

ORGANIZATIONAL EXCELLENCE

Cost Reimbursable Contracts



Federal Aviation
Administration

FY 2008 Performance Target

"Close out 86 percent of eligible cost reimbursable contracts."

Flight Plan Objective and Performance Target

Objective 2: Improve financial management while delivering quality customer service.

Performance Target: Increase cost reimbursable contract closeouts by 1 percent per year, from 86 percent in FY 2008 to 90 percent in FY 2012.

	FY 2004 ¹	FY 2005	FY 2006	FY 2007	FY 2008 ²
Target	180	85.00%	85.00%	85.00%	86.00%
Actual	135	170.00%	102.00%	95.00%	

¹ The target for FY 2004 was the number of contracts closed, rather than the percentage.

² Beginning in FY 2008, the annual target was revised from 85.00% to a 1% increase per year over the previous year's target.

Definition of Measure

Unit of Measure: The percentage of cost reimbursable contracts closed during FY 2008.

Computation: The Office of Acquisition and Policy determined the total number of cost reimbursable-type contracts that ended and are eligible for close-out in the previous fiscal year. In FY 2007, sixty contracts became eligible for close-out. The goal for FY 2008 is to close out 86 percent of that number, or 52 contracts.

Formula:

$$\frac{\text{Number of Contracts Closed Out}}{\text{Number of Eligible Contracts in Previous Fiscal Year}}$$

Scope of Measure: All cost reimbursable type contracts (i.e., cost reimbursement, labor hour, time and materials and indefinite quantity/indefinite delivery) closed throughout the fiscal year.

Why the FAA Chooses this Measure

It is important for FAA to close out contracts on a timely basis. By doing so, contracts are administered more efficiently, liability is reduced, and the agency avoids accumulating a backlog of old, unclosed contracts. It is important to maintain high close-out rates to avoid such issues as the loss of expired funds, loss of file documents, loss of vendor's corporate knowledge, and/or changes in the contractor's business status. A high number of unclosed contracts can create potentially large liabilities where final amounts are due to or from the contractor and the agency loses the use of funds that could otherwise be recouped. Such a situation could create a material weakness in FAA's annual audit.

Source of the Data

PRISM is used to identify cost reimbursable-type contracts for which performance has ended. On a monthly basis, closed contracts are reported to the Contracting Oversight Team by either the contracting officer who closed out the contract(s) or the contractor tasked with closing out FAA contracts.

Statistical Issues

The nature of close-out activities tends to result in an increase in contract close-outs reported during the third and fourth quarters of the fiscal year. The close-out process involves obtaining a final invoice, final audit and identification of any funds necessary to close out the contract. Hence, closed contracts may not be reported evenly during the fiscal year.

Completeness

The Contracting Oversight Team maintains a database of all closed contracts. Closed contract files are received by Contracting Oversight for distribution to central archives. If closed contracts are not reported to the Contracting Oversight Team by the procurement groups, they will not be entered into the database. Therefore, there is a slight risk that the number of closed contracts may be under-reported. However, contract closeouts are proactively managed by the group managers.

Reliability

Only contracts that are closed out completely (with no outstanding issues) are entered into the database. Therefore, there is no chance of entering contracts into the database that are not closed.