



Homeland  
Security

August 2, 2016

MEMORANDUM FOR: Heads of Contracting Activity

FROM: Soraya Correa  
Chief Procurement Officer

SUBJECT: Federal Acquisition Regulation Class Deviation  
(Number 16-05) – Closeout Procedures for Over-Age  
Low-Risk Contracts

**Purpose:** This class deviation is issued in accordance with Federal Acquisition Regulation (FAR) 1.404 to authorize DHS contracting activities to deviate from the requirements at FAR 4.804-5. See associated Homeland Security Acquisition Regulation Class Deviation (Number 16-01) – Closeout Procedures for Over-Age Low-Risk Contracts for additional information.

**Effective Date:** Immediately.

**Background:** On March 30, 2016, DHS's Chief Procurement Officer and Chief Financial Officer issued a joint memorandum titled "Closeout Procedures for Over-Age Low-Risk Contracts." The procedures outlined in this memorandum were designed to help procurement staff more efficiently close contracts by applying risk-based management principles. The procedures were also designed to help improve upon significant weaknesses in DHS's budgetary accounting as referenced in the 2015 Agency Financial Report.

**Deviation:** This class deviation authorizes DHS contracting officers to use the procedures outlined in the memorandum regardless of the requirements under FAR 4.804-5, including any related forms or documentation requirements under FAR 4.804.

**Applicability:** This class deviation applies to all closeout actions where low-risk closeout procedures are appropriate as outlined in the memorandum.

**Expiration Date:** This class deviation will remain in effect until the memorandum titled "Closeout Procedures for Over-Age Low-Risk Contracts" expires on March 30, 2017, or as extended.

Questions or comments about this class deviation may be directed to Eric Cho of the Office of the Chief Procurement Officer at (202) 447-0271 or [eric.cho@hq.dhs.gov](mailto:eric.cho@hq.dhs.gov).

**Federal Acquisition Regulation Class Deviation (Number 16-05)**  
**– Closeout Procedures for Over-Age Low-Risk Contracts**

**Findings**

DHS currently has approximately 382,000 procurement contracts and awards (hereinafter contracts) that are expired and have not been closed out in a timely manner. These "over-age" contracts may have unliquidated funds which continue to cause issues during the Department's annual financial statement audit. These funds, also known as undelivered orders (UDO), require deobligation.

Fifty-four percent or 206,000 of these over-age contracts were awarded using simplified acquisition procedures (SAP), while another 38 percent or 146,000 were firm-fixed-price (FFP) actions. These two categories of contracts are typically considered low-risk contracts. Combined, low-risk contracts account for roughly 92 percent or 352,000 contracts of the total over-age contracts. A vast majority of these over-age contracts have been physically completed, which generally means all the deliveries or services required under the contract have been performed by the contractor and accepted and paid for by the Government.

The contract closeout backlog poses a significant burden to various acquisition and financial systems and the Department's on-going effort to strengthen and modernize its financial management practices.

**Determination**

In accordance with FAR Part 1.404, after having consulted with the Chair of the Civilian Agency Acquisition Council, I hereby issue a class deviation to implement procedures in the memorandum entitled "Closeout Procedures for Over-Age Low-Risk Contracts." The documentation required under FAR 4.804-5 supporting closeout action is waived.

The guidelines in the aforementioned procedures will enable effective use of limited acquisition resources by applying risk-based management principles. By freeing up resources from having to manually and individually close a large number of low-risk contracts, more resources will become available to handle risky or complex contracts, such as cost-based contracts or those requiring audits.

  
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Soraya Correa  
Chief Procurement Officer  
Department of Homeland Security

August 2, 2016  
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Date