

Contract Closeout Business Line FISCAL YEAR 2004 – 2008 PLAN



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February 13, 2004

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Executive Summary

This Five-year Business Plan describes the operations, planning, and objectives of the Contract Closeout Business Line in the Department of Energy's (DOE) Working Capital Fund (WCF). The plan is organized according to Balanced Scorecard (BSC) planning concepts. This plan uses the trends and lessons learned from the WCF's first eight years of operation to meet DOE and Office of Management, Budget and Evaluation (OMBE) strategic goals, and describes performance measures that will result in a more efficient and more customer-oriented Business Line.

Balance Score Card Objectives:

- **Customers:** Provide competent and accurate closeout of targeted instruments.
- **Financials:** Improve the availability of funding to programs.
- **Internal Processes:** Improve contract closeout to accommodate changing contract types.
- **Learning and Growth:** Improve knowledge, skills, and abilities of staff and improve business systems.

Accomplishments:

- In FY 2003, the contract closeout business line activity resulted in the retirement of 890 expired instruments and earned revenue of \$818,560.00. It is noted that the target for FY2003 was 820. The Contract Closeout business line exceeded the target by 8.5%. The retirement of those 890 expired instruments further resulted in the deobligation of uncosted balances in the amount of \$11,569,563.00. Accordingly, there was \$17 in deobligations for each \$1 charged to customers.

Introduction

The Contract Closeout business line provides programs with services to complete the procurement activity related to each instrument. The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS). This reduces the Department's legal exposure to contractors. The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include: purchase orders, firm fixed price contracts, interagency agreements, financial assistance instruments and cost reimbursement.

Planning Process: Our objectives for improving business line performance are in line with those of OMBE and the WCF and support the Department's strategic objectives in Corporate Management. OMBE objectives are to provide the DOE with the best value and with quality products and management services. The WCF objectives are to improve the efficiency of DOE administrative services and to provide accurate full-cost budgets.

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Each year the business line updates its five-year plan using a balanced scorecard approach with objectives, performance goals to measure our success, and strategies to reach our objectives. We report progress towards these balanced scorecard objectives to the WCF Board on a quarterly and annual basis. We implement **pricing policies** that are based on the guidelines provided in the Working Capital Fund Guide to Services and Procedures 2003 (the Blue Book). This guide and other Fund related information is available at <http://www.ma.mbe.doe.gov/wcf>.

As a part of this process, training and development needs were evaluated along with management input, legislative and regulatory requirements, mission requirements, key reports and studies. An analysis of the data resulted in a determination to aggressively pursue overage instruments for retirement. This achieves regulatory requirements of the Federal Acquisition Regulation and other procurement/program mission objectives.

External regulation and partnerships: The Federal Acquisition Regulation (FAR) at Subparts 4.8, 42.3 and 42.7 address contract closeout. Contract closeout is a specific contract administration function of the Contracting Officer. The FAR sets forth time standards for closing out contract files. The contract closeout business line manager has incorporated the regulation requirements in the contract closeout process.

Resources and capabilities of the organization: There are two federal staff supported by 11 contractor staff who perform the actual contract close out.

Needs and capabilities of customers: Contract closeout is a small but integral part of the entire procurement effort provided to DOE program customers by the Office of Headquarters Procurement Services. Its value is to complete the final stage of the procurement process, competent processing in compliance with government regulations, and as a source of uncosted balances. Customers cannot provide this service themselves and rely on this business to complete the closeout actions on these instruments. Customers enjoy timely and accurate forecasts of spending and an auditable accounting of related costs.

Future competitive advantages: We are not aware of any competitive service offerings.

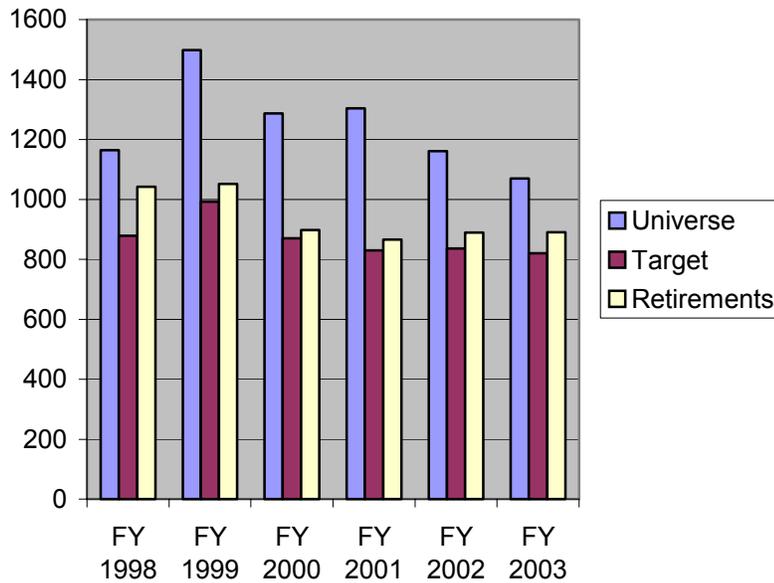
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Balance Scorecard Elements

Customer Objective: Provide competent and accurate closeout of targeted instruments, with a special focus on overage expired instruments.

The supply of contracts in closeout status is a product of the general contracting activities of program customers. For this reason, customers do not demand closeouts. Customer demand is for a competent process to complete the procurement process. We serve our customers by communicating the inventory of their contracts in closeout status, predicting their WCF funding requirements, and keeping them informed of the monthly status of closeout and uncosted balances made available as a result of the closeout. Prior to the beginning of a new fiscal year, a service agreement representing the instruments that will be targeted for retirement with each Headquarters program customer is established. Upon receipt of their advanced funding, we begin executing contract closeouts and report each month, where appropriate, progress on closeouts, uncosted balances returned to DOE, and closeout status.

Performance Goal	Performance Standard
Retire physically completed targeted instruments.	Close 100% of targeted contracts each fiscal year.



Baselines:

Data Source: PADS and CUTS **Frequency:** Monthly

Strategies for Improving Customer Satisfaction	Fiscal Year				
	2004	2005	2006	2007	2008
Negotiate with customers the number and type of contracts to be closed each year.	x	x	x	x	x
Prepare monthly status report for customers.	x	x	x	x	x

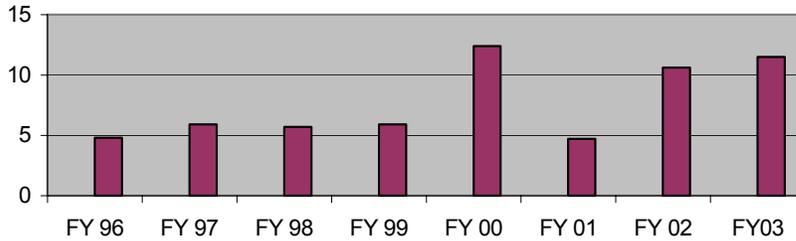
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Financial Objective: Improve the availability of funding for programs.

In FY 2003, the business line activity resulted in total contract deobligations of \$11.6 million.

Performance Goal	Performance Standard
Return uncosted balances	Return 100% of uncosted balances for retired instruments to DOE.

Baseline:



Data Source: PADS and CUTS **Frequency:** Monthly

Strategies for Improving Financial Efficiency/Accountability	Fiscal Year				
	2004	2005	2006	2007	2008
Prioritize closeouts of targeted instruments to maximize deobligations of funds.	x	x	x	x	x

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Internal Processes Objective: Improve contract closeout to accommodate changing contract types.

A contractor performs the administrative contract closeout function for Headquarters. Process improvements rely on the Contract Closeout business line staff and contractor efforts in process review, training, and improved business methods. The types of DOE instruments are changing with a trend toward more performance-based contracts, firm fixed price, labor hour and time and material contracts and task orders and fewer cost reimbursement contracts. This has had the effect of reducing overall processing time for contract closeouts.

The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the years that this activity has been a Working Capital Fund business. The inventory has decreased from 2,927 instruments in FY 1996 to 1,069 instruments by the end of FY 2003. With this reduction in the backlog of aged instruments, the contract closeout business line is operating with a manageable inventory. This was achieved through customer/supplier cooperation. Customers have agreed to finance annually the closeout of approximately the number of new instruments becoming available for closeout, stabilizing the inventory, and, as shown in the comparison of annual targets to actual retirements, the business line is meeting the targeted number of retired instruments in accordance with service agreements. Retirement of overage instruments is important to Program customers because it is required by regulation and releases uncosted balances from DOE instruments to the Department.

Performance Goal	Performance Standard
Reduce over-aged instruments	Reduce over-aged instruments by 10%

Overage Inventory			
<u>OVERAGE INSTRUMENTS</u>			
	<u>FISCAL</u>	<u>YEAR 2002</u>	<u>FISCAL</u>
	<u>YEAR 2003</u>		
BEGINNING UNIVERSE	287	256	
ADDITIONS	553	401	
RETIREMENTS	584	468	
ENDING UNIVERSE	256	189	
(-) REDUCTION / (+) INCREASE	-61	-67	
PERCENT	-11%	-26%	

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Baseline: Productivity is measured by the number of instruments actually closed versus those planned for closure during a specified time.

<u>Type of Instrument</u>	<u>Standard</u>
Purchase Order	6 hours
Firm Fixed Price	6 hours
Interagency Agreement	6 hours
Financial Assistance	11 hours
Cost Reimbursement	124 hours

Data Source: PADS and CUTS

Frequency: Monthly

Strategies for Improving Internal Processes	Fiscal Year				
	2004	2005	2006	2007	2008
Analyze changing nature of contracts and their impact on contract closeout activity	x	x	x	x	x
Negotiate productivity improvements with contractors	x	x	x	x	x

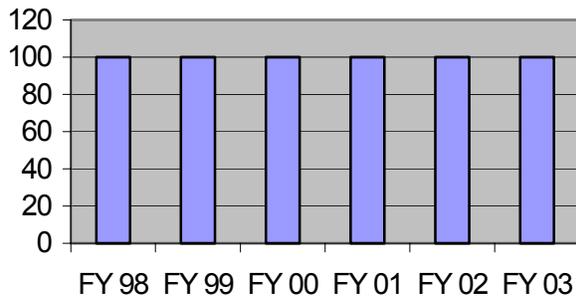
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Learning and Growth Objective: Improve knowledge, skills and abilities of staff and improve business systems in support of business line mission.

The Closeout Manual describes all duties related to contract closeout. It is distributed to all contractor staff to define duties and instruct them in proper procedures to perform contract closeouts. The manual is continuously updated to ensure that contractors follow streamlined procedures. Contractor staff is trained using the manual. We have found it to be a significant contribution to staff skills. The contractor also has a succession plan in place to ensure the proper skills are maintained to fulfill their contractual requirements. We have performed an annual review of current and proposed Business/Operational Drivers and we have determined training and development needs for this business. In addition, the Closeout Manual has been placed on the Headquarters Procurement Services Website.

Performance Goal	Performance Standard
Federal Employee IDPs	All Federal employees associated with the closeout business line have IDPs
Contractor Employee Training	Each contractor employee is assessed annually for incremental training needs

Baseline:



Data Source: Employee IDPs

Frequency: Annual

Strategies for Improving Employee Learning and Growth	Fiscal Year				
	2004	2005	2006	2007	2008
Ensure all Federal employees have IDPs and contractor assessments are completed.	x	x	x	x	x
Ensure all Federal IDPs are completed and contractor training, as needed is also completed.	x	x	x	x	x
Update the Closeout Manual as needed to improve closeout processing.	x	x	x	x	x