



OFFICE OF INSPECTOR GENERAL EVALUATION REPORT

PBGC's Agreed Upon Procedures for Contract Closeouts

**Report No. EVAL-2020-08
March 20, 2020**

PBGC's Agreed Upon Procedures for Contract Closeouts

Background	<p>Contract Closeouts. A contract closeout occurs when a contract has met all the terms of a contract and all administrative actions have been completed, all disputes settled, and a final payment has been made. In a 2017 report, <i>Federal Contracting, Additional Management Attention and Action Needed to Close Contracts and Reduce Audit Backlog</i>, the Government Accountability Office identified opportunities for agencies to resolve contract closeout challenges.</p> <p>PBGC and Contract Closeouts. The Procurement Department has identified the backlog of incurred cost closeout audits as a risk that may result in PBGC losing the capability to collect or reimburse obligations. In September 2016, PBGC issued a call order, under a Blanket Purchase Agreement, for contract closeout services on 32 contracts, valued at \$299 million.</p> <p>PBGC Federal Acquisition Regulations (FAR) Supplement. The PBGC FAR Supplement establishes PBGC's acquisition procedures, which implement the FAR, PBGC directives, and statutory laws and regulations.</p>
Key Questions	<p>Objective. To determine PBGC's actions in monitoring the agreed-upon procedures during the period of performance and follow-up on the deliverables for contract closeout services.</p>
Evaluation Results	<p>Overall Conclusion. PBGC's Procurement Department could have conducted better monitoring of the agreed-upon procedures during the period of performance and did not follow-up on findings from the contract closeout reports. By failing to do so, PD incurred unnecessary expenses in having the contractor conduct a premature closeout review and has not recouped funds due to overpayments, disallowed direct costs, or de-obligated funds. We found PD included two contracts that should not have been in the closeout pool of 32 contracts. For the remaining 30 contracts 23 did not have final indirect rates or final vouchers, limiting the procedures required by the BPA. We estimated a negative monetary impact of \$466K, out of which \$293K are the funds that could be put for better use and \$173K are questioned costs PBGC failed to recoup.</p>
Corrective Actions	<p>Our recommendations. We made seven recommendations that included the Procurement Department improving controls and oversight processes for closeout contracts, and developing and implementing a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports.</p> <p>Management agreement. Management agreed with our recommendations and agreed to take corrective action as identified in the report.</p>



March 20, 2020

MEMORANDUM

TO: Alice Maroni
Chief Management Officer

FROM: Brooke Holmes
Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Issuance of Final Evaluation Report, PBGC's Agreed Upon Procedures for Contract Closeouts (Report No. EVAL-2020-08)

We are pleased to provide you with the above-referenced final report. We appreciate the cooperation you and your staff extended to OIG during this project. We thank you for your receptiveness to our recommendations and your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations.

This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

cc: Frank Pace, Director, Corporate Controls and Reviews Department
Latrece Wade, Risk Management Officer
Juliet Felent, Acting Director, Procurement Department
Paul Chalmers, Acting General Counsel, Office of General Counsel
Department of Labor Board staff
Department of Treasury Board staff
Department of Commerce Board staff
House committee staff (Education and Workforce, Ways and Means, HOCR)
Senate committee staff (HELP, Finance, HSGAC)

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Background

The Pension Benefit Guaranty Corporation guarantees the retirement benefits of over 35 million workers and retirees through insurance coverage with single employer and multiemployer plan sponsors. The Corporation is directly responsible for the pension benefits of about 1.5 million current and future retirees in trusteed pension plans and pays over \$6 billion a year in benefits. PBGC receives no taxpayer funds. Because of its vital mission and operating model, one of the three strategic goals articulated in PBGC's Strategic Plan is to "maintain high standards of stewardship and accountability."

The Corporation follows the procedures established in the Federal Acquisition Regulations (FAR) in awarding and administering its contracts. The PBGC FAR Supplement provides controls for the acquisition of supplies and services and operational direction for staff responsible for contracting functions including supplemental instruction and reference material.

Procurement Department

The Procurement Department (PD), a department within PBGC's Office of Management and Administration (OMA), is responsible for the acquisition of all goods and services used by the PBGC to accomplish its mission. In FY 2019, PBGC awarded approximately \$340 million in contracts for goods and services.

Contract Closeouts

A timely contract closeout process has been identified as a government-wide concern. In a 2017 report, *Federal Contracting, Additional Management Attention and Action Needed to Close Contracts and Reduce Audit Backlog*, the Government Accountability Office identified opportunities for agencies to resolve contract closeout challenges.

A contract closeout occurs when a contract has met all the terms of a contract and all administrative actions have been completed, all disputes settled, and a final payment has been made.

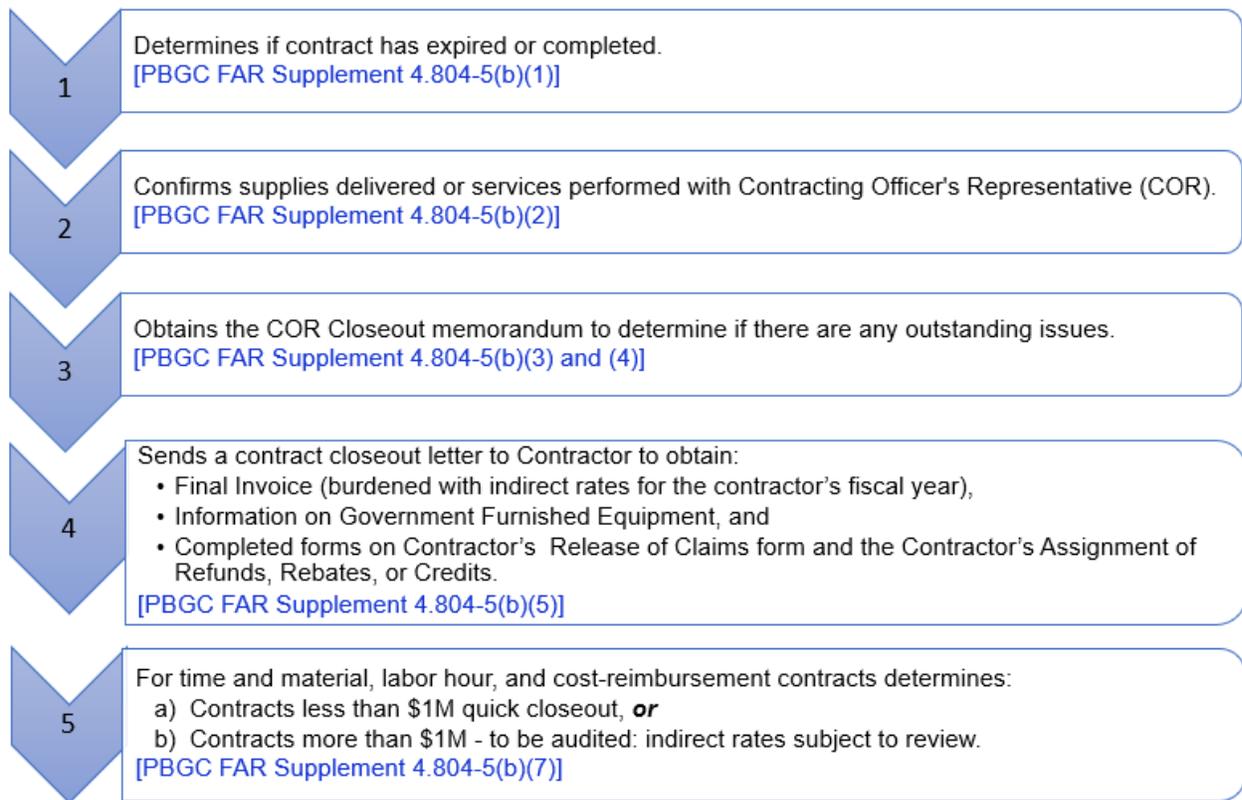
Timely and proper contract closeout:

- Ensures all invoices are paid,
- Reduces the burden on industry,
- Mitigates the risk of losing funds to interest payments,
- Ensures agencies remain compliant with the Prompt Payment Act (5 CFR Part 1315),

- De-obligates remaining funds,
- Creates archived contract files in accordance with FAR 4.805, and
- Reduces the number of open contract files needing management.

The PBGC FAR Supplement establishes PBGC’s acquisition procedures, which implement the FAR, PBGC directives, and statutory laws and regulations. Contracting officers must consult all the above sources to ascertain the total acquisition policy in any area. Figure 1 shows the contracting officer’s (CO) responsibilities when initiating the closeout process in accordance with PBGC FAR Supplement 4.804-5(b), *Standard Contract Closeout Procedures*.

Figure 1. Contracting Officer Responsibilities When Initiating Contract Closeout Process.



Source: OIG Analysis

Under FAR 42.7 for cost reimbursable contracts, agencies use provisional and final billing rates to reimburse contractors’ indirect costs. This FAR explains that “establishing [provisional] billing rates provides a method for interim reimbursement of indirect costs...” and “establishing final indirect rates...provides uniformity of approach with the contractor when more than one contract or agency is involved, economy of administration, and timely settlement under cost-reimbursement contracts.” Provisional

billing rates are used for interim purposes until a settlement is reached on the final indirect rates for the contractor's fiscal year. According to FAR 42.704(b) in establishing billing rates, the CO should ensure that they are as close as possible to the final indirect cost rates anticipated for the contractor's fiscal period, as adjusted for any unallowable costs. As Figure 1 shows in step 5, if a contract is a cost reimbursable, labor hour, or time and material contract, PBGC is required to comply with statutory and regulatory audit requirements to ensure the contractor is in compliance with the terms and conditions of their contract and generally to review the final indirect rates.

PBGC Contract Backlog Closeout Audit Support Services

Historically, PD has identified the backlog of incurred cost closeout audits as a risk that may result in PBGC losing the capability to collect or reimburse obligations. PD assessed the probability of this risk as near certain in FY 2018 and unlikely by the end of FY 2019.

On September 27, 2016 the Corporation entered into a Blanket Purchase Agreement (BPA) with a Vendor (hereafter "Vendor"), using the GSA Professional Services Schedule Contract GS-00F-031DA. The initial BPA allowed for labor hour task orders and had maximum value of around \$5.6 million. The agreement consisted of a base year from September 27, 2016 to September 26, 2017 and four option years. Under the BPA, PBGC issued a call order to perform post-award contract closeout services for 31 cost reimbursable contracts and one time-and-material contract, valued at \$299 million.

The BPA required the contractor to perform audits of a contractor's billed/invoiced costs determining the allowability, allocability, reasonableness of costs; and compliance with contract terms and conditions for all identified backlog contracts. Additionally, included in the scope of the BPA, the contractor was required to ensure that indirect cost structures were followed throughout the life cycle of the award and adjusted through proper indirect rate reviews, and that the final payment voucher was received to allow contract closeout in accordance with FAR Parts 4.804 and 42.7 and agency agreements. Upon completion of the closeout audit services, the contractor was required to issue a contract audit closeout statement. Unless quick-closeout procedures can be used, the final indirect cost rates should be used for the contract closeout.

Vendor, the prime contractor, performed the contracted services on 20 contracts and its subcontractor on 12 contracts. Vendor issued the final reports on the closeout of contract services to PBGC in March 2018, except for one, which was issued in May 2017.

Objective

Our objective was to determine PBGC's actions in monitoring the agreed-upon procedures during the period of performance and follow-up on the deliverables for contract closeout services.

Evaluation Results

Summary

We found that PD could have conducted better monitoring of the agreed-upon procedures during the period of performance and did not follow-up on findings from the contract closeout reports. Specifically, PD should have evaluated the status of the contracts included in the Vendor contract closeout pool to verify that such contracts were ready for closeout. By failing to do so, PD incurred unnecessary expenses in having the contractor conduct a premature closeout review. Additionally, PD has not followed-up on the recommendations provided in the final agreed-upon procedures (AUP) reports and has not recouped funds due to overpayments, disallowed direct costs, or de-obligated funds. This inaction exposed PBGC to future liability. Without proper follow-up on the contract closeout AUP reports, PBGC is limited in its ability to prevent, detect, and recover from acquisition risks, such as property loss, financial liability, and overpayments. For the monetary impact of the findings refer to Appendix IV.

Finding 1: PBGC Procured Contract Audit Services of Limited Value

The PBGC FAR Supplement 4.804-5, *Procedures for Closing Out Contract Files*, states that COs are responsible for closeout of PBGC contracts. See Figure 1 on page 3.

Before initiating audit services, PBGC's FAR Supplement, Section 4.804 requires the closeout CO to determine if the contract has expired or has otherwise been completed and services performed. Next the CO obtains the Contracting Officer's Representative (COR) closeout memorandum and sends the contractor a letter requesting a final invoice, completion of the contractor's release of claims form and the contractor's assignment of refunds, rebates, or credits. After performing these steps, the closeout CO will use either the "Quick-Closeout Procedure," for contracts not exceeding \$1 million or request an audit for those over \$1 million to closeout time and material (T&M), labor hour (LH), and cost reimbursement (CR) contracts.

After the contractor submits the final invoice with closing documents to the CO, the closeout CO forwards voucher summaries of amounts billed by the contractor to the appropriate audit organization with an audit request for the contracts *not* subject to the "Quick-Closeout Procedures." It may be necessary for the contractor to submit a revised final invoice and/or the Program Office to provide a requisition with additional contract funds as a result of the audit and subsequent settlement negotiations.

According to the FAR 42.705 (a) final indirect cost rates shall be established based on contracting officer determination procedure or auditor determination procedure. Under the CO determination procedure, an audit report is prepared for the CO or cognizant federal agency official. When using the CO determination procedure, the CO must conduct negotiations, prepare a written indirect cost rate agreement, and notify the contractor of the individual costs which were considered unallowable and the respective amounts of the disallowance.

Also, during the performance of a contract, when issues arise with the scope of work, the FAR allows some flexibilities to COs, so the Government can determine the appropriate course of action. The FAR Subpart 42.13 applies in situations during contract performance that cause the Government to order a suspension of work, or a work stoppage. Specifically, FAR 42.1303(a) discusses use of stop-work orders for cost-reimbursement contracts if work stoppage may be required for reasons such as realignment of programs. Further, the Vendor BPA clause 3.4, *Suspension*, states:

There may be occasions where the Government may suspend ordering (by CLIN up to and including the entire BPA.) If a suspension is announced, the Contractor shall adhere to this suspension by not accepting/processing task/call orders for the suspended item(s).

PBGC Included Two Ineligible Contracts in the Closeout BPA

PBGC selected two contracts (one terminated at the convenience of the government and one ongoing/active contract) that should not have been in the closeout pool of 32 contracts. This occurred because PBGC did not follow the contract closeout procedures specified in PBGC FAR Supplement 4.804-5(b)(1). Specifically, PD did not determine if the contract was expired or completed. During performance of the closeout services, the auditees for the two contracts notified PBGC that the contract closeout procedures would not apply. Even after notification, PD did not remove the contracts from the contracted closeout services by issuing a stop-work order or suspension of services for these two contracts in the BPA. As a result, Vendor continued to pursue supporting documentation, develop the required audit reports, and bill PBGC for labor hours that did not provide value.

PBGC Included 23 Contracts Lacking Final Vouchers in the Closeout BPA

We found that 23 of the 30 contracts did not have final indirect rates or final vouchers, limiting the audit procedures that Vendor would be able to complete, as required by the BPA. The auditee for 10 of the 23 contracts expressly advised PBGC that no final invoice (voucher) would be issued until the indirect rates had been audited. For the remaining 13 contracts, PBGC requested final vouchers from the auditees. The 12

contractors did not provide the vouchers and one contractor submitted the voucher not marked final. Therefore, the final vouchers could not be reviewed.

Even after the auditees' notification that no final voucher would be provided and the determination that 13 additional contracts lacked a final voucher, PD did not issue a suspension of work or a stop-work order related to this portion of the BPA. Rather, PBGC allowed Vendor to continue the pursuit of supporting documentation. Due to a lack of documentation related to indirect rates and the final voucher, we found that for the 30 eligible contracts Vendor was unable to complete on average 89% of the 15 (out of 17) applicable agreed-upon procedures. Further, Vendor was able to complete all the procedures on only four contracts.

The sporadic use of the COR contract closeout memorandums at the initiation of the closeout process contributed to the condition of unresolved indirect rates and final vouchers. PBGC FAR Supplement 4.804-5(b)(3) requires the closeout CO to obtain a completed contract closeout memorandum from the COR (Figure 1, Step 3 and Appendix V). The COR memorandum conveys information to the CO on submission and payment of the final voucher, fulfillment of contract requirements, contractor performance, and submission of reports/deliverables required by the contract. We judgmentally selected ten contracts and requested the COR closeout memorandums from the respective COs. We found they did not send closeout memos to their respective CORs. Further, we judgmentally selected seven contracts and sent requests for the memorandums to the seven CORs. Only two of the CORs sent us the closeout memos from 2012; the received memos were not associated with the ten contracts for which we requested the closeout memos from COs. For the remaining five contracts we received emails with: (i) one de-obligation form with no closeout memo; (ii) two CORs stating they were unable to locate the memo; and (iii) two CORs stating the memo was not requested. Thus, we concluded PBGC used only intermittently the COR contract closeout memos, which are required to initiate the closeout process.

CO Accepted Final Reports with Mischaracterized Acceptance of Indirect Rates by PBGC

For Vendor to perform the required procedures, they needed final indirect rates. In July 2017, Vendor's status report included a statement that PBGC had accepted the indirect rates for 12 contracts. The final Vendor reports, issued in March 2018, state that PBGC accepted the indirect rates "as is" for 17 contracts in total, including 13 contracts deemed high-risk. Vendor's conclusions for the indirect rates were based on verbal discussions with the CO. When we followed-up with PBGC about the acceptance of unaudited rates, PBGC maintained they accepted the provisional indirect rates only for billing purposes and did not accept unaudited rates. During our evaluation, we did not

find any evidence that the CO either established the indirect rates in writing as required by FAR or responded to the indirect rate acceptance mentioned on either the July 2017 status report or the March 2018 final reports.

The acceptance of services is the responsibility of the CO according to FAR 46.502. However, when the final reports were provided the CO failed to notice the discrepancy related to the acceptance of indirect rates.

For this contract, the CO also functioned as the COR. This limited the amount of review and feedback on the status of the contract. According to the PBGC COR's Duties and Responsibilities (June 27, 2019), the COR must monitor the progress of the contractor's work to see that it is meeting all contract requirements, including timeliness and quality of work. With a dual CO/COR role, the amount of oversight is limited. Additionally, the CO/COR acted as the main point of contact (POC) and intermediary between Vendor and the auditees for 15 months. In January 2018, at Vendor's request, PBGC signed a contract modification:

- Relieving PBGC as the sole POC for auditees,
- Updating the Statement of Work to include AUP reviews,
- Making Vendor the POC for correspondence and identifying its responsibilities, and
- Identifying a path forward if auditees are unresponsive, to include disallowance of costs in accordance with FAR Part 31.201-2, Determining Allowability.

As a result of not following the closeout procedures and assigning a dual-role CO/COR, PBGC will have to pay additional funds to procure rework of these closeout audits, as they all remain open. The Corporation paid around \$292,500 (\$11,700 x 25) to Vendor for the contract closeout work when the contracts were not ready for closeout. These funds could have been put to better use.

Recommendations

We recommend that the Office of Management and Administration:

1. Review the status of the 30 contracts included in the AUP and determine if any can be closed and what closeout work remains. Close contracts that meet the requirements and develop a closure plan for the remaining contracts.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would perform an assessment of the 30 contracts and determine which contracts

they would be able to close. For those contracts, OMA will proceed with closeout modifications. The remaining contracts will be evaluated, and a closure plan will be developed. OMA's goal is to complete the planned actions by June 30, 2021.

Closure of this recommendation will occur when PBGC provides evidence of the completed assessment, the applicable closeout modifications and the closure plan.

2. Update procurement guidance to include provisions in accordance with FAR 42.1303(a), when work stoppage may be required.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would evaluate its existing guidance, review FAR 42.1303(a) and determine new guidance if appropriate. Once the guidance is finalized, it will be briefed to the PD and CORs for awareness and implementation in PD post-award administration of contracts. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC shows results of the evaluation of their existing guidance and communication of the updated guidance to PD staff and CORs.

3. Provide training to COs and CORs on proper acceptance of contract deliverables and closeout procedures for cost reimbursable contracts.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would develop training in this area and require all current and future COs and CORs with cost reimbursable contracts to attend training. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC provides evidence of the training development and training completion by the appropriate CORs.

4. Establish monitoring controls when a CO is also functioning as the COR.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would develop a process to provide proper oversight of contracts where the COR

is the CO. The process will require periodic documented reviews by at least one level above the CO. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC provides evidence of the established process including the documented periodic reviews.

5. Improve controls and oversight processes to ensure only qualified contracts have closeout audits initiated, including contractor status of final vouchers.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would review guidance on contracts requiring audits, develop and implement an oversight process requiring documentation and approval of contracts identified for closeout prior to initiating audits. Also, this new process will be included in the training discussed in the management response to Recommendation #3. According to the OMA response, these actions will help improve efficiency of the contract closeout process and prevent the premature initiation of closeout audits for contracts addressing funds put to better use. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC provides evidence of implementation of the developed oversight process and including it in the respective trainings.

Finding 2: PBGC Did Not Follow-Up on Closeout Audit Findings

Part 6.c. of the Blanket Purchase Agreement (BPA), dated 09/27/2016, states:

As a part of the follow-up process, the Contracting Officer will provide a copy of the price negotiation memorandum promptly after contract award, as applicable. **This memo will clearly address the resolution of the audit finding** (emphasis added). The price negotiation and or the notification of other award serve as the disposition of the Contractor's audit finding.

Vendor issued 32 reports as a result of the BPA call order. Each report outlined the results for the 17 procedures performed by Vendor to meet the contract closeout requirements. In 24 reports, Vendor recommended PBGC disallow the unsupported costs based on FAR 31.201-2 Determining Allowability, as it was unable to perform many procedures due to lack of provided documentation (as we discuss in Finding 1). Vendor also recommended that an incurred cost audit be performed on one contract due to fraud reported by one of the auditees. Our office self-initiated the incurred cost

audit on that contract *before* our knowledge that PBGC contracted Vendor for the AUP services and our review of the Vendor recommendations. Lastly, Vendor reported two monetary findings: one underbilling of \$16K and one overbilling of \$189K, net of \$173K (Appendix IV).

PBGC did not take action on the findings from the Vendor reports. PD officials stated that no action was taken as PD was waiting for the OIG to complete the evaluation of the Vendor closeout contract services. This OIG engagement, however, was initiated in July 2019, 16 months after the final Vendor reports were issued to PD.

Without proper follow-up, PBGC is limited in its ability to prevent, detect and recover from acquisition risks, such as property loss, financial liability, and overpayments. Specifically, PBGC has not recouped funds due to overpayments, disallowed direct costs, or de-obligated funds, thus exposing itself to future liability.

Recommendations

We recommend that the Office of Management and Administration:

6. Develop and implement a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would develop a new audit tracking spreadsheet. The Policy, Systems, Compliance and Training Division Chief will be responsible for maintaining the data and working with Contracting Officers in charge for closeouts to ensure that all findings are addressed and resolved. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC provides the new audit tracking spreadsheet showing its proper maintenance.

7. For questioned costs (over- and under-billing) identified in the AUP reports, COs should take required action.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. For the identified questioned costs of \$173,000, PD, in conjunction with the CO and COR, will review the facts and circumstances and where appropriate, work to recover those

costs owed to PBGC and to disburse funds owed by PBGC. OMA's scheduled completion date is June 30, 2021.

Closure of this recommendation will occur when PBGC provides evidence on actions related to recovery and disbursement of funds.

Appendix I: Objective, Scope, and Methodology

Objective

Our objective was to determine PBGC's actions in monitoring the agreed-upon procedures during the period of performance and follow-up on the deliverables for contract closeout services.

Scope

Our scope was limited to the 32 contracts selected for closeout under the September 2016 BPA call order. We performed fieldwork at PBGC Headquarters in Washington, D.C. from July 2019 through January 2020.

Methodology

To answer our objective, we interviewed PD personnel responsible for the management and oversight of contract closeouts and the Vendor Blanket Purchase Agreement. We reviewed and analyzed the regulations related to contract closeouts including the FAR, PBGC FAR Supplement and PBGC Directives. We also reviewed the contract terms of the BPA and the contract modifications. Additionally, we obtained, reviewed, and analyzed all 32 Vendor and its subcontractor's agreed upon procedures final reports; Vendor monthly status reports; and hardcopy correspondence (provided by the CO) between PBGC, Vendor, Vendor's subcontractor and the contract closeout auditees. In our review of hard copy correspondence, we analyzed the PBGC oversight actions for each contract.

Using the Comprizon database, we identified the CO and COR for each of the 32 contracts and requested closeout memorandums. For 17 contracts with unaudited indirect rates, we judgmentally selected ten contracts and requested documentation from the CO supporting the acceptance of these rates and COR closeout memorandums. From the same pool of 17 contracts we also judgmentally selected seven contracts and requested the CORs provide the closeout memorandum for those contracts.

We reviewed the contract closeout checklist and the COR contract closeout memorandum identified in the PBGC FARS and analyzed which steps/procedures may have impacted the contract closeout pool.

We conducted this under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix II: Agency Response



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

To: Brooke Holmes
Assistant Inspector General for Audits (OIG)

From: Alice Maroni *ACM*
Chief Management Officer

Date: March 11, 2020

Subject: Response to OIG's Draft Evaluation Report, PBGC's Agreed-Upon Procedures for Contract Closeout (Project No. PA-19-140)

Thank you for the opportunity to comment on the Office of Inspector General (OIG's) draft report, dated February 10, 2020, relating to Pension Benefit Guaranty Corporation's (PBGC) Agreed-Upon Procedures (AUP) for Contract Closeout. Your office's work on this is sincerely appreciated.

PBGC management met with the representatives from the OIG on February 6, 2020, to discuss the findings, recommendations, the identified funds put to better use of \$293,000, and questioned costs of \$173,000. The dialogue was both informative and insightful and PBGC is grateful for the opportunity to respond to the recommendations suggested by the OIG.

Management concurs with the report's findings and recommendations. In the attachment to this report, you will find our specific responses to each recommendation included in the report, as well as our planned corrective actions and scheduled completion dates. Addressing these recommendations in a timely manner is an important priority for PBGC.

cc: Frank Pace, Director, Corporate Controls and Reviews Department
Latreece Wade, Risk Management Officer
Juliet Felent, Acting Director Procurement Department

Our comments on the specific recommendations in the draft report are as follows:

- 1. Review the status of the 30 contracts included in the AUP and determine if any can be closed and what closeout work remains. Close contracts that meet the requirements and develop a closure plan for the remaining contracts. (OIG Control Number OMA-XXX)**

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will perform an assessment of the 30 contracts and determine which contracts we are able to close. For those contracts, we will proceed with closeout modifications. The remaining contracts will be evaluated and a closure plan will be developed.

Scheduled Completion Date: June 30, 2021

- 2. Update procurement guidance to include provisions in accordance with FAR 42.1303(a), when work stoppage may be required. (OIG Control Number OMA-XXX)**

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will evaluate its existing guidance, review FAR 42.1303(a) and determine new guidance if appropriate. Once the guidance is finalized, it will be briefed to the Procurement Department and CORs for awareness and implementation in PD post-award administration of contracts.

Scheduled Completion Date: June 30, 2021

- 3. Provide training to Contracting Officers (CO) and Contracting Officer's Representatives (COR) on proper acceptance of contract deliverables and closeout procedures for cost reimbursable contracts. (OIG Control Number OMA-XXX)**

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will develop training in this area and require all current and future COs and CORs with cost reimbursable contracts to attend training.

Scheduled Completion Date: June 30, 2021

- 4. Establish monitoring controls when a CO is also functioning as the COR. (OIG Control Number OMA-XXX)**

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will develop a process to provide proper oversight of contracts where the COR is the CO. The process will require periodic documented reviews by at least one level above the CO.

Scheduled Completion Date: June 30, 2021

- 5. Improve controls and oversight processes to ensure only qualified contracts have closeout audits initiated, including contractor status of final vouchers. (OIG Control**

Number OMA-XXX)

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will review guidance on contracts requiring audits, and develop and implement an oversight process requiring documentation and approval of contracts identified for closeout prior to initiating audits. This new process will be included in the training mentioned in the response to Recommendation #3. In addition, these improved controls will help improve efficiency of the contract closeout process and prevent the premature initiation of closeout audits for contracts and therefore, minimize funds put to better use.

Scheduled Completion Date: June 30, 2021

6. Develop and implement a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports. (OIG Control Number OMA-XXX)

PBGC Response: Management concurs with this recommendation. The Procurement Department (PD) will develop a new audit tracking spreadsheet. The Policy, Systems, Compliance and Training Division Chief will be responsible for maintaining the data and will work with Contracting Officers responsible for closeouts to ensure that all findings are addressed and resolved.

Scheduled Completion Date: June 30, 2021

7. For questioned costs (over- and under-billing) identified in the AUP reports, COs should take required action. (OIG Control Number OMA-XXX)

PBGC Response: Management concurs with this recommendation. For the identified questioned costs of \$173,000 PD, in conjunction with the CO and COR, will review the facts and circumstances and where appropriate, work to recover those costs owed to PBGC and to disburse funds owed by PBGC.

Scheduled Completion Date: June 30, 2021

Appendix III: Acronyms

Acronym	Meaning
AUP	Agreed Upon Procedures
BPA	Blanket Purchase Agreement
CO	Contracting Officer
COR	Contracting Officer's Representative
FAR	Federal Acquisition Regulations
FY	Fiscal Year
OIG	Office of the Inspector General
OMA	Office of Management and Administration
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department

Appendix IV: Summary of Monetary Impact

Total Amount Paid for AUP Services	\$375 K
No. of Reviewed Contracts	32
Cost per Contract [Total Amount / No. of Contracts]	\$11.7 K

Monetary Impact Area	Amount	Associated Recommendation
<u>Finding 1</u> - Funds for better use [\$11.7K x 25; 78% of amount paid for AUP Services]	\$ 293 K	5
<u>Finding 2</u> - Questioned costs PBGC failed to recoup [net of \$189K overbilling and \$16K underbilling]	\$ 173 K	7
Total monetary impact	\$ 466 K	

Appendix V: COR Contract Closeout Memorandum



COR CONTRACT CLOSEOUT MEMORANDUM

Date: [redacted]
To: PBGC Procurement Department
From: [redacted]
Subject: Closeout of Contract [redacted] with [redacted]

- Type of Contract: [redacted]
- Final invoice/voucher been received and paid:
 Yes Invoice # [redacted] Amount Paid: \$ [redacted] Date: [redacted]
 No
- The contractor fulfilled the requirements of the contract:
 Yes
 No (attach summary)
- Contractor Performance (per FAR 42.15) (if applicable, a final CPARS is required):
 Exceptional
 Very Good
 Satisfactory
 Marginal
 Unsatisfactory (attach explanation)
- Reports and/or deliverables were submitted in accordance with the contract requirements:
 Yes
 No (attach summary)
- Was there any Government Furnished Equipment (GFE) provided to the contractor, or did the contractor purchase any equipment/property with contract funds:
 Yes, and has been returned and inventoried (attach summary)
 Yes, but has not been returned (attach summary)
 No
- Funding Information:
 - Last Mod/Call/Order Number [redacted]
 - Total Contract Funding [redacted]
 - Total Paid to Date [redacted]
 - Excess Funds to be Deobligated [redacted]

CERTIFICATION: I hereby certify to the best of my knowledge and belief that the above-named contractor has satisfactorily completed all work requirements of this contract and all interim, disallowed, or prior year indirect costs are settled. I further certify that subcontracts are settled by the prime and the contractor is not now in default regarding the furnishing of any deliverables or reports (including final technical report, if required by the contract), disclosures, licenses, equipment, property, data, information, or any other tangible articles required under the terms of the contract.



Contracting Officer's Representative



Date

revision date 12/12/2016
older versions are obsolete and should not be used

Appendix VI: Staff Acknowledgement

Staff Acknowledgement

Parvina Shamsieva-Cohen, Audit Manager; Leslie Kobus, Auditor-In-Charge; and Natali Dethomas, Auditor, made key contributions to this report.

Appendix VII: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General
Pension Benefit Guaranty Corporation
1200 K Street, NW, Suite 480
Washington, DC 20005

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.