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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

October 18, 2017

The Honorable Ellen M. Lord
Under Secretary of Defense for Acquisition,
Technology, and Logistics
Department of Defense
3000 Defense Pentagon
Washington, DC 20301

Dear Ms. Lord:

I write requesting detailed information from the Department of Defense regarding its management and oversight of contract closeouts.

The federal government obligates more than \$400 billion on contracts for goods and services annually.¹ Recently many agencies have experienced delays in closing out completed contracts. Such contract closeout backlogs expose the federal government to an increased risk of improper payments and prevent agencies from reallocating unused funds.

In September, the Government Accountability Office (GAO) released a report, at my request, regarding the contract closeout backlog at federal agencies. In particular, GAO reviewed the extent to which five large federal agencies – the Departments of Defense, Health and Human Services, Homeland Security, Justice, and State – effectively manage contract closeouts. GAO reviewed whether these five agencies had the following: (1) centralized data on the number of contracts needing to be closed out, (2) information on where the contracts were in the closeout process, (3) established agency-wide contract closeout-related goals, and (4) established performance measures to assess progress toward achieving these goals. None of the agencies GAO reviewed had met all four of these elements.²

As GAO noted, having agency-wide contract closeout data, goals, and performance measures can help agencies meet contract closeout timeframes.³ Data on the number of contracts eligible or overdue for closeout and on where contracts are in the closeout process allows agency management to better understand the scope of the issue and identify specific

¹ U.S. Government Accountability Office, *Contracting Data Analysis: Assessment of Government-wide Trends* (GAO-17-244SP) (Mar. 2017).

² *Id.*

³ The Federal Acquisition Regulation (FAR) generally requires agencies to close completed contracts within certain timeframes—6 months for firm-fixed-priced contracts and 36 months for flexibly-priced contracts. Federal Acquisition Regulation (FAR) 4.804-1(a)(2) and (3).

challenges to contract closeout. Additionally, by establishing goals and performance measures, agencies can ensure that sufficient management attention is paid to contract closeouts.⁴

GAO found that the Department of Defense does not have agency-wide data in place on contract closeout. The components that GAO studied reported over 440,000 contracts awaiting closeout and, while components do have data on the number of contracts to be closed, they are unable (with the exception of the Defense Contract Management Agency) to track contracts in the closeout process. As a result, components are unable to address challenges that arise during the process. GAO recommended that the Secretary develop a means of department-wide oversight into components' progress in meeting their goals on closing contracts and the status of contracts eligible for closeout.⁵

In order to better understand how the Department of Defense plans to implement GAO's recommendations and more effectively manage its contract closeout process, please provide a written response to the following questions no later than November 7, 2017:

1. In this report, GAO identified four key elements agencies could use to effectively manage contract closeout backlogs.
 - a. Do the Department or individual components have plans to centralize data on the number of contracts eligible or overdue for closeout? If so, please describe the plans and the timeline for completion.
 - b. Do the Department or individual components have plans to track information on where contracts are in the closeout process? If so, please describe the plans and the timeline for completion.
 - c. Do the Department or individual components have plans to establish goals associated with reducing the number of contracts needing to be closed out? If so, please describe the plans and the timeline for completion.
 - d. Do the Department or individual components have plans to establish performance measures to assess progress in achieving contract closeout goals? If so, please describe the plans and the timeline for completion.
2. Does the Department have plans to develop a means of department-wide oversight of components' efforts in closing contracts? If so, please describe the plans and the timeline for completion.

⁴ U.S. Government Accountability Office, *Federal Contracting: Additional Management attention and Action Needed to Close Contracts and Reduce Audit Backlog* (GAO-17-738) (Sept. 2017).

⁵ *Id.*

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Should you have any questions please contact Michael Broome with my staff at (202) 224-9142. Please send any official correspondence related to this request to Amanda Trosen at Amanda_Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman