



Office of Inspector General U.S. Government Accountability Office Report Highlights

August 27, 2018

CONTRACT CLOSEOUT

GAO has Taken Steps to Strengthen Contract Closeout Controls, but Additional Actions are Needed

Objective

This report addresses the extent to which GAO maintained effective contract closeout controls for reducing financial, operational, and compliance risks through fiscal year 2017.

What OIG Found

Contract closeout involves a number of tasks, such as verifying that goods or services were provided, making final payment to the contractor, and deobligating excess funds. As of September 2015, GAO identified over 1,800 of contracts awaiting closeout, worth more than half a billion dollars, which we attributed to weak controls in our 2016 contract management audit report. Following our report, GAO reduced its backlog of contracts awaiting closeout, and as of June 2017, had a closeout backlog of 390 contracts with a total obligated amount of \$330.8 million. GAO's success was due, in large part, to (1) the addition of staff assigned specifically to complete backlogged closeouts, and (2) management oversight and monitoring through periodic backlog contract closeout status reports. In addition, GAO developed and implemented a checklist to document the closeout of those contracts with award dates in or after fiscal year 2015. We found that steps taken by GAO to improve its contract closeout process had a positive effect on ensuring its compliance with federal and agency requirements.

However, we identified areas where additional actions are needed to further strengthen GAO's contract closeout controls and reduce contract risk consistent with the Federal Acquisition Regulation (FAR) and GAO policy. These actions pertain to three areas: records retention, accuracy of contract type information in GAO's procurement system, and risks that GAO's new contract closeout checklist does not fully cover key closeout requirements. In addition, we found that while GAO migrated to a new shared service provider and financial management/procurement system in fiscal year 2018, it has not fully updated its acquisition policies and procedures to reflect its processes and controls within the new system.

What OIG Recommends

OIG is making five recommendations intended to further strengthen GAO's closeout processes, controls, and related documentation to help ensure GAO's compliance with federal and agency requirements. Specifically, that GAO develop, document, and implement processes to ensure that records are maintained in accordance with agency record retention policy; contract type is clearly identified and accurately recorded; and flexibly-priced contracts are closely monitored. In addition, that GAO update its closeout checklist to ensure that required monitoring of flexibly-priced contracts is performed prior to closeout, and complete the update of its Standard Operating Procedures to fully reflect GAO's migration to its new shared service provider and system. GAO agreed with our recommendations and described actions taken in response to our report.