DEFENSE LOGISTICS MANAGEMENT SYSTEM

VOLUME 7

CONTRACT ADMINISTRATION

APRIL 24, 2012

DEPUTY ASSISTANT SECRETARY OF DEFENSE
(SUPPLY CHAIN INTEGRATION)

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VOLUME 7 – CONTRACT ADMINISTRATION

FOREWORD

I. The Defense Logistics Management System (DLMS) manual is reissued as Defense Logistics Manual (DLM) 4000.25, Defense Logistics Management System (DLMS), under the authority of DoD Instruction (DoDI), 4140.0, DoD Supply Chain Materiel Management Policy. DLM 4000.25 is composed of multiple volumes, each supporting functionally related business processes. Volume 7 prescribes DoD standard procedures, data, and transactions for the interchange of information describing Contract Administration.

II. The provisions of this manual apply to the Office of the Secretary of Defense, the Military Departments, the Joint Staff, the Combatant Commands, and Defense Agencies. The manual applies, by agreement, to external organizations conducting logistics business operations with DoD including (a) non-Government organizations, both commercial and nonprofit; (b) Federal agencies of the U.S. Government other than DoD; (c) foreign national governments; and (d) international government organizations.

III. This manual incorporates the Approved DLMS Changes (ADC) listed in the Process Change History page immediately following this Foreword. ADCs are published electronically at www.dla.mil/j-6/dlmso/elibrary/changes/approved2.asp. Recommended revisions to this manual shall be proposed and incorporated under the Process Review Committee (PRC) forum for logistics functional areas. Submit all proposed change requests through your designated DoD Component PRC representatives. The procedures are in Volume 1 Chapter 3 of this manual and at www.dla.mil/j-6/dlmso/eLibrary/Changes/processchanges.asp

IV. This Volume is approved for public release and is available electronically at www.dla.mil/j-6/dlmso/eLibrary/Manuals/dlm/dlm_pubs.asp. Use the comment form at www.dla.mil/j-6/dlmso/About/Comment/comment_form.php to contact DLA Logistics Management Standards.

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VOLUME 7 – CONTRACT ADMINISTRATION

PROCESS CHANGE HISTORY

ADC Number	Date	Change Description	Version
None			0

TABLE OF CONTENTS

VOLUME 7: CONTRACT ADMINISTRATION

C1. CHAPTER 1

INTRODUCTION

C1.1. GENERAL

 C1.1.1. Purpose. This volume provides DoD standard procedures and electronic data interchange (EDI) conventions for the interchange of post award contract data using American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 transactions.

 C1.1.2. Defense Logistics Management System (DLMS) Volume Access. Use of this volume requires simultaneous access to the DLMS Manual Volume 1 administrative items such as the list of acronyms and abbreviations, terms and definitions, and references; instructions for acquiring access to the DLMS standards data base; DLMS to Defense Logistics Standard System (DLSS) conversion guides; specific guidance that applies to all implementation conventions; and both functional and technical information that is relatively stable and applies to the DLMS as a whole.

C1.2. POLICY. The Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) provide the DoD policies governing procedures in this volume.

C1.3. APPLICABILITY. This manual applies to the Office of the Secretary of Defense, the Military Departments, the Joint Staff, the Combatant Commands, and the Defense Agencies, hereafter referred to collectively as the DoD Components. The manual applies, by agreement, to external organizations conducting logistics business operations with the Department of Defense including (a) non-Government organizations, both commercial and nonprofit; (b) Federal agencies of the U.S. Government other than DoD; (c) foreign national governments; and (d) international government organizations.

C1.4. SUPPLY PROCESS REVIEW COMMITTEE. The Supply Process Review Committee (PRC) is the forum through which the DoD Components and other participating organizations may participate in the development, expansion, improvement, maintenance, and administration of contract administration requirements for the DLMS. The chair, Supply PRC, in coordination with the Supply PRC representatives, Wide Area Workflow Program Management Office, and Director of Defense Procurement and Acquisition Policy (DPAP) is responsible for the content of this volume of the DLMS. Refer to Volume 1, Chapter 1, for a discussion of DLMS PRC functions and responsibilities.

C1.5. NONCOMPLIANCE. If reasonable attempts to obtain 1) compliance with prescribed procedures or 2) resolution of DLMS contract administration-related problems are unsatisfactory, the activity having the problem may request assistance from their DLMS Supply PRC representative. The request shall include information and

copies of all correspondence pertinent to the problem; including the transaction set number, the transaction number, and the date of the transaction involved. The representative shall take the necessary actions to resolve the issue or problem. The actions may include requesting assistance from the Supply PRC chair.

C2. CHAPTER 2

SHIPMENT NOTIFICATION

C2.1. GENERAL. This chapter prescribes standard procedures to report the shipment of supplies by vendors to the Department of Defense. These reports are either generated online in Wide Area Workflow (WAWF) or transmitted to WAWF using the 856, Advance Shipment Notice (ASN). The ASN provides an electronic receiving report to designated recipients to enable electronic processing of the receipt and acceptance of supplies. The ASN replaces the functionality of the DD Form 250, Material Inspection and Receiving Report.

C2.2. PROCEDURES.

   C2.2.1. The Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.70, Electronic Submission and Processing Payment Requests and Receiving Reports, prescribes policies and procedures for submitting and processing receiving reports in electronic form.

   C2.2.2. DFARS Appendix F, Part 3, Preparation of the Wide Area Workflow Receiving Report, prescribes instructions for the preparation of the receiving report.

   C2.2.3. The WAWF Electronic Data Interchange Implementation Guides at https://wawf.eb.mil define the structure and associated business rules for generating and transmitting the 856 ASN.

C3. CHAPTER 3

DESTINATION ACCEPTANCE REPORTING

C3.1. <u>GENERAL</u>. This chapter provides standard procedures for the receiving activity to report acceptance of materiel at destination. Activities performing acceptance at destination shall prepare and transmit an Acceptance Report (AR) either online in Wide Area Workflow (WAWF) or by transmitting the DLMS 861A, Acceptance Report to WAWF. The Defense Finance and Accounting Service (DFAS) matches the Acceptance Report to the contracts stored in the Electronic Document Access (EDA) system and to the vendor's invoice to effect payment to the vendor.

C3.2. <u>PROCEDURES</u>.

 C3.2.1. The Defense Federal Acquisition Regulation Supplement (DFARS) Appendix F, Part 3, Preparation of the Wide Area Workflow Receiving Report, prescribes instructions to prepare the receiving report to record acceptance.

 C3.2.2. The WAWF Electronic Data Interchange Implementation Guides at https://wawf.eb.mil define the structure and associated business rules for generating and transmitting the DLMS 861A, Acceptance Report to WAWF.

C4. CHAPTER 4

CONTRACT COMPLETION STATUS REPORTING

C4.1 GENERAL

    C4.1.1. Purpose. This chapter prescribes standard procedures for reporting:

        C4.1.1.1. The status of unclosed contracts subsequent to physical completion,

        C4.1.1.2. Major events leading to the closing of the contract files by the Contract Administration Office (CAO),

        C4.1.1.3. The extension of the contract closeout period by the CAO, and

        C4.1.1.4. The extension of the contract closeout period by the Purchasing Office (PO).

    C4.1.2. Scope. These reports are identified as Defense Logistics Management System (DLMS) Supplement 567C, Contract Completion Status, and primarily provide information to the PO for closing and retiring its contract files. The DLMS transactions are available on the DLA Logistics Management Standards Website www.dla.mil/j-6/dlmso/elibrary/TransFormats/140_997.asp.

    C4.1.3. Computer Formats. These procedures provide computer processable formats in lieu of hard copy documents and complement those in Federal Acquisition Regulation (FAR), 4.804-1 and the Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance and Information (PGI) 204.804-1.

    C4.1.4. Contract Completion Statements. Each CAO-issued DLMS 567C may include only one contract completion statement, unclosed contract status, or cancellation. The PO-issued DLMS 567C may include only one contract closeout extension. Multiple contract completion statements within a single DLMS 567C transmission are not permitted at this time.

C4.2. BASIS FOR CONTRACT CLOSING

    C4.2.1. Contract Face Value. The basis for closing contract files depends upon the face value of the contract and the extent of administration accorded to it.

    C4.2.2. Closeout Code. The CAO uses the conditions set forth in the contract closeout group codes to group the contracts for follow-on closing actions.

C4.3. STANDARD TIMES FOR CONTRACT CLOSING. FAR 4.804-1 prescribes the time standards for closing contracts. These standards are based on the date that the contract is physically completed and on the contract type. When the CAO closes the

contract within the time standards, it reports the closure under the procedures in section C4.4. When the CAO does not close the contract within the time standards, it reports the status under the procedures in section C4.5, until it closes the contract and finally reports it under section C4.4.

C4.4. <u>CONTRACT PAYMENT</u>. When an office other than the office with primary contract administration responsibility performs the payment function on a contract, the disbursing office shall notify the primary CAO when final payment has been made and the disbursing office file closed. The CAO shall forward the status within five workdays after expiration of the standard closing period.

C4.5. <u>CONTRACT COMPLETION STATEMENT</u>

    C4.5.1. <u>Purpose</u>. The contract completion statement is the DFARS-authorized electronic version of the <u>DD Form 1594</u>, Contract Completion Statement. It is the means by which the CAO informs the PO (or designated Automatic Data Processing (ADP) point) of the major events of physical completion, final payment, and/or closure of the CAO contract file. For all contracts, a final contract completion statement is the basis for the PO to closeout its contract file.

    C4.5.2. <u>Contract Completion Definition</u>. A contract is physically completed when,

        C4.5.2.1. For supplies and services contracts:

            C4.5.2.1.1. The contractor has completed the required deliveries of supplies and the Government has inspected and accepted such supplies, and

            C4.5.2.1.2. The contractor has performed all services and the Government has accepted such services, and all option provisions, if any, have expired, and

            C4.5.2.1.3. A notice of complete contract termination has been given to the contractor by the Government;

        C4.5.2.2. For facilities contracts and rental, use, and storage agreements, a notice of complete termination has been issued or the contract period has expired.

    C4.5.3. <u>Physical Completion of Large-Purchase Contract</u>. When a large-purchase contract such as Contract Closeout Group Code B, C, or D, is physically completed (i.e., delivered complete and the materiel or service accepted), the CAO with the primary contract administration responsibility shall forward an interim contract completion statement to the PO to report physical completion.

    C4.5.4. <u>Final Payment for Large-Purchase Contract</u>. For a large-purchase contract, Contract Closeout Group Code B, C, or D, when final payment is made and other actions completed, the CAO with primary contract administration responsibility shall send a final contract completion statement to the PO based upon physical completion, final payment, and completion of all administrative actions.

C4.5.5. <u>Unliquidated Amount</u>. The unliquidated amount is money that was obligated on the contract but not spent. In all cases, the final contract completion statement must include any unliquidated amount that remains on the contract or order after final payment has been made. The unliquidated amount is the remainder of the accumulated amounts paid, as netted by all collections, subtracted from the amount obligated on the contract by any contract modifications, and adjusted by deductions and all variance codes. The unliquidated amount shall be conveyed in the AMT data segment of the CS loop in the DLMS 576C and will appear only when an unliquidated amount remains on the contract.   The accountable activity must reclaim this money before the PO closes the contract.

C4.5.6. <u>Contract Over Payments</u>. Contract over payments can occur when the contract contains the quantity variation clause, FAR 52.211-16 Variation in Quantity, and contractors deliver a quantity within the overage quantity permitted. In this instance, the contract funding is deficient and additional funds must be obligated before the contract can be closed. The deficient funds may be cited in the AMT segment and identified by Code C in AMT03.

C4.5.7. <u>Receipt of Contract Extension Report</u>. When the CAO has received a contract completion extension report from the PO, and if the CAO had to perform an additional contract administration function, the CAO shall issue a final contract closeout statement report within five workdays after the extended closeout date. If the CAO did not have to perform additional contract administration functions after the extension transaction was issued, the contract file shall be closed and the last issued final contract completion statement will apply.

C4.6. <u>UNCLOSED CONTRACT STATUS</u>. The CAO shall send an unclosed contract status report to the PO (or designated ADP point) for each contract that will not be closed within the timeframe established in FAR 4.804-2.

C4.6.1. <u>Reason for Delay</u>. The status report shall include the reasons for delay and the target date that has been set for closing.

C4.6.2. <u>Revised Unclosed Status Report</u>. If the contract is not closed by the target date, a revised unclosed contract status report shall be sent with the new target date and reason(s) for further delay.

C4.6.3. <u>Timeframe</u>. A CAO with primary contract administration responsibility shall send the unclosed contract status report to the PO. The CAO shall forward the unclosed status report within 45 days after the expiration of the standard closing period (refer to DFARS Procedures, Guidance, and Information (PGI) 204.804-2).

C4.7. <u>CONTRACT CLOSEOUT EXTENSION</u>

C4.7.1. <u>Purpose</u>. The PO shall use the contract completed date in the contract completion statement as the closeout date for file purposes. When completion of any pending significant PO action extends beyond this closeout date, the PO shall send a

contract closeout extension notice to the CAO (or designated ADP point) advising of the extended closeout date.

C4.7.2. <u>Timeframe</u>. The PO must forward the extension to the CAO within 5 workdays after receipt of the completion statement.

C4.7.3. <u>Status</u>. The CAO shall then hold the contract open until the extended closeout date.

C4.7.4. <u>Revision of Closeout Extension</u>. The PO must ensure that when the extended closeout date is to be revised, another extension notice, with a new extended closeout date, is sent to the CAO.

C4.7.5. <u>Closure</u>. The CAO shall close the contract file when the extended closeout date is passed. If the CAO performed an additional contract administrative function, it shall issue another contract completion statement report; otherwise, the previous statement report shall remain in effect.

C4.7.6. <u>Exception to Closure</u>. A contract file shall not be closed if the contract is in litigation or under appeal; or in the case of a termination, all termination actions have not been completed. See FAR 4.804-1(c).

C4.8. <u>CANCELLATIONS</u>. Conditions may necessitate the cancellation of a contract completion status transaction. Cancellation is done by sending the Procurement Instrument Identification Number (PIIN), Supplementary Procurement Instrument Identification Number (SPIIN) (when applicable), CAO, and PO of the original transaction and a Transaction Status Indicator Code K.

C4.9. <u>FAST PAY CONTRACTS</u>. Normally, a PO receives both a shipment notice transaction and a contract completion statement transaction on each contract. On fast-pay contracts that do not exceed $25,000, however, shipment information is not required by the Army, Navy, or DLA. The Army shall use the contract completion statement both to show performance and to close the contract. The Air Force requires and receives the shipment information and a contract completion statement on fast-pay contracts.

C4.10. <u>PREPARATION OF THE DLMS 567C TRANSACTION</u>. The instructions to prepare the DLMS 567C are on the DLA Logistics Management Standards Website www.dla.mil/j-6/dlmso/elibrary/TransFormats/140_997.asp

C4.10.1. <u>Structure</u>. This transaction set contains only one table.

C4.10.2. <u>Uses</u>. As discussed in sections C4.4., C4.5., and C4.6., there are six uses of the contract completion status transaction. Each use is identified by a code in the 1/CS05/050 data element.

C4.10.2.1. <u>CAO Issuance</u>. Those issued by the CAO:

C4.10.2.1.1. The unclosed contract status (Code D);

C4.10.2.1.2. The final contract completion statement for a small purchase (Code A);

C4.10.2.1.3. The interim contract completion statement for a large purchase (Code B); and

C4.10.2.1.4. The final contract completion statement for a large purchase (Code C).

C4.10.2.2. <u>PO Issuance</u>. The transaction issued by the PO is the contract closeout extension (Code E); and

C4.10.2.3. <u>DFAS Issuance</u>.   The transaction issued by DFAS is the financial contract completion statement (Code F).

C4.10.3. <u>Name/Place Data</u>. There are two N1 data segments for names and places.

C4.10.3.1. <u>To/From Code</u>. The 1/N1/030 segment precedes the 1/CS/050 loop, and with two iterations, carries the Code FR (from) and the Code TO (to); these will be the appropriate PO and CAO that will be common to all records in a given transaction set.

C4.10.3.2. <u>Paying Office</u>. The 1/N1/120 segment in the 1/CS/050 loop will identify a paying office or a contractor when one applies to the record.

C4.10.3.3. <u>Transaction Status Code</u>. Each applicable transaction status indicator code is carried in an iteration of the 1/LQ/110 data segment. Only Codes F, J, and K may be used in this transaction set.

C4.10.3.4. <u>Cancellation Report</u>. A cancellation report is identified by the Transaction Status Indicator Code K in a 1/LQ/110 data segment. A cancellation report must be sent at least one calendar day before its replacement report. A cancellation report requires the To, the From, the PIIN, the SPIIN (if applicable), the code for the type transaction, and the cancellation code.