SEC. ____. CLOSEOUT OF OLD CONTRACTS.

(a) Notwithstanding any other provision of law, the Secretary of the Navy may close out contracts described in subsection (b) through the issuance of one or more modifications to existing Department of the Navy contracts without completing further reconciliation audits or corrective actions other than those described in this section. To accomplish close out of such contracts—

(1) remaining contract balances may be offset with balances in other contract line items within a contract regardless of the year or type of appropriation previously or currently obligated to fund each contract line item and regardless of whether either appropriation has closed; and

(2) remaining contract balances may be offset with balances on other contracts regardless of the year or type of appropriation previously or currently obligated to fund each contract and regardless of whether either appropriation has closed.

(b) The contracts covered by this section are contracts to design, construct, repair, or support the construction or repair of Navy submarines that—

(1) were entered into between fiscal years 1974 and 1998; and

(2) have no further supply or services deliverables due under the terms and conditions of the contract;

(3) The Secretary of the Navy has established the total final contract value for each contract; and

(4) The Secretary of the Navy has determined the final allowable cost for each contract that may have a negative or positive unliquidated obligation balance for which it would be difficult to determine the year or type of appropriation because—

(A) the records have been destroyed or lost; or

(B) the records are available but the Contracting Officer in collaboration with the Certifying Official has determined that a discrepancy is of a *de minimis* value such that the time and effort required to determine the cause of an out-of-balance condition is disproportionate to the amount of the discrepancy.

(c) The contracts identified in subsection (b) may be closed out—

(1) Upon receipt of $581,803 from the contractor to be deposited into the Treasury as Miscellaneous Receipts; and

(i) Without seeking further amounts from the contractor;

(2) Without payment to the contractor of any amounts that may be due under any such contracts.

(d) In any case where this authority is exercised, the cognizant payment or accounting offices may adjust and close any open finance and accounting records.

(e) No liability will attach to any accounting, certifying, or payment official or contracting officer for any adjustments or close out made pursuant to this authority.

Section-by-Section Analysis

The Secretary of the Navy has researched the problem of over age contracts that have not been closed out. In the process, the Department has identified a large number of contracts and Basic Ordering Agreements to design, construct, repair, or support the construction or repair of Navy submarines with original values totaling $9.96 billion. This led to the realization that most of these contracts could be closed out most efficiently by working with the contractor to identify any remaining balances and to off-set such balances across CLINS and across contracts. Records indicated that the Department has approximately 90 such prime contracts and Basic Ordering Agreements (BOAs) with General Dynamics, Electric Boat (GDEB) Inc. entered into between 1974 and 1998 which are not closed out. These contracts and BOAs are complete and there are no further supplies or services deliverables due under the contract terms and conditions, but they remain open because of an unreconciled balance associated with the level of detail at the appropriation year and type. In many circumstances, the time and effort required to determine the cause of the out-of-balance condition may be disproportionate to the amount of the discrepancy. Moreover, the total outstanding balance on this group of contracts once balances are off-set across CLINS and across these contracts is only .05% of the total original value of the contracts.

Settlement of contracts with unreconciled balances often is necessary where a contractor

may have been under or overpaid, but under many of these contracts neither the contractor nor the Government has any evidence of under or overpayment aside from the fact that the accounts do not reconcile. SUPSHIP Groton and GDEB have made a herculean effort to reconcile the balances on these 90 contracts and have arrived at the specific amount owed by GDEB to the Government for overpayments on these contracts which is $581,803. Using a streamlined approach that determined that costs and fees/profits billed on these contracts are allowable and appropriate, SUPSHIP Groton has incurred $212,219 in sunk direct labor costs to arrive at the agreed amount. SUPSHIP estimates that, absent legislative relief, an additional $747,210 in direct labor costs would be required to close these contracts using traditional methods. Absent legislative relief, DFAS would incur additional direct labor costs of at least $151,637 to close finance and accounting records and DCAA would incur additional direct labor costs of at least $739,500 to evaluate final vouchers for these contracts. Legislative relief would thus provide the Secretary of the Navy authority to close these contracts for an amount that has been agreed to by GDEB and the Government and save the Government at least $1.6 million in direct labor costs related to administrative contract closeout actions. This estimate is the minimum government cost savings based on average closing costs of typical contracts, which has not been increased to reflect the extreme age of these contracts. Actual costs to the government to close these contracts absent legislative relief are likely to be much higher. The contractor estimates that it would incur costs of approximately $567 thousand to close these contracts using traditional methods, absent legislative relief. GDEB's payment of $581,803 will be deposited into the Treasury as Miscellaneous Receipts.

Closeout of Contracts has become a Department priority. Attempts are being made to reconcile financial records on completed contracts. The closeout of some of these older contracts has been hindered by lost or destroyed documentation. Other of these old contracts have an unreconciled balance of less than $25,000, and the resources needed to close these contracts would far exceed that *de minimis* amount of $25,000 or less. This provision will allow the administrative closeout of all these contracts without the need to waste further government resources attempting to reconcile the balances. It will also provide an exception to both the Purpose Act and the Anti-deficiency Acts to allow the offset of any remaining contract balances across CLINs within a contract and across contracts.

Budget Implications: This proposal, when enacted, will result in a one-time cost avoidance of at least $1.6 million and a one-time payment to the U.S. Treasury of approximately $0.58 million. This cost avoidance (not savings) is achieved by relieving the need for staff-work on these closed contracts, and therefore no programmatic budget reductions are projected to result during the period of the FYDP.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation To**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
	$.58					Treasury			

Changes to Existing Law: This proposal makes no changes to existing statute.