

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

FINAL REPORT NO. OIG-20-028-A

JUNE 2, 2020



U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation



June 2, 2020

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SUBJECT: *The Department Needs to Improve Oversight Practices to
Close Out Contract Files by Complying with Federal Regulations
and Departmental Requirements*
Final Report No. OIG-20-028-A

Attached is our final report that 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). Our objective was to determine whether NIST, NOAA, and Bureau contracting personnel administered contract closeout procedures in accordance with federal and Departmental regulations.

Overall, we found that contracting personnel did not comply with at least one or more of the key Federal Acquisition Regulation, *Commerce Acquisition Manual*, and Departmental contract closeout requirements. Based on our review, the total expended dollar value of contracts that did not fully comply with the closeout requirements was approximately \$391.3 million. Specifically, we found the following:

- I. Contracts were not closed within required timeframes.
- II. Contract files lacked evidence that key contract closeout steps were completed, resulting in approximately \$288.5 million that could not be verified.

- III. NOAA and Bureau contract files were not always properly retained.
- IV. NIST improperly paid a contractor.
- V. NIST technical points of contact were not trained, certified, and appointed.

On April 15, 2020, we received the Department's response to the draft report's findings and recommendations, which we have included within the attached final report as appendix D. The Department concurred with all nine of our recommendations and noted actions each agency has taken, or will take, to address them.

Pursuant to Department Administrative Order 213-5, please submit to us, within 60 calendar days, an action plan that addresses the recommendations in this report. This final report will be posted on OIG's website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M).

We appreciate the cooperation and courtesies extended to us by your staff during our audit. If you have any questions or concerns about this report, please contact me at (202) 482-1931 or Monica Adamo, Director for Audit and Evaluation, at (202) 482-5185.

Attachment

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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.

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Cover: Herbert C. Hoover Building main entrance at 14th Street Northwest in Washington, DC. Completed in 1932, the building is named after the former Secretary of Commerce and 31st President of the United States.

Introduction

The U.S. Department of Commerce (the 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. The U.S. Government Accountability Office (GAO) and our office have reported problems associated with closing out federal instruments, ranging from poor governance over the closeout process to insufficient resources dedicated to performing closeout actions.

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 (the Bureau). Although the scope and methodology varied slightly across the audits, the findings were similar—and, therefore, are combined in this report.

Contract Closeout Process

Contract closeout, which is the final phase in a contract's life cycle, is a key step in ensuring that the Department has received the appropriate goods and services at the agreed-upon price. The Federal Acquisition Regulation (FAR) 4.804-5, "Procedures for closing out contract files," and *Commerce Acquisition Manual (CAM) 1304.804, "Contract Closeout,"* establish the requirements and procedures for administrative contract closeout. The contract administration office is responsible for initiating administrative closeout of the contract after receiving evidence that it is physically complete.

FAR 4.804-4 and CAM 1304.804, appendix A, state a contract is considered physically complete when the government has issued a formal waiver or a notice of complete termination to the contractor or when the following three actions have occurred:

- The contractor has completed the required deliveries, and the government has inspected and accepted the goods and materials.
- The contractor has completed all services, and the government has accepted those services.
- All option provisions, if any, have expired.

According to FAR 4.804-5, once evidence of physical completion has been received, the contract administration office is required to conduct an initial funds status review and determine whether the contract has excess funds that should be de-obligated. The contracting

officer then initiates administrative closeout procedures in accordance with federal and Departmental contract closeout guidance.

Once the contracting officer confirms that the applicable administrative actions have been completed, a completion statement is prepared and signed by the contracting officer, and the contract is designated as closed. FAR 4.804-1 and the CAM contain timeframes for closing out different types of contracts and orders. Those timeframes, in relevant part, range from 60 days, for contracts using simplified acquisition procedures (SAP), to 36 months, for contracts requiring settlement of indirect cost rates. FAR 4.804-1 and CAM 1304.804 also discuss contract and order closeout timeframes using SAP and settlement of indirect cost rates.

FAR 4.801 and the CAM¹ state that documentation in the contract/order files must be sufficient to constitute a complete history of the transaction—to provide a complete background as a basis for informed decisions at each step in the acquisition process, support all actions taken, supply information for reviews and investigations, and furnish essential facts in the event of litigation or Congressional inquiries. Federal regulation² and Departmental³ policy also state, in relevant part, that all firm-fixed price, labor-hour, and time-and-materials contracts/orders should be closed within required timeframes, based on contract type, after the contracting officer receives evidence of physical completion. FAR 4.803 lists examples of records normally contained in the contract file, which include, but are not limited to, contract completion documents.

¹ CAM 1304.804, § 2.1 (Oct. 2013 and June 2017). Both versions of the CAM were in effect for at least part of the time period in scope for our audit. The language in the sections cited did not change.

² FAR 4.804-1 and 4.804-4.

³ CAM 1304.804, § 1.5 (Oct. 2013 and June 2017).

Objective, Findings, and Recommendations

We reviewed a sample of 124⁴ standalone contracts and individual task orders composed of various contract types (for example time-and-material, labor-hour, and fixed price) that were closed during fiscal years (FYs) 2016 and 2017. Our objective was to determine whether NIST, NOAA, and Bureau contracting personnel administered contract closeout procedures in accordance with federal and Departmental regulations.

Overall, we found that—for all 124 standalone contracts and individual task orders—contracting personnel did not comply with at least one or more of the key FAR, CAM, and Departmental contract closeout requirements. Based on our review, the total expended value of contracts that did not fully comply with the closeout requirements was approximately \$391.3 million.⁵

Specifically, 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.

While closing out contracts is the final administrative task that is performed in the lifecycle of a contract, it is not always a priority within the Department. Therefore, we conclude that the Department's Office of Acquisition Management (OAM) needs to work closely with these three agencies to provide improved oversight to ensure that (1) physically completed contracts are closed within required timeframes; (2) contract files contain the key closeout documentation; (3) safeguards prevent the destruction of contract files before closeout is complete; and (4) individuals performing administrative duties are properly trained, certified, and appointed.

Appendix A further details the objective, scope, and methodology of our audit. Appendix B includes tables B-1, B-2, and B-3, which summarize the findings. Appendix C documents the potential monetary benefits identified during the audit.

⁴ We reviewed a total of 64 NIST contracts, 33 NOAA contracts, and 27 Bureau contracts.

⁵ The expended dollar value subtotals are \$10,432,028.34 from NIST, \$42,260,397.81 from NOAA, and \$338,572,254.29 from the Bureau.

I. Contracts Were Not Closed Within Required Timeframes

The FAR⁶ and CAM⁷ provide timeframes for closing out different types of contracts and orders, ranging from immediately to 36 months after evidence of physical completion.⁸ Table I shows the required closeout timeframes by contract type.

Table I. FAR and CAM Contract Closeout Time Standards

Type of Contract	Time Standards for Contract Closeout After Contracting Officer Receives Evidence of Physical Completion	Time Standards for Contract Closeout After Contracting Officer Receives Evidence of Physical Completion
	FAR 4.804-1(a)(2) and (4)	CAM 1304.804
Contracts using SAP	Immediately (unless otherwise specified by agency regulations)	Within 60 days
Firm-fixed price contracts	Within 6 months	Within 6 months
Contracts requiring settlement of indirect cost rates	Within 36 months	Within 36 months
All other contracts	Within 20 months	Within 20 months

Sources: FAR 4.804-1(a)(2) and (4) and CAM 1304.804

Of the 124 completed contracts and task/delivery orders that we reviewed, 105 were not closed within the timeframes prescribed by the FAR and CAM (see results by agency in table 2).

⁶ FAR 4.804-1(a).

⁷ CAM 1304.804, § 1.5 (Oct. 2013 and June 2017).

⁸ Missing contract files and lack of reliable completion documentation for our sample contracts prevented us in some instances from using the date of physical completion as a milestone to assess closeout timeliness. Instead, using Federal Procurement Data System–Next Generation (FPDS-NG) data, we assessed closeout timeliness by determining the number of days between the end date of a contract's period of performance and the contract closeout date. We then compared that length of time to the required FAR and CAM closeout time standard.

Table 2. Summary of Contract/Order Closeout Timeframes

Contract Type	FAR/CAM Timeline Guidance	Number of Contracts/Orders Closed Within FAR Guidelines			Number of Contracts/Orders Closed Outside of FAR Guidelines		
		NIST	NOAA	Bureau	NIST	NOAA	Bureau
Firm-fixed price-SAP	60 days	1	3	0	44	24	1
Firm-fixed price with Economic Price Adjustment-SAP	60 days	0		0	1		
Fixed-SAP	60 days	0		0	0	1	
Time-and-Materials- SAP	60 days	0		0	2		
Labor Hour- SAP	60 days	1		0	2		
Firm-Fixed Price	6 months	2		3	6	3	8
Labor Hour	20 months	2		3	0	1	2
Time-and-Materials	20 months	0		3	0	1	4
Cost Plus Fixed Fee	36 months	0		0	0		3
Cost No Fee	20 months	1		0	2		
Subtotal		7	3	9	57	30	18
Overall Total		19			105		

Source: OIG analyses of a sample of 64 closed and/or completed NIST contract and task/delivery orders; a sample of 33 closed NOAA contract and task/delivery orders; and a sample of 27 closed Bureau contract and task/delivery orders

Closeout delays ranged from 11 days to more than 13 years, which demonstrates that contract closeout is not a high priority within the Department and its agencies. Examples include the following:

- The Bureau:** The Bureau awarded a firm-fixed price contract for cloud computing services with an expended amount totaling approximately \$4 million. The timeframe to close this contract was 6 months after the contract was physically complete. We noted that the contract was not closed until 1 year and 35 days after the required timeframe to close the contract. Bureau contracting officials stated that the delay in timely closing out the contract was due to the substantial backlog of contracts awaiting to be closed.
- NOAA:** The agency took approximately 13 years to close a firm-fixed price SAP contract with an expended amount totaling \$3,506.84 for photo mapping and printing services. The timeframe to close this contract was within 60 days after evidence was received that the contract was physically complete. NOAA Acquisition and Grants Office (AGO) contracting officials stated that the contract was financially closed, but not reported in FPDS as being closed. In addition, contracting officials

stated that, at the time this contract was closed, the closeout process was not clear; therefore, the contracting office was not closing contracts out in the reporting system.⁹

- **OAM:** The CAM¹⁰ requires the senior procurement official of each agency to report specific components of closed contracts on an annual basis to OAM. According to the director of the Acquisition Policy and Oversight Division, NIST, NOAA, and the Bureau have submitted these reports to OAM; however, NOAA is the only agency that regularly submits these reports on an annual basis. OAM has stated that they do not use the reports in decision making and have not assigned anyone to review or monitor these reports since 2011.
- **NIST:** Furthermore, we found four NIST contracts that were expired but not closed. We reviewed these contracts to gain an understanding of the reasons they had not been closed. All four contracts were more than a year overdue for closeout, because NIST contracting officials did not properly manage or monitor these contracts to ensure they were physically completed and ready to close. A discussion with NIST's Acquisition Management Division (AMD) chief found he was unaware that the contracts were still reported as open. After our discussions, all four contracts were closed.

On November 5, 2019, NIST AMD provided a flowchart that outlines how NIST AMD plans to address the Contract Closeout Process. We find the flowchart to be an accurate depiction of how the closeout process should work; however, we will need to conduct audit follow-up to validate implementation. We also need to see this flowchart incorporated into an official NIST contract closeout policy and procedure document.

Closing a contract or order years after either has been physically completed can be more time-consuming, because key documentation and contracting personnel with first-hand knowledge of the transaction may no longer be available. In contrast, closing contracts and orders within required timeframes can help limit the government's exposure to certain financial risks by identifying and recovering improper payments. Timely closeout also allows agencies to de-obligate and make available funds from completed contracts and orders for possible use elsewhere.

⁹ FAR 4.603 requires executive agencies to use FPDS to maintain publicly available information about all unclassified contract actions exceeding the micro-purchase threshold, and any modifications to those actions that change previously reported contract action report data, regardless of dollar value.

¹⁰ CAM 1304.804, §§ 8.1–8.2 (Oct. 2013 and June 2017).

Recommendations

We recommend that the

1. OAM Acquisition Policy and Oversight Division Director enforce the *CAM* 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.

II. Contract Files Lacked Evidence That Key Contract Closeout Steps Were Completed

The FAR¹¹ and *CAM*¹² require that documentation in contract files¹³ be sufficient to constitute a complete history of the contract transactions to support informed decisions at each step in the acquisition process and provide information for reviews and investigations. The FAR requires that agencies document the results of the closeout steps in the contract file to support final contract actions and payments. However, we found that all three agencies did not always include evidence that contracting officials completed some key closeout steps required by the FAR¹⁴ and *CAM*.¹⁵ These steps involve (a) verifying evidence of physical completion; (b) reviewing the contractor's final invoices and supporting documentation related to the amount of funding that needed to be de-obligated; and (c) verifying that closeout steps have been completed.

The need for well-maintained and complete contract files is important—not only for day-to-day contract administration, but also for when the Department experiences turnover with its contracting staff. Complete contract files help ensure proper transfer of responsibilities among staff and continuity of operations.

¹¹ FAR 4.801(b).

¹² *CAM* 1304.804, § 2.1 (Oct. 2013 and June 2017).

¹³ FAR 4.802 states a contract file should generally consist of (1) the contracting office contract file, (2) the contract administration office contract file, and (3) the paying office contract file and—if the contract files are decentralized—a central control should be established to ensure the ability to locate promptly any contract files.

¹⁴ FAR 4.803, FAR 8.405-3, and FAR 13.303.

¹⁵ *CAM* 1304.804, Appendixes B and C (Oct. 2013 and June 2017).

Table 3. Summary of Contracts Missing or Lacking Key Documentation of Closeout Steps

Agency	Items Reviewed	Missing Documentation of Contract Physical Completion(1)	Inadequate or Missing Invoices(2)	Incorrect or Missing Contract Completion Statements(3)
NIST	64	37	34	61
NOAA	33	17	19	1
Bureau	27	22	17	5
Total of Missing Closeout Steps		76	70	67
Overall Total of Items Reviewed	124			

Source: OIG analysis of a sample of 124 closed and/or completed contract and task/delivery orders

A. Contract files were missing documentation to verify evidence of physical completion of goods and services

As mentioned earlier, the FAR¹⁶ requires the contracting office to begin contract closeout as soon as the contracting officer receives evidence that the contract has been physically completed. A contract is considered physically completed when (1) the government has given the contractor a notice of complete contract termination; or (2) the contractor has completed the required deliveries and the government has inspected and accepted the supplies, the contractor has performed all services and the government has accepted these services, and all option provisions, if any, have expired.¹⁷ The CAM¹⁸ further requires contracting officers to ensure they receive evidence of physical completion for all types of contracts/orders. Contracting officers at all three agencies did not always ensure that all contract closeout procedures were performed by the contracting officer representatives (CORs) or designated government official. CORs are responsible for supporting contract closeout activities and providing documentation (including maintaining records of deliverables and/or service inspections) of contractor performance and funding information as requested by the contracting officer.¹⁹ The CAM²⁰ requires the contracting officer to ensure that the CORs or designated government officials²¹ verified final inspection and acceptance of all work required under the contract prior to closing out the contract/order. We found that contracting officers closed contracts without receiving documentation from the CORs or designated

¹⁶ FAR 4.804-5(a).

¹⁷ FAR 4.804-4(a).

¹⁸ CAM 1304.804, §§ 3.2(a), 4.2(a), 5.3(a) (Oct. 2013 and June 2017).

¹⁹ CAM 1304.804, § 1.6.5 (Oct. 2013 and June 2017).

²⁰ CAM 1304.804, §§ 4.2(a), 5.3(a) (Oct. 2013 and June 2017).

²¹ CAM 1301.670, § 1.7.1 (Jan. 2012) and “Appendix H—Sample Nomination, Delegation and Appointment Memorandums” p. H-5.

government officials showing final inspection and acceptance of contract goods or services—or adequate verification of overall contract completion in accordance with federal and Departmental guidelines.

The purpose of contractor deliverable verification and acceptance is to ensure that contractor-provided products and services meet specified requirements and otherwise satisfy the terms of the contract. The lack of supporting documentation increases the likelihood of undetected contract fraud, waste, and abuse. Of the 124 standalone contracts and task/delivery orders reviewed, 76 were missing documentation of contract physical completion. For example,

- **NIST:** Thirty-seven of the 64 contracts reviewed were improperly closed out because there was no evidence of contract physical completion. For example, the contracting officials closed out a NIST contract for medium voltage switchgear and transformers, worth approximately \$1.5 million, even though the contract file was missing documentation of receipt and acceptance. This occurred because the NIST contract closeout team relied heavily on the unliquidated obligation report to determine whether the contract should be closed. According to the NIST closeout team lead, the NIST payment authorization procedures require the COR or a designated government official to indicate whether NIST received and accepted the product/service and the actual receipt and acceptance date(s).²² The team lead further explained that if the unliquidated obligation report reflects a zero balance, the NIST contract closeout team will assume that the product/service has been received and accepted and the final invoice has been received and paid (in other words, the contract is physically complete).
- **NOAA:** There were issues with 17 of the 33 contracts reviewed. Specifically, 16 of the 17 contract files were missing documentation that all goods and services were delivered and 9 of the 17 contract files did not have any documentation supporting final inspection and acceptance of contracted goods or services. Contracting officials at the line offices could not provide an explanation for why the documents were not included in the contract file and contracting officials on the contract closeout team stated they did not have possession of the actual contract files for a majority of the contracts when they performed the contract closeout procedures.
- **The Bureau:** Twenty-two of the 27 contract files did not contain evidence of inspection and acceptance of contracted goods or services and did not contain evidence of contract physical completion. Since the files did not contain adequate responses, we requested documentation that would provide evidence that these actions occurred. Bureau contracting officials did not locate the requested documentation.

²² Acceptance and receipt of products/services is documented on NIST Form 162, Payment Authorization for Goods and Services.

When CORs do not provide evidence of physical completion or contracting officers do not follow-up to ensure that contractual goods or services are delivered and accepted, the Department may miss opportunities to de-obligate excess funds and use them on other programs.

B. Closed contract files had missing invoices and inadequate invoice reviews

Final invoice review documentation and invoices were missing in most of the NIST, NOAA, and Bureau contract files.

- I. FAR²³ closeout procedures require that the contractor's final invoice has been submitted. The CAM²⁴ requires that contracting officers ensure that approval of the final invoice is based on review and approval of all work delivered and performed and accepted by the government and evidence of final payment is received from the finance office and documented in the contract file. We found that contract files for 70 of the 124 standalone contracts and task/delivery orders reviewed did not contain the contractor's final invoice. Specifically,
 - NIST was missing the final invoice in 34 out of the 64 contract files reviewed with obligated and expended amounts totaling approximately \$5.8 million.
 - NOAA was missing the final invoice in 19 out of the 33 contract files reviewed with obligated and expended amounts totaling approximately \$3.9 million.
 - The Bureau was missing the final invoice in 17 out of the 27 contract files reviewed with obligated and expended amounts totaling approximately \$280 million.

Additionally, FAR 4.803 states that invoices are normally contained in the contract file. CORs also have the responsibility of reviewing the invoices and authorizing payment once they have inspected and accepted goods and services. In many instances at all three agencies, some or all invoices were missing from the contract files. Consequently, we were unable to verify the amount of excess funds to be de-obligated due to missing invoices. To illustrate, we were unable to verify the excess funds for 27 NIST contracts because contract files were missing some or all invoices resulting in approximately \$4.1 million in questioned costs. The NIST contract closeout team lead informed us that invoices are not required to be in the official contract file so de-obligation amounts were based off the balances that were indicated on the unliquidated obligation reports. See appendix C for NIST's unsupported and questioned costs.

²³ FAR 4.804-5 (a)(14).

²⁴ CAM 1304.804, §§ 3.2, 4.2, 5.3, 6.2 (Oct. 2013 and June 2017).

Additional examples follow:

- **NOAA:** An agency contract file for a firm-fixed price contract, valued at approximately \$3.5 million, for at-sea monitor services did not contain contractor invoices. NOAA contracting officials stated that the volume of invoices was too bulky and was therefore maintained in boxes. Nevertheless, when we asked for the invoices, contracting officials stated that the invoices were not physically available. The officials referred us to the unliquidated obligation report for the contract to ascertain invoice numbers and payment dates. The report was missing in the contract file. The contracting official subsequently provided the report to us. The use of the unliquidated obligation report does not replace actual invoice documentation and support. The FAR²⁵ requires that when contract files are decentralized a central control or locator system should be established to ensure that any contract file can be located promptly. See appendix C for NOAA's questioned and unsupported costs.
 - **The Bureau:** An agency contract file for a fixed price contract, valued at approximately \$11.9 million, for software maintenance renewal did not contain any invoices or any evidence of invoice reviews. Bureau contracting officials stated that they could not provide the invoices due to the volume and contract specialist turnover. See appendix C for the Bureau's questioned and unsupported costs.
2. At the outset of the contract closeout process, the contract administration office must review the contract funds status and notify the contracting office of any excess funds the contract administration office might de-obligate.²⁶ The contracting officer is responsible for ensuring the de-obligation of funds in excess of the amount needed to meet the government's obligation under the contract/order prior to closing the file.²⁷ For 3 NIST contracts that required de-obligation valued at approximately \$1.3 million, we found that—although all invoices were in the contract file—there was a total of \$57,615.35 in unallowable costs.

One of the three NIST contracts—with an expended amount of \$545,703.29—had two key personnel who were replaced and two additional employees who were added during the period of performance to supplement the hours of another key employee. According to the contract terms and conditions, the contractor is required to obtain the consent of the contracting officer prior to making key personnel changes and the contract will be modified to reflect any approved changes. Because the contract file did not contain any approvals or modifications for the key personnel changes, we questioned \$46,450.65 in invoiced labor costs. According to the NIST contract closeout team lead, the finance office relies on the contract administration office to verify the invoices before they are paid. Specifically,

²⁵ FAR 4.802(d).

²⁶ FAR 4.804-5(a).

²⁷ FAR 4.804-5(a) and CAM 1304-804, § 1.6.4 (Oct. 2013 and June 2017).

the COR and TPOC should be reviewing the invoices (e.g., for allowability) before they are forwarded to finance for payment. NIST is unclear as to why the unallowable costs for the 3 contracts were approved for payment.

Subsequently, the agency issued NIST O 8106.000, “Undelivered Order Review,” on September 30, 2019, which supports the ongoing, recurring review of undelivered orders (UDOs) and requires use of the NIST UDO Review Application to certify the validity of all open UDOs. NIST O 8016.000 explains how the finance, acquisition, and program offices are supposed to jointly review UDO submissions reports at least semiannually. However, because the UDO process does not address our concerns regarding proper contract closeout we maintain our position that contract closeout should be initiated when there is evidence that the contract is physically completed—and the UDO report should not be the catalyst for the contract closeout process to begin.

Complete recordkeeping of invoices with supporting documentation is important to track contract expenses in accordance with FAR and CAM requirements. Lack of invoices increases the likelihood of undetected contract fraud, waste, and abuse. Without invoices and evidence of final invoice review and payment, agencies cannot determine that they received the deliverable/services for which they paid the invoiced amounts. Additionally, contracting officials cannot determine the correct amount of funds that need to be de-obligated. This could result in substantial delays in each agency’s ability to use such funds for other agency priorities.

C. Closed contract files lacked or had incomplete contract completion statements to verify that all closeout steps were completed

For contracts other than those using SAP, the FAR²⁸ and CAM²⁹ require the contracting officer to ensure that a properly documented and signed contract completion statement verifying that closeout steps have been completed is included in the contract file.

We found that NOAA and Bureau contract files for 6³⁰ of the 30 standalone contracts and task/delivery orders—requiring contract completion statements³¹—did not have overall completion statements verifying that all required contract administration actions have been fulfilled. To illustrate, a contract completion statement was not in the Bureau contract file for a contract with an expended amount totaling \$40,569,874 for SAS software, support, and training services. Bureau contracting officials stated that CORs who are assigned to contracts are responsible for providing these completion statements. In this instance, a COR was not assigned and a completion statement was not prepared. Additionally, NOAA contracting personnel placed a priority on current/active contract awards and did not always ensure that all closeout procedures,

²⁸ FAR 4.804-5(b).

²⁹ CAM 1304.804, Appendices C and D (Oct. 2013 and June 2017).

³⁰ Of the 6 standalone contracts and task/deliver orders, 1 was NOAA and 5 were the Bureau.

³¹ FAR 4.804-2(b) states that contracts closed using other than SAP are required to have a contract completion statement.

including preparing the contract completion statement, were followed when closing out contracts.

We found that contract completion statements for 61³² of 64 NIST contract actions reviewed contained incomplete information. For instance, the completion statements did not always report the dollar amount of excess funds, include the last invoice/voucher number, and contain a signature verifying that the contract closeout steps were completed. This occurred because the NIST closeout team lead did not require portions of the contract completion statement to be completed and did not ensure consistency of review from their contracting officers.

Regardless of whether a COR is assigned, the contracting officer is ultimately responsible for verifying that closeout steps have been completed in accordance with the FAR and CAM. Without an adequately prepared contract completion statement, there is an increased risk that contracts will not be properly closed out, especially for the contract files missing other required documents to indicate that closeout steps were completed.

Recommendations

We recommend that the

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.

III. NOAA and Bureau Contract Files Were Not Always Properly Retained

FAR³³ and CAM³⁴ requires agencies to prescribe procedures for the handling, storing, and disposing of contract files, in accordance with the National Archives and Records Administration General Records Schedule I.1, Financial Management and Reporting Records. NOAA was unable to locate 40 of the 73 contract files in our sample, and the Bureau could not provide 5 of the 32 contract files in our sample due to a lack of proper contract file maintenance and lax adherence to the FAR and CAM records retention

³² The remaining 3 sample items did not contain contract completion statements, because the contract files were still open at our time of review even though the period of performance had expired.

³³ FAR 4.805(a).

³⁴ CAM 1304.804, § 7 (Oct. 2013 and June 2017).

requirements. NOAA and Bureau contracting officials could not fully explain why their respective contract files were missing, nor provide evidence that the files were either archived or destroyed.

Lack of contract file retention has a major impact on the contract closeout process. For example, a majority of the missing NOAA contract files were closed without having the actual contract file or documents needed to close out the contract in accordance to the FAR and CAM requirements. NOAA contracting officials stated that contract files are only required to be retained for a period of 6 years after final payment is made. However, although record retention rules require that files be retained 6 years after the date of final payment, they also require that data submitted to FPDS-NG be retained 6 years after the date of submission. Therefore, because the contract files were not available to review, the date that most of the final payments were made cannot be determined.

Regardless of how long FAR and CAM guidelines require records to be retained, there does not appear to be a circumstance in which it would be permissible for NOAA or the Bureau to archive or destroy a contract file before completing all required contract closeout steps, as the completion of the closeout steps is necessary for proper computation of the retention period. For example, a NOAA firm-fixed price SAP contract awarded for computer servers was completed in 2005—and not closed in the financial and reporting systems until 2016. NOAA noted that the file was destroyed; however, there is no record of the file's destruction. We concluded that the contract file was not properly retained before all contract closeout steps were completed, because the contracting office did not officially close the contract until years after the presumed date of file destruction.

Lacking contract file documentation, contracting officials cannot properly support contract payments and may not be able to identify and recover improper payments. Moreover, destruction of open contract files effectively prevents the contracting officials from complying with contract closeout requirements.

Recommendation

7. We recommend that the 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.

IV. NIST Improperly Paid a Contractor

OMB Circular A-123, appendix C, part I, defines an *improper payment* as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. We found that a NIST contract valued at \$65,685 for maintenance and repair of cold storage units (option year 3) had an improper payment of \$35,685. As a result of the improper payment, the de-obligation amount for this contract was underreported by \$35,685. The NIST AMD chief told us that that contractor submitted an invoice for work completed on another contract and, as a result, NIST improperly paid the contractor. According to the NIST AMD chief,

NIST is going to (1) investigate how this error occurred, (2) take action to recover the overpayment, and (3) establish preventative measures. He also stated that NIST is going to take full accountability for the error.

On January 7, 2020, the NIST AMD chief provided evidence that the agency was able to recover the \$35,685. Without understanding how this error occurred, NIST increases the risk that future improper payments may not be properly identified and recovered in a timely fashion.

Recommendation

8. We recommend that the 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.

V. NIST Technical Points of Contact Were Not Trained, Certified, and Appointed

NIST contracting officers rely heavily on designated government officials such as CORs and TPOCs to provide contract management oversight and technical direction, to include supporting the contracting officer with closeout activities.³⁵ FAR³⁶ and CAM³⁷ require that individuals with functions and responsibilities of the COR or designated government official, regardless of individuals' titles, be certified, trained, and appointed in writing to perform assigned responsibilities and to act on behalf of the contracting officer.

We found that NIST assigned 35 TPOCs to 31 of the 64 contracts reviewed as designated government officials—but did not require these individuals to be trained, certified, or have appointment letters. This occurred because, according to NIST officials, there is no specific training and certification requirements for TPOCs. We informed NIST that, if individuals are performing COR duties, then they should be trained in accordance with the FAR and CAM.

Although TPOC certification is not a closeout requirement, TPOCs are administering contracts above their contracting expertise and authorizing payments for contracted goods and services. Untrained and uncertified TPOCs could be making decisions on a contract that would adversely affect the intent of the contract causing a liability for the government. Given the responsibilities of NIST TPOCs, there is no assurance that TPOCs without the required training and certification maintain their professional proficiency and remain qualified to perform their duties.

³⁵ CAM 1301.670, § 1.7.1.1 (Jan. 2012) and CAM 1304.804, § 1.6.5 (Oct. 2013 and June 2017).

³⁶ FAR 1.602-2(d).

³⁷ CAM 1301.670, § 1.7 and 2.3 (Jan. 2012).

Recommendation

9. We recommend that the NIST Director of Office of Acquisition and Agreements Management ensure that (a) contracting officers appoint in writing properly trained and certified CORs/TPOCs prior to awarding contracts, and (b) all CORs/TPOCs meet their continuous learning requirements and are certified at the appropriate levels.

Summary of Agency Response and OIG Comments

In its April 15, 2020, response to our draft report, the Department concurred with all nine of our recommendations and described in general terms the actions it has taken and plans to take. The Department's response was a consolidation of comments from OAM, NIST, NOAA, and the Bureau. We are encouraged that the agencies have already initiated steps to address our recommendations.

We are concerned, however, with the Department's response to recommendation 9. Although the Department concurred with the recommendation, it stated that there was currently no training or certification level required for TPOCs—and that NIST contracting officers will continue to ensure that CORs are appointed in accordance with NIST SOP-05-13, *COR Appointment Requirements*. By not having a requirement for TPOCs to be trained or certified, NIST is not complying with the September 6, 2011, OMB memorandum "Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR)," which states that "the term 'COR' refers not only to positions technically designated as CORs, but also to Contracting Officer's Technical Representatives (COTRs), Technical or Task Monitors (TMs) and others who ensure proper development of requirements and assist Contracting Officers (COs) in managing their contracts." Based on OMB's training and certification requirements, TPOCs assigned to NIST contracts are in the category of "others who ensure proper development of requirements and assist . . . COs . . . in managing their contracts."

Additionally, during our audit, we inquired with the OAM Acquisition Policy and Oversight Division whether CORs, contracting officer technical representatives, task managers, TPOCs, and others performing administrative functions on contracts should all be trained in accordance with the guidelines described within CAM 1301.670. OAM's response to our inquiry was that all individuals with delegated COR responsibilities must meet the requirements of the CAM.

We would like to re-emphasize recommendation 9—that the NIST Director of Office of Acquisition and Agreements ensure that (a) contracting officers appoint in writing properly trained and certified CORs/TPOCs prior to awarding contracts and (b) all CORs/TPOCs meet their continuous learning requirements and are certified at the appropriate levels.

We look forward to each agency's action plan that will provide details on the corrective actions to be taken. We have included the Department's response as appendix D of this report.

Appendix A: Objective, Scope, and Methodology

Our overall audit objective was to determine whether NIST, NOAA, and Bureau contracting personnel are timely closing out contracts and de-obligating unneeded funds in accordance with federal and Departmental regulations.

Specifically, we determined whether contracting personnel

- properly prepared and maintained sufficient documentation in the contract file to close out physically completed contract actions;
- timely closed out physically completed contract actions;
- appropriately retained and dispositioned closed out contract files;
- monitored and tracked contracts/task orders/delivery orders physically complete, but not yet closed out;
- identified and de-obligated any unneeded funds remaining on the closed out physically completed contract actions.

At NIST, we also determined whether

- contracting personnel responsible for conducting contract closeout activities are properly trained and certified at the appropriate warrant levels to award and administer contracts; and
- contract closeout data recorded in federal procurement data system is properly coded.

To accomplish our objective at NIST, NOAA, and the Bureau, we

- evaluated NIST, NOAA, and Bureau practices against relevant policies, regulations, and guidance, including the FAR, the CAM, and NIST, NOAA, and Bureau policies and procedures; and
- reviewed selected contract file documents, such as contract award documents and support documentation, invoices, excess funds de-obligations, emails, C-Award and the FPDS-NG data (by comparing contract file support documentation to the FAR, CAM, and agency-specific contract closeout policies and procedures.

To gain an understanding of relevant controls, we interviewed management and staff from NIST's AMD, NOAA's AGO, and the Bureau's AGO regarding policies, procedures, and internal control to effectively and efficiently closeout contract files and track and de-obligate excess funds. While we identified and reported on internal control deficiencies, no incidents of fraud, illegal acts, or abuse were detected within this audit. We identified weaknesses in controls related to the process and procedures used to retain and maintain contract files. We relied on computer-processed data from the FPDS-NG to perform this audit.

NIST

At NIST we also did the following to accomplish our audit objective:

- Selected and tested a sample of physically completed contracts that were closed during FY 2016 (October 1, 2015–September 30, 2016) and first quarter of FY 2017 (October 1, 2016–December 31, 2016) and reviewed whether the contracts were closed within required timeframes.
- Verified whether the contract files are being stored and retained in accordance with the criteria.
- Selected and tested a sample of contracts that are physically completed, but have not been closed as of the end of FY 2016.
- Obtained an understanding of why contracts had not been closed out by interviewing Department and agency employees responsible for closing physically completed contracts.
- Identified any unneeded contract funds related to these contracts.
- Obtained documentation of the contracting officials' training and certification.
- Compared the computer processed data from FPDS-NG with hardcopy documentation obtained from 64 contract files for the physically completed closed contracts reviewed.

The audit team obtained a universe of contract actions that were executed during FY 2016 and first quarter FY 2017. This universe was split into two. Both universes consisted of fixed-price, cost-reimbursement, time-and-materials, and labor-hour contracts.

- The first universe was all the physically completed contracts that closed during FY 2016 and first quarter FY 2017. The team worked with the OIG Data Analytics group to derive a sample selection of 60 closed out contracts for review from the first universe.
- The second category of contracts is the balance of all the remaining contracts. This universe was filtered to identify those contracts that were physically completed, but had not been closed out. We identified and reviewed a total of 4 contracts that fit this situation.

We conducted the audit fieldwork at NIST Headquarters in Gaithersburg, Maryland, between April 20, 2017, and November 28, 2018.

NOAA

At NOAA we also did the following to accomplish our audit objective:

- Identified the total number of contracts closed during FY 2016 through third quarter of FY 2017 using FPDS-NG (the total universe consisted of 15,462 contracts).³⁸

³⁸ During the course of fieldwork, we became aware of 95 interagency agreements that were included in the list of closed contracts used to select our sample—2 of which were in our sample. As interagency agreements are not held to the same requirements as federal contracts, the 2 interagency agreements were removed from our sample.

- Reviewed a sample of contracts, stratified by the awarded dollar amount; we selected for review 8 contracts awarded over \$20 million (100 percent review) and a random sample of 65³⁹ contracts that were awarded less than \$20 million.
- Stratified the sample by dollar amount: we selected for review 8 contracts over \$20 million (100 percent review) and a random sample of 67 contracts less than \$20 million.

We conducted the audit fieldwork at NOAA offices in Boulder, Colorado, and Silver Spring, Maryland, between October 2017 and April 2019.

The Bureau

At the Bureau, we also did the following to accomplish our audit objective:

- We identified the total number of contracts closed during FY 2016 and FY 2017 using FPDS-NG (the total universe consisted of 436 contracts).
- We selected a judgmental sample of 43 contracts targeting high dollar value contracts and other risk factors. The initial sample selection was later reduced from 43 to 32 contracts, because early in the audit, we determined that the Bureau had the same closeout issues that were identified in the NIST and NOAA closeout audits.

We conducted the audit fieldwork at Bureau Headquarters in Suitland, Maryland, between April 2018 and March 2019.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed our work under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. App), and Department Organizational Order 10-13, dated April 26, 2013.

³⁹ A total of 67 contracts were originally selected in the sample, but 2 were removed from the sample because they were interagency agreements.

Appendix B: Summary of Findings

Table B-I. Summary of Findings for NIST

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices and Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
1	DOCSB1341 12SU 0579	FFP-SAP	\$67,400.00			X				X	
2	DOCSB1350 14SE 0070	FFP-SAP	\$41,085.00			X				X	
3	DOCSB1341 12SE 0464	FFP-SAP	\$3,250.00			X				X	
4	DOCSB1341 09SE 0688	FFP-SAP	\$126,125.00			X	X		X	X	X
5 ^a	DOCSB1341 12CN 0111	FFP									
6	DOCSB1341 12SE 0543	FFP-SAP	\$9,906.00			X	X		X	X	
7	DOCSB1341 09NC 0359	FFP-SAP	\$2,557.00			X	X	X	X	X	
8	DOCSB1341 12SU 0498	FFP-SAP	\$8,256.24			X				X	
9	DOCSB1350 14SE 0147	FFP-SAP	\$10,006.43			X				X	X
10	DOCSB1341 12SE 0343	FFP	\$150,000.00			X			X	X	
11	DOCSB1341 12SU 0304	FFP-SAP	\$1,301.25			X	X		X	X	
12	DOCSB1341 14SE 0187	FFP-SAP	\$13,215.90			X	X	X		X	
13	DOCSB1341 08SE 0788	FFP-SAP	\$33,162.25			X	X		X	X	X
14	DOCSB1341 10SE 0942	FFP-SAP	\$282,472.55			X	X		X	X	
15	DOCSB1341 12SU 0391	FFP-SAP	\$4,127.75			X	X		X	X	
16	DOCSB1341 09SU 0124	FFP-SAP	\$3,293.45			X	X	X	X	X	
17 ^a	DOCSB1341 11SE 0339	FFP-SAP									

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices and Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
18	DOCSB1341 15SU 0563	FFP-SAP	\$23,222.40	X		X	X			X	X
19	DOCSB1341 12SU 0540	FFP-SAP	\$1,395.70			X	X		X	X	
20	DOCSB1350 13SU 0281	FFP-SAP	\$37,235.00			X	X			X	
21	DOCSB1341 13SU 1170	FFP-SAP	\$11,960.18			X				X	X
22	DOCSB1341 13SU 1226	FFP-SAP	\$12,398.00			X			X	X	
23	DOCSB1341 10NC 0456	FFP	\$1,459,894.49			X	X		X	X	
24	DOCSB1341 12AE 0040	FFP-SAP	\$121,893.40			X			X	X	X
25	DOCSB1341 14SU 0961	FFP-SAP	\$48,807.76			X			X	X	X
26	DOCSB1325 14NC 0558	FFP-SAP	\$93,989.28			X		X		X	
27	DOCSB1341 11SE 1117	FFP-SAP	\$4,764.55			X	X		X	X	X
28	DOCSB1341 15NC 0022	FFP	\$62,744.45			X	X		X	X	X
29	DOCSB1341 16SU 0054	FFP-SAP	\$20,690.00			X				X	X
30	DOCSB1341 12CC 0008	FFP-SAP	\$1,805.60			X	X		X	X	X
31	DOCSB1341 13SU 1381	FFP-SAP	\$8,070.30			X				X	X
32	DOCSB1341 13SU 0056	FFP-SAP	\$11,500.00			X				X	X
33 ^a	DOCSB1341 10SU 0241	FFP-SAP									
34	DOCSB1341 10SU 0941	FFP-SAP	\$14,400.00			X	X		X	X	X
35	DOCSB1341 08SU 0137	FFP-SAP	\$73,696.78			X			X	X	X
36	DOCSB1341 10SE 0335	FFP-SAP	\$1,750.00			X					X
37	DOCSB1341 14CC 0049	FFP	\$559,060.05			X	X		X	X	X

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices and Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
38	DOCSB1341 12CQ 0031/ DOC14327	FFP-SAP	\$20,622.00			X				X	X
39	DOCSB1341 13CQ 0008/ DOC15146	FFP	\$652,118.31			X	X	X			X
40 ^b	DOCSB1341 14CQ 0029/ DOC14353	FFP-SAP				X	X			X	
41	DOCSB1341 12BR 0012/ DOC14182	FFP-SAP	\$61,987.00			X		X		X	X
42 ^b	DOCSB1341 14CQ 0058/ DOC14496	FFP-SAP				X	X			X	
43	DOCSB1341 11CQ 0027/ DOC12455	FFP-SAP	\$39,050.00			X			X	X	
44	DOCSB1341 12CQ 0012/ DOC12500	FFP-SAP	\$116,937.99			X				X	X
45	DOCSB1341 09BR 0008/ B0011	FFP	\$1,096,785.63			X	X		X	X	
46	DOCSB1341 13NC 0532	FFP	\$211,028.56			X		X	X		X
47	DOCSB1341 13CQ 0005/ DOC13350	FFP-SAP	\$53,636.40			X				X	
48	DOCSB1351 13NC 0638	FFP	\$1,212,755.85			X		X		X	
49	DOCSB1341 09SU 0120	FP w/EPA-SAP	\$24,309.15			X	X		X	X	X
50	DOCSB1341 14BR 0006	FFP-SAP	\$16,086.99			X	X	X	X	X	X
51	DOCSB1341 11NC 0038	FFP-SAP	\$4,128.00			X	X		X	X	X
52	DOCSB1341 06Z 0011/ 69321	Cost No Fee	\$802,606.54			X	X	X		X	

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices and Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
53 ^a	DOCSP06000 9D 8016/ SB134111NC 0028	FP w/EPA									
54	DOCSB1341 06Z 0011/ 10433	Cost No Fee	\$489,686.41			X			X	X	
55	DOCSB1341 12CQ 0036/ DOC13020	Cost No Fee	\$227,915.98			X			X		
56	DOCSB1341 13SE 0377	Labor-Hour	\$545,703.29			X	X	X	X		
57 ^b	DOCSB1341 09SE 0672	T&M-SAP	-			X	X			X	
58	DOCSB1341 10SE 0510	Labor-Hour	\$849,829.29			X		X			X
59 ^a	DOCSB1304 14NC 0023	Labor-Hour-SAP									
60	DOCSB1325 13BR 0005/ DOC15354	Labor-Hour-SAP	\$107,369.98			X	X	X		X	
61	DOCSB1325 13BR 0003/ DOC15353	Labor-Hour-SAP	\$85,057.39			X	X	X		X	
62	DOCSB1341 13CQ 0022/ DOC15460	Labor-Hour-SAP	\$78,789.08			X		X			
63	DOCSB1341 14CQ 0059/ DOC14489	T&M-SAP	\$14,410.16			X	X	X	X	X	
64	DOCSB1341 09CQ0042	FFP	\$172,220.00				X			X	X
65	DOCSB1341 10SE0923	FFP-SAP	\$79,750.00				X	X		X	X
66	DOCSB1341 11SE0671	FFP-SAP	\$47,855.00				X	X	X	X	X
67	DOCSB1341 11SU 0020	FFP	\$28,156.38			X	X		X	X	X
68	DOCSB1341 12CC 0023	FFP	\$2,111.20			X	X	X	X	X	X

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices and Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
69	DOCSB1341 14SU0890	FFP-SAP	\$65,685.00			X	X		X	X	X
Totals			\$10,432,028.34	0	0	61	37	19	34	57	31

^a Removed from sample.

^b No funds were expended on contract.

Table B-2. Summary of Findings for NOAA

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/ Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices & Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
1 ^a	DG133W11CQ0005 /0002	FFP		X							
2 ^a	EUI33C07SE2112	Fixed-SAP		X							
3	AB133F06CQ0031/T0023	FFP	\$40,000.00		X		X			X	
4	HHSN316201500027 W/ST133015NC1363	FFP-SAP	\$3,716.62		X		X		X		
5	AB133F13CQ0003/2048B	FFP	\$40,174.00				X		X	X	
6	EA133W15SE1264	FFP-SAP	\$16,190.00		X						
7 ^a	EB133W07SE5065			X							
8 ^a	8J133W09SE3096	FFP		X							
9 ^a	AB133003CQ0031/T0192			X							
10 ^a	DG133R05SE1919	FFP		X							
11	GS10F0330P/DG133 F09NC2479	FFP-SAP	\$15,000.00		X				X	X	
12	DG133C10SUI119	FFP-SAP	\$5,027.40		X				X	X	
13 ^a	DG133E10CQ0031/T0004	T&M		X							
14 ^a	EB133W07SE0442			X							
15 ^a	GS10F0249S/DG133 C10BU0087/003	FFP		X							
16 ^a	WD133W08SE2621	Fixed		X							
17	EE133R12SU0037	FFP-SAP	\$8,064.00		X					X	
18	GS24F0007K/RA133 R09NC0329	FFP-SAP	\$8,698.63		X		X		X	X	
19	AB133F07SE4423	FFP-SAP	\$56,242.43		X		X		X	X	
20 ^a	AB133F05IA1359										
21	GS10F0105K/AB133 F06BU0058/C0012	T&M	\$137,413.45			X	X			X	
22 ^a	DG133W13CQ0006 /D0002	FFP		X							
23	RA133M15ST0007	Fixed-SAP	\$17,937.25		X		X		X	X	
24	AB133F06CQ0047/T0075	Labor Hour	\$65,388.00							X	

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/ Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices & Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
25	WEI33W13SE1645	FFP-SAP	\$530.00		X					X	
26	EAI33M13SE0085	FFP-SAP	\$3,448.62		X					X	
27 ^a	EEI33012SU0482	FFP		X							
28 ^a	ABI33C05SU2035	FFP-SAP		X							
29	DGI33W10SE0453	FFP-SAP	\$3,399.00		X		X		X	X	
30 ^a	EAI33F12SE1829	FFP-SAP		X							
31	ABI33C07SE4409	FFP-SAP	\$54,791.12				X		X	X	
32	GS07F0092W/RAI33 F15NC0839	FFP-SAP	\$35,993.84		X				X	X	
33 ^a	ABI33C06SE1486	FFP-SAP		X							
34 ^a	EAI33C08SE4176	FFP-SAP		X							
35	WEI33M15SU1348	FFP-SAP	\$3,343.11							X	
36 ^b	ABI33A06IA0011										
37 ^a	FAI33M08SE2850	FFP		X							
38 ^a	DGI33E07CQ0055/ T0034	CPFF		X							
39 ^a	GS24F1107B/EE1330 I2NC0231	FFP-SAP		X							
40 ^a	DGI33002CQ0019/ T0001	Labor-Hour		X							
41	WC133W08CQ007 9/D0037	FFP-SAP	\$4,332.42		X		X		X	X	
42 ^a	GS35F0484J/RCI33R I0NC1042	FFP-SAP		X							
43	EEI33C15SE1992	FFP-SAP	\$7,863.00		X						
44	ABI33F07CQ0014/T 0020	FFP-SAP	\$62,954.54							X	
45 ^a	DGI33109SE4318	FFP-SAP		X							
46 ^a	8JI33W08SE2344	FFP		X							
47 ^a	EAI33W14SE3020	FFP-SAP		X							
48	RAI33W08SE2705	FFP-SAP	\$20,380.62							X	
49	RAI33R05SU1581	Fixed-SAP	\$3,506.84		X		X		X	X	
50 ^a	EUI33C06CR0773	FFP-SAP		X							
51 ^a	DGI33R06CN0207	FFP		X							
52 ^a	GS10F0304T/DGI33 C11NC1780	FFP-SAP		X							
53 ^a	EAI33E10NC2214	FFP		X							
54 ^a	DGI33F09SE3440	FFP-SAP		X							
55 ^a	DGI33C09SE4897	FFP-SAP		X							

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/ Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices & Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
56	WE133R13SE0327	FFP-SAP	\$3,150.00				X		X	X	
57	AB133F09SE3215	FFP-SAP	\$32,070.00		X		X		X	X	
58	GS35F0751M/DG133 F12NC1168	FFP	\$33,638.96		X		X		X	X	
59	WE133F12SU1365	FFP-SAP	\$38,972.15		X					X	
60	GS21F139AA/EE133 C13NC1128	FFP-SAP	\$10,032.00							X	
61 ^a	GS25F5032C/DG133 F06NC1405	FFP-SAP		X							
62	EAI33W14SU0237	FFP-SAP	\$16,874.06		X		X		X	X	
63 ^a	DG133W09XX0159	FFP-SAP		X							
64 ^a	DG133C05CQ1073/ T0005	FFP		X							
65 ^a	DG133R06SE3742	T&M		X							
66 ^a	FD133007SE4982	FFP-SAP		X							
67	AB133C08SE3693	FFP-SAP	\$61,148.00		X		X		X	X	
68 ^a	DG133011CN0083	FFP		X							
69 ^a	DG133W06CN0098	FFP		X							
70	EAI33F10CQ0012	FFP	\$2,904,383.30		X					X	
71	EAI33F12CQ0041	FFP	\$3,520,439.75				X		X	X	
72	AB133F05CN1010	FFP	\$35,027,137.00		X	X				X	
73 ^a	DG133E07CQ0005/ T0014	CPFF		X							
74 ^a	DG133E08CN0111	CPFF		X							
75 ^a	GS10F0299K/DG133 C06NC1727	T&M		X							
Totals			\$42,260,397.81	40	23	2	17	0	18	30	0

^a The contract file was missing or was not properly retained. As a result, OIG did not determine whether contracting personnel properly administered contract closeout procedures for this contract.

^b Removed from sample.

Table B-3. Summary of Findings for the Bureau

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices & Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
1	DOCYA132307NC0421	FFP	\$101,063,340.10		X	X	X		X	X	
2	DOCYA132308NC0502	FFP	\$39,070,776.11			X	X		X	X	
3	DOCYA132310NC0314	FFP	\$40,569,874.00		X	X	X		X	X	
4 ^a	DOCYA132308NC0586	FFP		X							
5	DOCYA132311NC0584	FFP	\$13,661,524.41			X	X			X	
6	DOCYA132314NC0148	T&M	\$12,671,468.00				X		X		
7	DOCYA132311NC0589	FFP	\$12,499,943.00		X		X		X	X	
8	DOCYA132310NC0445	FFP	\$11,955,363.10		X		X		X	X	
9	DOCYA132311NC0535	T&M	\$9,652,508.00				X		X	X	
10	DOCYA132310NC0727	CPFF	\$9,040,176.29							X	
11	DOCYA132311NC0531	T&M	\$7,622,382.00				X		X	X	
12	DOCYA132314NC0108	FFP	\$7,559,996.46		X	X	X		X		
13	DOCYA132311CN0034	FFP	\$7,156,219.73						X		
14 ^a	DOCYA132309NC0352	FFP		X							
15	DOCYA132311CT0002	Labor Hour	\$5,712,019.00								
16	DOCYA132311CN0006	FFP	\$5,676,864.00						X		
17	DOCYA132308NC0281	Labor Hour	\$4,938,182.00				X		X	X	
18	DOCYA132311NC0511	CPFF	\$5,098,364.67				X		X	X	
19	DOCYA132308CN0022	FFP	\$4,798,237.00				X			X	
20	DOCYA132311NC0401	Labor Hour	\$4,604,747.18				X			X	
21	DOCYA132312BU0016 CO001	Labor Hour	\$4,456,284.87				X				
22	DOCYA132314NC0182	T&M	\$4,379,016.83				X				
23	DOCYA132313NC0012	FFP	\$3,960,882.30		X		X			X	
24	DOCYA132307NC0172	CPFF	\$3,906,666.54		X		X		X	X	

Sample No.	Contract Number	Contract Type	Total Amount Expended	Contract File Missing/Was Not Properly Retained	Missing Contract Modification(s)	Missing Completion Statement/ Not Properly Completed	Contract Not Properly Closed/ No Evidence of Physical Completion	Unneeded Funds Not Properly De-obligated	Missing Invoices/ Final Invoices & Supporting Documentation	Time Standards for Closeout Not Met	TPOC Not Properly Trained
25 ^a	DOCYA132313CN0021	T&M		X							
26	DOCYA132311CN0016	Labor Hour	\$3,796,397.64				X				
27	DOCYA132309CQ0020 TO001	T&M	\$3,768,539.23		X		X		X	X	
28	DOCYA132309CQ0028 TO001	T&M	\$3,699,211.82				X		X	X	
29	DOCYB132312NC0130	FFP-SAP	\$3,602,267.46		X					X	
30	DOCYA132312CN0021	T&M	\$3,651,001.55				X		X		
31 ^a	DOCYA132309CN0036	FFP		X							
32 ^a	DOCYA132310CQ0001 TO1	FFP		X							
Totals			\$338,572,254.29	5	9	5	22	0	17	18	0

^a The contract file was missing or was not properly retained. As a result, OIG did not determine whether contracting personnel properly administered contract closeout procedures for this contract.

Appendix C: Potential Monetary Benefits for NIST, NOAA, and the Bureau

	Agency	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use
Finding II.B.1 & II.B.2 and Recommendations 5 & 6	NIST	\$4,110,587.66 ^a	\$4,013,761.94	
Finding II.B.1 and Recommendation 5	NOAA	\$3,880,146.48	\$3,880,146.48	
Finding II.B.1 and Recommendation 5	The Bureau	\$280,560,701.31	\$280,560,701.31	
Total Potential Monetary Benefits		\$288,551,435.45	\$288,454,609.73	

^a This amount represents \$96,825.72 in unallowable costs and \$4,013,761.94 in unsupported costs.

Appendix D: Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

MEMORANDUM FOR: Frederick J. Meny, Jr.
Assistant Inspector General for Audit and Evaluation

FROM: *for:* Barry E. Berkowitz **OLIVIA BRADLEY**
Senior Procurement Executive and Director for Acquisition Management
Digitally signed by OLIVIA BRADLEY
Date: 2020.04.14 09:53:49 -04'00'

SUBJECT: Draft OIG Report: The Department Needs to Improve Oversight Practices to Close Out Contract Files by Complying with Federal Regulations and Departmental Requirements

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report entitled *The Department Needs to Improve Oversight Practices to Close Out Contract Files by Complying with Federal Regulations and Departmental Requirements*.

The Department's response which consolidates comments from the Office of Acquisition Management, the U.S. Census Bureau, the National Institute of Standards Technology, and the National Oceanic and Atmospheric Administration is attached.

If you have any questions, please contact Virna Winters, Director, Acquisition Policy and Oversight Division, at 202-482-3483 or vwinters@doc.gov.

Attachment

**Department of Commerce Comments on
OIG Draft Report entitled
*The Department Needs to Improve Oversight Practices to Close Out Contract Files
By Complying with Federal Regulations and Departmental Requirements***

The Department of Commerce, Office of Acquisition Management (OAM), the U.S. Census Bureau (Census Bureau), the National Institute of Standards Technology (NIST), and the National Oceanic and Atmospheric Administration (NOAA), have reviewed and provided comments on the draft report, which combines and summarizes separate audits of the Census Bureau, NIST and NOAA. Page numbers refer to page numbers in the report unless otherwise stated.

General Comments

The Department's response consolidates comments from the Office of Acquisition Management (OAM), the U.S. Census Bureau (Bureau), the National Institute of Standards Technology (NIST), and the National Oceanic and Atmospheric Administration (NOAA).

Comments on Recommendations

The Office of the Inspector General (OIG) made nine (9) recommendations to the Department of Commerce in the report.

Recommendation 1: That the OAM Acquisition Policy and Oversight Division Director enforce the CAM contract annual reporting requirements and implement an oversight process for monitoring compliance with federal and Departmental closeout requirements.

Commerce Response: The Department of Commerce agrees with this recommendation. OAM will review existing contract closeout policy to determine if the process for monitoring compliance should be revised to reflect current monitoring tools and practices.

Recommendation 2: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation. NIST will ensure that periodic controls are implemented to ensure that contracts are being closed timely and that closeout procedures follow federal and Departmental regulations. Semi-annual internal audits of the NIST closeout process will ensure the completion of closeouts correctly and in a timely manner.

Recommendation 3: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation. NOAA will (1) publish a list of all expired contracts quarterly for closeout review and action; and (2)

monitor closeout compliance with federal and Department regulations through its biennial Acquisition Management Reviews. NOAA will work towards the goal of reducing its current backlog of closeout actions by establishing teams within each acquisition divisions to reduce the backlog and maintain its closeout milestones.

Recommendation 4: That the 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.

Commerce Response: The Census Bureau agrees with the recommendation and notes that a new and improved contract closeout process was implemented on 10/1/2017. The new contract closeout process includes templates to ensure that contracts are closed-out in compliance with Federal and Departmental regulations.

Recommendation 5: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation.

Census has developed a new and improved contract closeout process that was implemented on October 1, 2017, which includes templates to ensure all required contract closeout file documentation is completed and included in the contract file.

NIST has developed additional guidance and training on the contract closeout process to include clearly defining the requirements for adequate contract closeout file documentation. This closeout process flowchart will serve as a desk reference and assist staff to follow a consistent process that ensures compliance with federal and Departmental regulations.

NOAA will create contract closeout training slides, distribute them, and verify that its contracting staff completes this training.

Recommendation 6: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation. NIST has conducted research to determine why key personnel were replaced and supplemented without the proper approvals. NIST will ensure that the questioned labor costs are recovered in a timely manner and that all contracting personnel enforce the contract terms and conditions for all labor hour contracts. Additionally, NIST shall ensure that additional controls and guidance are in place prior to approving the Determination and Findings for Use of Labor Hour Contracts.

Recommendation 7: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation. NOAA plans to (1) create training slides, distribute them, and verify that its contracting staff completes this training and (2) monitor compliance with federal and Department regulations through its biennial Acquisition Management Reviews.

Recommendation 8: That the 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.

Commerce Response: The Department of Commerce agrees with this recommendation. NIST has already provided evidence that it was able to recover the \$35,685 improper payment (Page 15). NIST will establish preventative measures to ensure the likelihood of future improper payments remains low

Recommendation 9: That the NIST Director of Office of Acquisition and Agreements ensure that (a) contracting officers appoint in writing properly trained and certified CORs/TPOCs prior to awarding contracts, and (b) all CORs/TPOCs meet their continuous learning requirements and are certified at the appropriate levels continuous learning requirements and are certified at the appropriate levels.

Commerce Response: The Department of Commerce agrees with this recommendation. Currently, there is no training or certification level required for TPOCs. NIST Contracting Officers will continue to ensure that CORs are appointed in accordance with NIST SOP-05-13, COR Appointment Requirements.
