCFO Financial Management Policy and Reporting web page under the “Dual Purpose Policy Memos and Other Information” section.	Revision

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CHAPTER 20

CONTRACT RECONCILIATION

2001 GENERAL

200101. Purpose

This chapter prescribes [Department of Defense \(DoD\)](#) 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 DoD Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections, and maintaining appropriate supporting records.

*200102. Authoritative Guidance

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for [Anti-Deficiency Act \(ADA\)](#) violations, minimize the amount of negative unliquidated obligations, and minimize the number and dollar value of unmatched disbursements. Paying office contract files will include the information specified in the [Federal Acquisition Regulation \(FAR\) paragraph 4.803\(c\)](#). The use of accounting classification reference numbers (ACRN) and contract line items is described in the Defense Federal Acquisition Regulation Supplement (DFARS) [204.7101](#), [204.7103-1](#), and [204.7107](#). The streamlined closeout of contract files is described in [DFARS 204.804](#) and section [2005](#). Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 9.

2002 RESPONSIBILITIES

200201. Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of 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 adjustments, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation are contained in the User Manual for the Standard Contract Reconciliation Tool ([SCRT](#)).

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 5118.05](#). The Director, DFAS has the following responsibilities:

A. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences between 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 SCRT manual (to include RCRA, reconcilers, and assistants);

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

* E. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRA and maintain the SCRT, which is a DoD-wide database that contains a listing of RCRA, core group members, and contracts being reconciled. SCRT users will receive support from the help desk at disa.global.servicedesk.mbx.application-ticket-request@mail.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 as the interfaces between SCRT and the ERPs are developed.

200204. Reconciliation Partners

All RCRA reconciliation partners (procurement contracting officers (PCOs), administrative contracting officers (ACOs), resource managers, and program managers) will perform their respective or combined duties as they relate 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 ACRNs 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](#); and

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 payments made to the contractor should match the total of funds obligated [on the contract](#). Cost underruns, payment [errors](#), 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 fund balances exist that cannot be explained, reconciliation may be 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 SCRT manual for reconciliation request [guidance](#).

*200302. Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review [must](#) 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 [must](#) 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 as prescribed in paragraph 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 subsection 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. [Un-recouped](#) progress payment balances [at or near contract completion](#);

- D. Possible overpayments;
- E. Unmatched disbursements; and
- 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, potential ADA violations, prevalidation problems, insufficient funds for payment, suspected or identified overpayments, transactions with the highest dollar value, and cancelling/closing-year appropriations.

200305. Registration in the SCRT

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 – MOCAS, Reconciliation Division at dfas.dsc.cajai.mbx.recon-maillog@mail.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 between 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 after initiation.

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;
2. Payment vouchers;
3. Contract payment system records;
4. Official accounting system(s) records for all funds on the contract;

and

5. Adjustments, including any collection actions or expenditure transactions, to the contract payment **and** 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;
and

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

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

E. If identical correcting adjustments are required by both the entitlement office payment system records and the accounting system records, then corrections (external adjustments) are required to be processed by the responsible entitlement office, and they must flow to the corresponding accounting system.

200307. Documentation and Review

Documents accumulated **during a contract reconciliation** must 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 must 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. Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

200308. 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, as discussed in Chapter 1.

***2004 RECONCILIATION TOOL**

The SCRT is a DoD-wide registration database and reconciliation tool. In cases where SCRT is not interfaced 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 SCRT.

2005 STREAMLINED CONTRACT CLOSEOUT*200501. Criteria**

In accordance with DFARS 204.804, which implemented streamlined contract closeout authority contained in the Fiscal Year (FY) 2017 and FY 2018 National Defense Authorization Acts (NDAAs), contracting officers may close out contracts or groups of contracts through issuance of one or more modifications to such contracts without completing a reconciliation audit or other corrective action in accordance with FAR 4.804-5, as appropriate, if each contract:

- A. Was entered into on a date that is at least 17 FYs before the current FY;
- B. Has no further supplies or services due under the terms of the contract; and
- C. Has been determined by a contracting official, at least one level above the contracting officer, to be not otherwise reconcilable, because:
 1. The contract or related payment records have been destroyed or lost;or
 2. Although contract or related payment records are available, the time or effort required to establish the exact amount owed to the U.S. Government or amount owed to the contractor is disproportionate to the amount at issue.

200502. Identification and Documentation

Agencies and DoD Components must partner closely to identify potential contracts for closeout under the NDAA legislative authority and must maintain a documented record of all contracts closed under the authority. The Deputy Chief Financial Officer policy memorandum, “National Defense Authorization Act Contract Closeout Authority (FPM 19-06),” dated May 14, 2019, contains critical procedural implementation guidance and can be accessed on the Office of the Deputy Chief Financial Officer/Financial Management Policy and Reporting website under [Dual Purpose Policy Memos](#) & Other Information (Common Access Card-enabled).

200503. Remaining Balances – Same Contract

Modifications issued under this authority may offset remaining contract balances with balances in other contract line items within the same contract, regardless of the year or type of appropriation obligated to fund each contract line item and regardless of whether the appropriation obligated to fund such contract line item has closed/canceled.

200504. Remaining Balances – Other Contracts

Modifications issued under this authority may offset remaining contract balances with balances on other contracts meeting the legislative criteria, regardless of the year or type of appropriations obligated to fund each contract and regardless of whether such appropriations have closed/canceled.

200505. Adjust and Close

After closeout of any contract by the issuance of a negotiated settlement modification, the payment or accounting offices concerned must adjust and close any open finance and accounting records related to the contract(s).

200506. Liability

As prescribed by Section 836 of the FY 2017 NDAA, no liability will attach to any accounting, certifying, or payment official, or any contracting officer, for any adjustments or closeouts made pursuant to the authority under the DFARS 204.804.