

Report in Brief

Date: December 2021

Report No. A-03-20-03004

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why We Did This Audit

A 2017 Government Accountability Office report identified issues with contract closeout timeliness at several agencies, including HHS. Contract closeout is the final phase in a contract's life cycle and is a key step in ensuring that the contracting agency has received the appropriate goods and services at the agreed-upon price. This audit is part of a broad portfolio of OIG reviews examining various aspects of acquisition contracting throughout HHS.

Our objectives were to determine whether the Food and Drug Administration (FDA): (1) identified and reviewed contracts when they were eligible for closeout and (2) closed contracts in accordance with the Federal Acquisition Regulation (FAR), the HHS Acquisition Regulation (HHSAR), and other HHS acquisition policies and procedures.

How OIG Did This Audit

We reviewed: (1) 30 FDA contracts that had an ultimate completion date that was before November 2, 2015, (2) 10 open FDA contracts that were awarded by FDA and had a contract action between October 1, 2014, and June 30, 2020, and (3) 5 closed contracts that were awarded by FDA and had a contract action between October 1, 2014, through June 30, 2020.

The Food and Drug Administration Needs To Improve Its Contract Closeout Processes To Identify Contracts Eligible for Closeout and Close Contracts Timely

What OIG Found

FDA did not always identify contracts eligible for closeout and did not always follow FAR requirements for closing contracts timely but otherwise generally closed contracts in accordance with the FAR, the HHSAR, and other HHS acquisition policies and procedures. FDA did not always identify and close contracts timely because FDA utilized manual processes for some contract closeout review functions when an automated process may have been more efficient. In addition, FDA personnel did not always communicate to each other information that would have helped identify contracts eligible for closeout, contracting officers and contracting officer's representatives (CORs) were not required to notify contract closeout specialists that a contract was complete, and the CORs' change requests were not always submitted before the CORs left their positions. Finally, FDA contract closeout specialists did not have the ability to run ad hoc query reports from the Purchase Request Information System, the system HHS uses to formulate, administer, and distribute contract documents.

Because contracts were not always closed timely, FDA may not have identified unused funds that could be deobligated and released to another appropriate need. Specifically, we found that two of the contracts that should have been closed had remaining funds of \$88,152 that should have been deobligated and released to another appropriate need.

What OIG Recommends and FDA Comments

We recommend that FDA deobligate \$88,152 in contract funding and close the six contracts that remain open but eligible for closeout. We also made several procedural recommendations for improving the contract closeout process. Our detailed recommendations are in the report.

In written comments on our draft report, FDA concurred with five of our recommendations and accepted the intent of the other recommendation. FDA described corrective actions that it had taken or planned to take in response to each of our recommendations. For example, FDA agreed to add language to the contract awards to require that contractors specify whether an invoice is the final contract invoice, plans to deobligate \$88,152 in contract funding, and is seeking a solution to automate both the tracking of awards for closeout and the process of sending closeout documents to the contractor and COR.