



# Report in Brief

June 2, 2020

## Background

The U.S. Department of Commerce (Department) spends approximately \$3 billion dollars annually on contracts to procure goods and services. Once performance under these contracts has concluded, federal agencies are required to complete a series of steps to close out the contracts. Contract closeout is an important administrative procedure that involves verifying that goods and services were provided as intended, validating final costs and payments, and freeing excess funds for possible use elsewhere. It is generally considered the last opportunity for an agency to ensure that the government received what it contracted for and to detect and recover erroneous payments. Timely and effective closeout ultimately protects the government's interests and helps agencies efficiently manage residual contract funds.

Timeliness and accuracy in contract closeout are issues across the federal government. This audit report combines and summarizes separate audits of the National Institute of Standards Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and U.S. Census Bureau (Bureau). Although the scope and methodology varied slightly across the audits, the findings were similar—and therefore are combined in this report.

## Why We Did This Review

Our objective was to determine whether NIST, NOAA, and Bureau contracting personnel administered contract closeout procedures in accordance with federal and Departmental regulations.

## OFFICE OF THE SECRETARY

### The Department Needs to Improve Oversight Practices to Close Out Contract Files by Complying with Federal Regulations and Departmental Requirements

OIG-20-028-A

#### WHAT WE FOUND

We found the following:

- Contracts were not closed within required timeframes.
- Contract files lacked evidence that key contract closeout steps were completed, resulting in approximately \$288.5 million that could not be verified.
- NOAA and Bureau contract files were not always properly retained.
- NIST improperly paid a contractor.
- NIST technical points of contact (TPOC) were not properly trained, certified, and appointed.

#### WHAT WE RECOMMEND

We recommend that the

1. Office of Acquisition Management Acquisition Policy and Oversight Division Director enforce the *Commerce Acquisition Manual* contract closeout annual reporting requirements and implement an oversight process for monitoring compliance with federal and Departmental closeout requirements.
2. NIST Director of Office of Acquisition and Agreements Management establish a periodic control to ensure that contracts are being closed timely and that closeout procedures are in compliance with federal and Departmental regulations.
3. NOAA Director of Acquisition and Grants Office establish a periodic control to ensure that contracts are being closed timely and that closeout procedures are in compliance with federal and Departmental regulations.
4. Census Bureau Chief of Acquisition Division establish a periodic control to ensure that contracts are being closed timely and that closeout procedures are in compliance with federal and Departmental regulations.
5. NIST Director of Office of Acquisition and Agreements Management, NOAA Director of Acquisition and Grants Office, and Census Bureau Chief of Acquisition Division issue additional guidance and training on the contract closeout process to include clearly defining the requirements for adequate contract closeout file documentation.
6. NIST Acquisition Management Division Chief conduct research to determine why key personnel were replaced and supplemented without the proper approvals and ensure that the questioned labor costs are recovered in a timely manner. We also recommend that the Chief ensure that all contracting personnel enforce the contract terms and conditions for all labor hour contracts.
7. NOAA Director of Acquisition and Grants Office and Census Bureau Chief of Acquisition Division establish a periodic control to ensure that contracting officials follow records management requirements for contract files including, but not limited to, record retention and dispositioning procedures.
8. NIST Acquisition Management Division Chief conduct research to determine why the improper payment occurred and ensure that future improper payments are identified and recovered in a timely manner.
9. NIST Director of Office of Acquisition and Agreements Management ensure that (a) contracting officers appoint in writing properly trained and certified contracting officer representatives (CORs)/TPOCs prior to awarding contracts, and (b) all CORs/TPOCs meet their continuous learning requirements and are certified at the appropriate levels.