

~~SECRET//NOFORN~~



CENTRAL INTELLIGENCE AGENCY

Office of Inspector General

(U) REPORT OF AUDIT

~~(U//FOUO)~~ The CIA's Contract Settlement Process

Report No. 2012-0016-AS



(b)(3)

23 December 2013

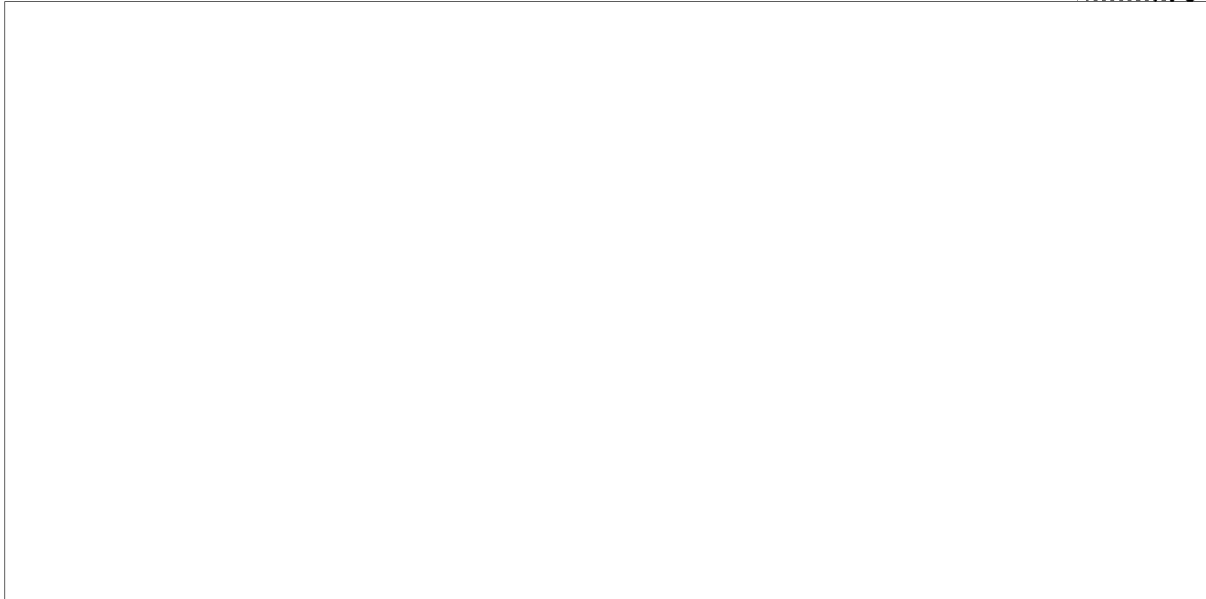
~~SECRET//NOFORN~~

SECRET//NOFORN

Table of Contents

(U) EXECUTIVE SUMMARY 1

(U) BACKGROUND 3



(b)(3)

(U) Objectives, Scope, and Methodology.....Exhibit A

(U) RecommendationsExhibit B

(U) Audit Team.....Exhibit C

SECRET//NOFORN

SECRET//NOFORN

(U) Report of Audit

(U//FOUO) The CIA's Contract Settlement Process

(U) EXECUTIVE SUMMARY

(U) The objectives of this audit were to determine whether:

- (U) Contracts are settled in a timely manner.
- (U) Funds remaining on completed contracts are properly managed and recorded.
- (U) The contract settlement process is administered in compliance with applicable laws, regulations, policies, and procedures.



(b)(3)

SECRET//NOFORN

SECRET//NOFORN

(b)(3)
(b)(6)



SECRET//NOFORN

SECRET//NOFORN**(U) BACKGROUND**

(U) The settlement process for a contract begins when the contractor has delivered all goods and/or provided all services required by the terms of the contract.¹ Federal Acquisition Regulation (FAR) 4.804-4, *Physically Completed Contracts*, prescribes that a contract is completed when:

- (U) The contractor has completed the required deliveries and the Government has inspected and accepted the supplies;
- (U) The contractor has performed all services and the Government has accepted these services; and
- (U) All option provisions, if any, have expired; or
- (U) The Government has given the contractor a notice of contract termination.

The contract settlement process continues through a number of tasks and ends when all required contractual actions have been performed and all contract administration activities have been successfully completed.² Contract settlement requirements vary with the contract type, dollar value, and complexity of the contract.

(U) FAR 1.602-2, *Responsibilities*, prescribes that contracting officers (COs) are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. A CO's responsibility for a contract does not end until final acceptance, payment, and settlement. When settling a contract, the CO—with the assistance of other personnel—must ensure that a variety of administrative tasks are accomplished depending on the contract type, contract amount, and whether property was provided to or acquired by the contractor. The administrative tasks may include:

- (U) Preparing the contractor performance report (CPR).
- (U) Obtaining property clearance.
- (U) Settling indirect cost rates.
- (U) Completing the contract audit.
- (U) Reviewing contract funds and deobligating excess funds.
- (U) Obtaining the level-of-effort hours certification and adjusting fee, if necessary.³

¹ (U//FOUO) For the purpose of our report, the term contract refers to a base contract, task order, and blanket purchase agreement order.

² (U) Contract settlement is also referred to as "contract close out."

³ (U) FAR 4.804-5, *Procedures for Closing Out Contract Files*; [REDACTED]

(b)(3)

SECRET//NOFORN

SECRET//NOFORN



(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN

(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN



(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN

(b)(1)
(b)(3)



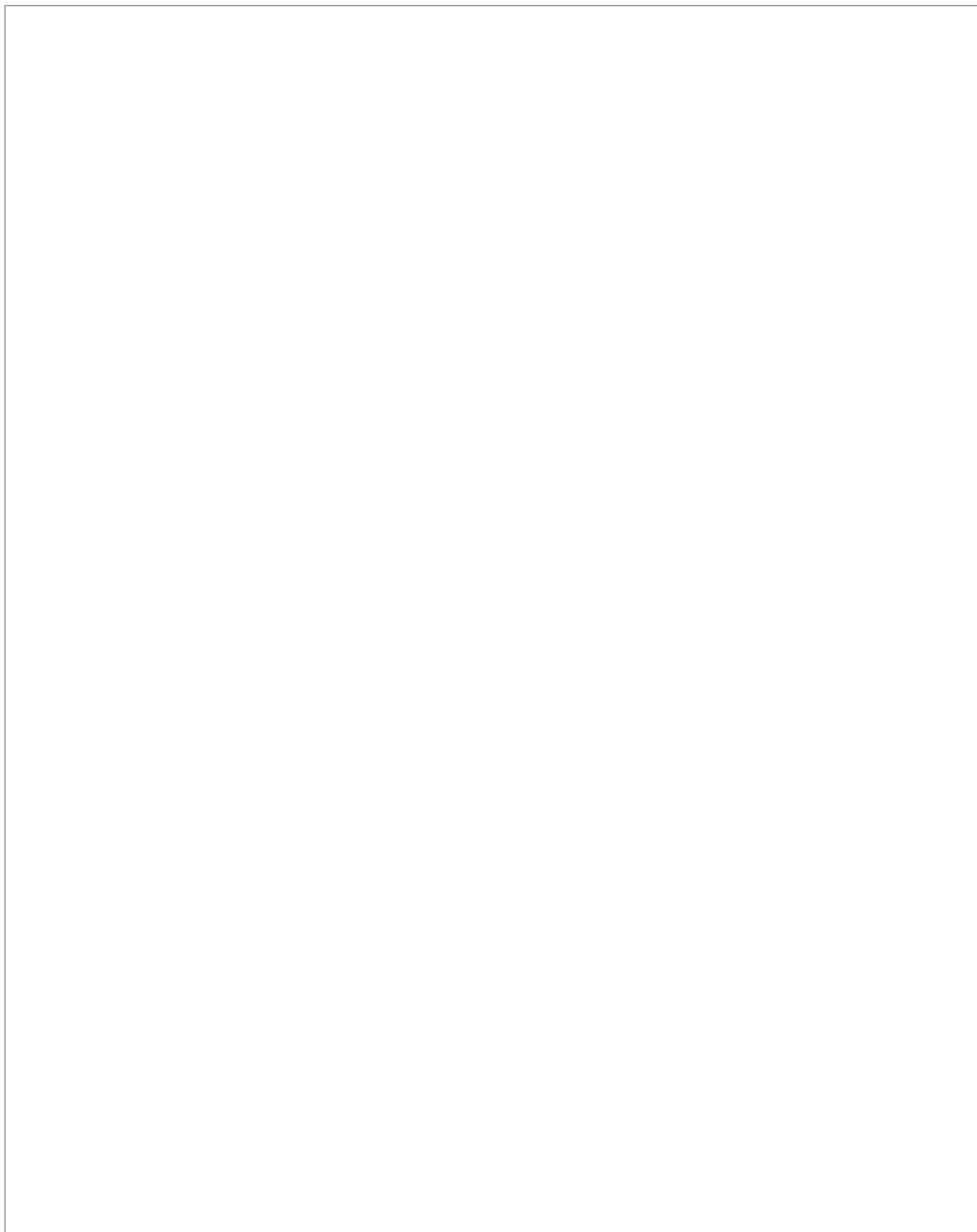
SECRET//NOFORN

SECRET//NOFORN



SECRET//NOFORN

SECRET//NOFORN



(b)(3)
(b)(5)

SECRET//NOFORN

(b)(3)
(b)(5)

SECRET//NOFORN



SECRET//NOFORN

SECRET//NOFORN



(b)(3)
(b)(5)

SECRET//NOFORN

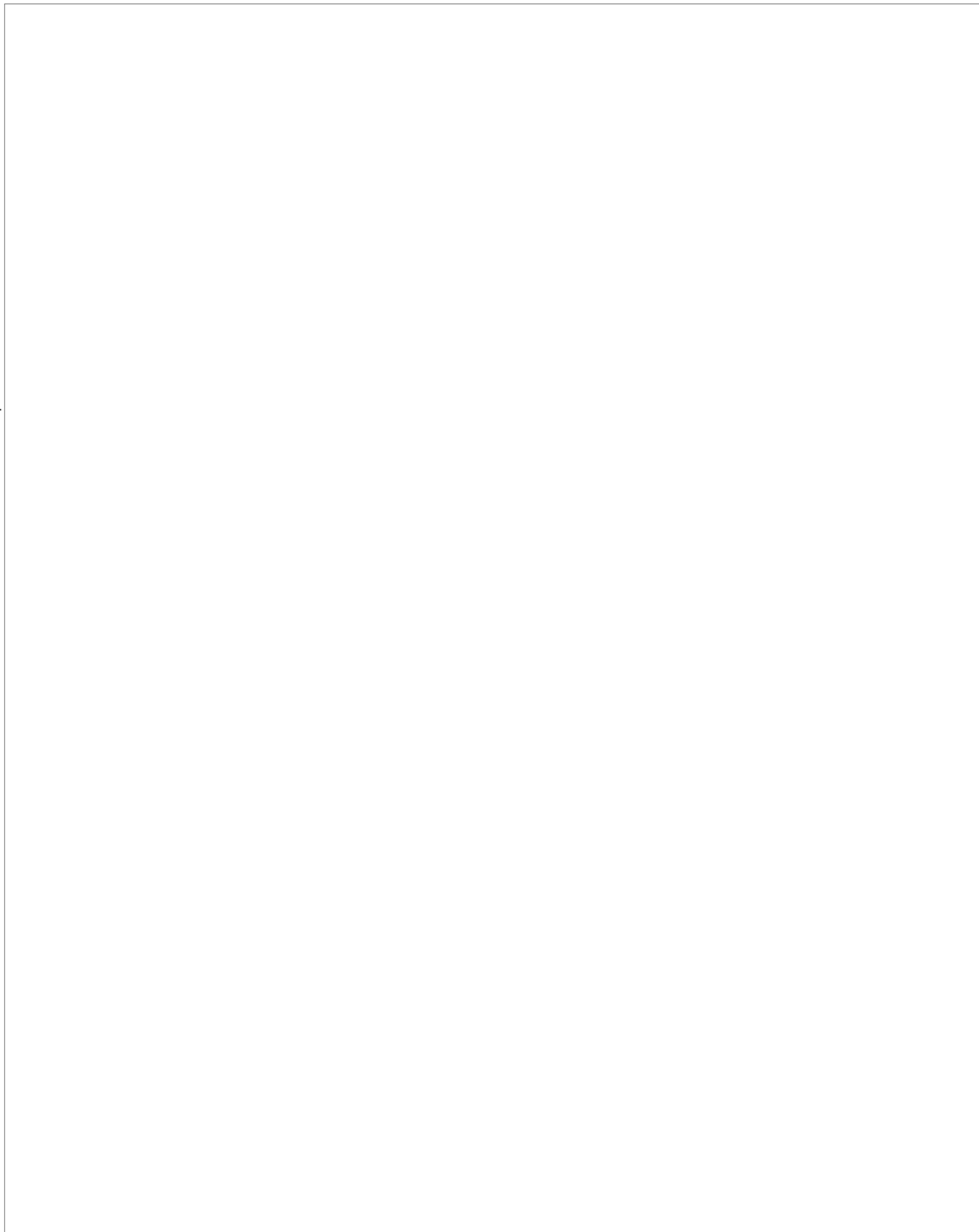
SECRET//NOFORN



(b)(3)
(b)(5)
(b)(1)

SECRET//NOFORN

SECRET//NOFORN



(b)(1)
(b)(3)
(b)(5)

|

SECRET//NOFORN

SECRET//NOFORN



(b)(3)
(b)(5)

SECRET//NOFORN

SECRET//NOFORN

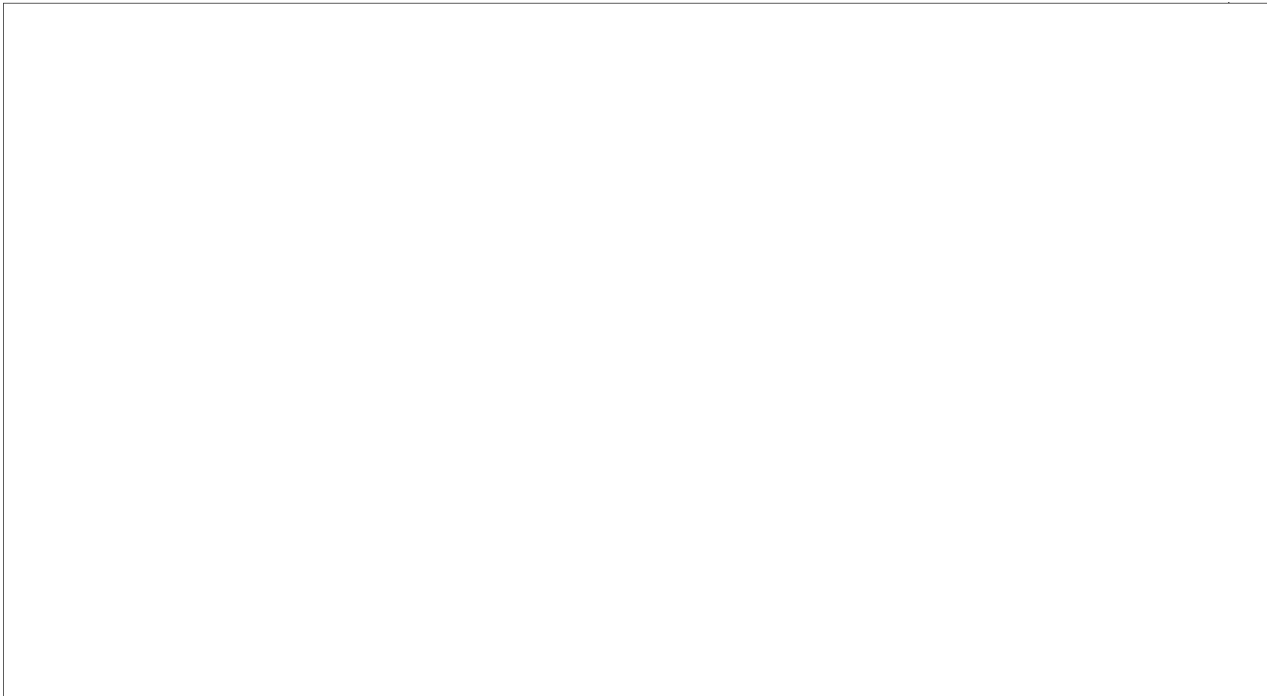


(b)(3)

The FAR states that quick-closeout procedures should be used, when appropriate, to reduce administrative costs and to expedite the deobligation of excess funds obligated on contracts.²¹

FAR 42.708, *Quick-closeout procedure*, states that the CO will negotiate the settlement of direct and indirect costs on a contract, in advance of the determination of final direct costs and indirect rates, under the following circumstances:

- (U) The total unsettled direct costs and indirect costs to be allocated to the contract do not exceed the lesser of \$1 million or 10 percent of the total contract amount.
- (U) The contracting officer performs a risk assessment and determines that the use of quick-closeout procedures is appropriate.
- (U) An agreement can be reached with the contractor on the total settlement amount.



(b)(1)
(b)(3)

²¹ (U) FAR 4.804-1, *Closeout by the office administering the contract*.

(b)(3)



SECRET//NOFORN

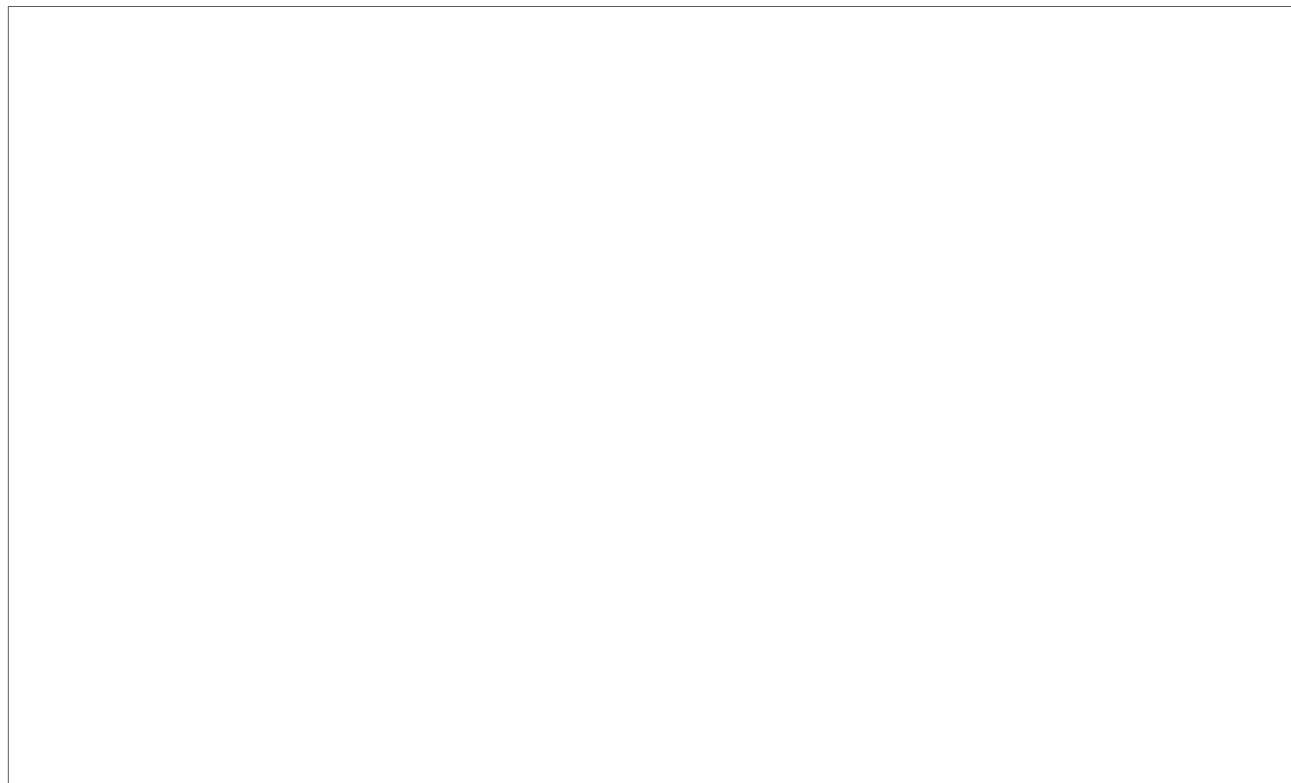
SECRET//NOFORN



(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN



(b)(3)
(b)(5)

SECRET//NOFORN

SECRET//NOFORN

Exhibit A

(U) Objectives, Scope, and Methodology

(U) The objectives of this audit were to determine whether:

- (U) Contracts are settled in a timely manner.
- (U) Funds remaining on completed contracts are properly managed and recorded.
- (U) The contract settlement process is administered in compliance with applicable laws, regulations, policies, and procedures.



(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN



(b)(1)
(b)(3)

SECRET//NOFORN

SECRET//NOFORN

(U) We conducted this performance audit from April 2012 to December 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(U) Comments on a draft of this report were provided by [redacted] and were considered in preparing the final report.

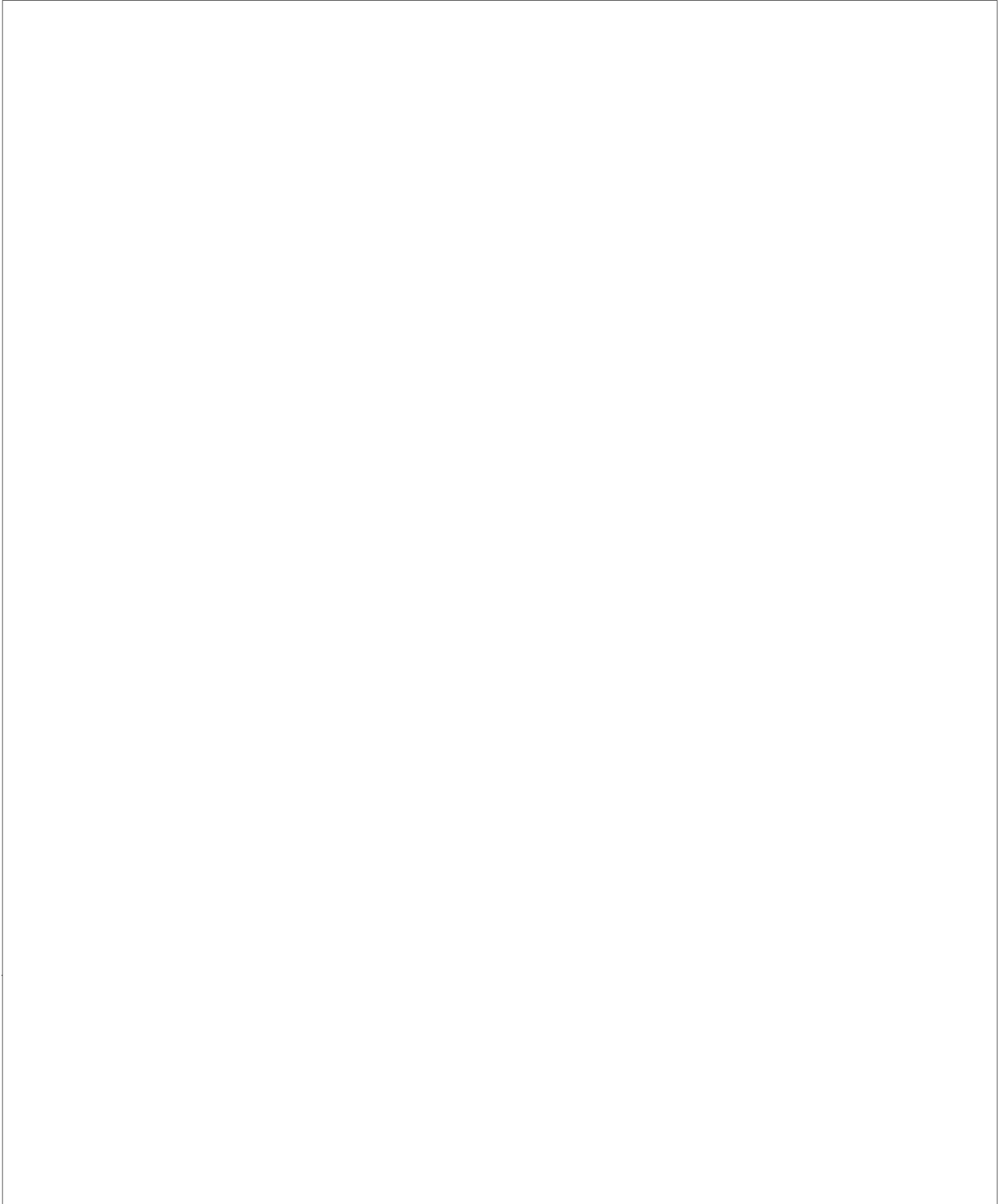
(b)(3)
(b)(3)

SECRET//NOFORN

Exhibit B

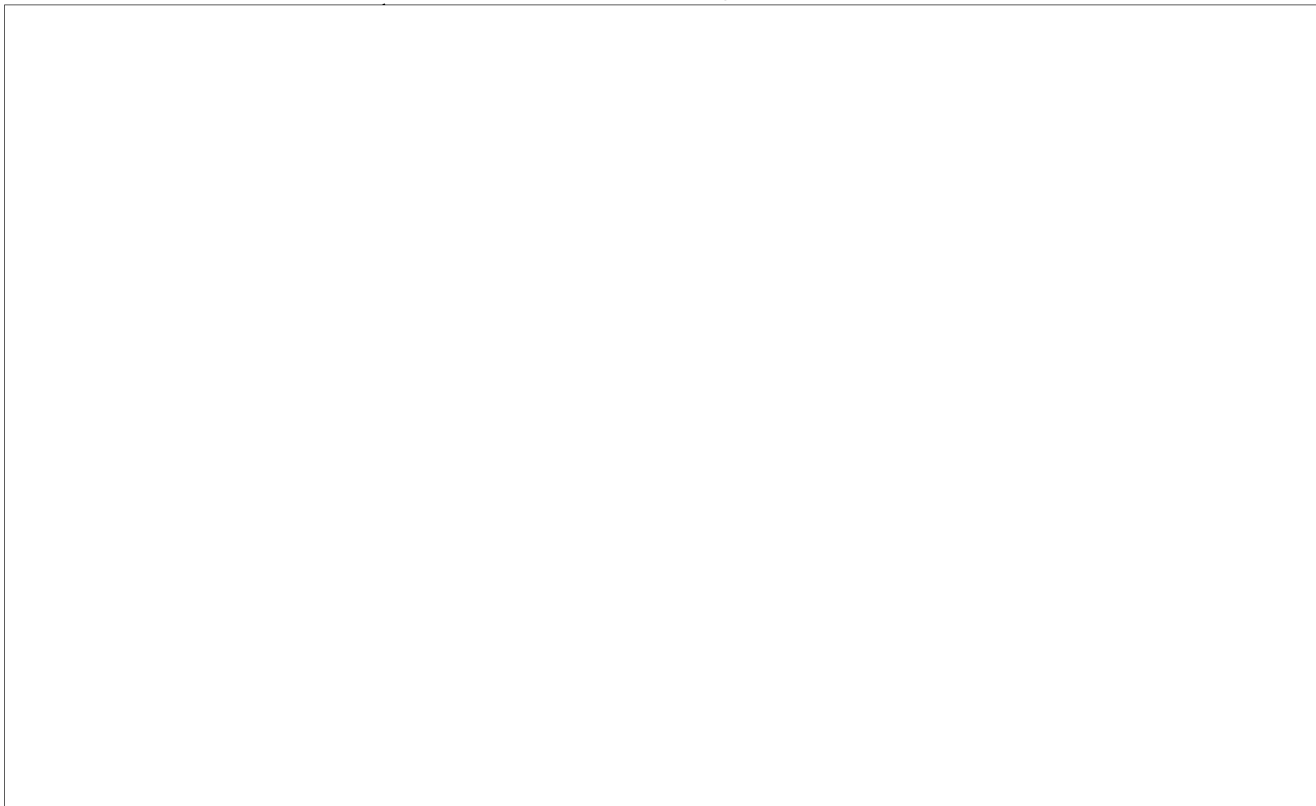
(U) Recommendations

(b)(3)
(b)(5)



SECRET//NOFORN

SECRET//NOFORN



(b)(3)
(b)(5)

SECRET//NOFORN

SECRET//NOFORN

Exhibit C

(U) Audit Team

(C) This audit report was prepared by the Audit Staff/Office of
Inspector General.

(b)(3)

(b)(3)

(b)(6)

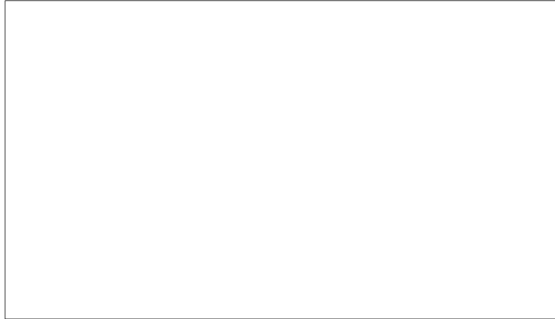


Exhibit C is CONFIDENTIAL.

SECRET//NOFORN

SECRET//NOFORN



SECRET//NOFORN