

## Report in Brief

Date: June 2024

Report No. A-04-23-03585

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



### Why OIG Did This Audit

HHS relies on contractors to fulfill its mission, and the OIG has identified ensuring the financial integrity of HHS programs, including HHS's oversight of contracts, as a top management challenge for HHS. One longstanding problem has been closing contracts timely and in accordance with Federal requirements. Closing contracts is generally the last chance for the Government to detect and recover improper contract payments. A delayed closeout poses a financial risk to agency funds. This audit is part of a broad portfolio of HHS OIG audits examining various aspects of the National Institutes of Health (NIH) operations.

Our objective was to determine whether NIH closed contracts in accordance with Federal regulations and HHS policies and procedures.

### How OIG Did This Audit

We reviewed 30 judgmentally selected contracts totaling \$2.1 billion with end dates of September 30, 2018, or earlier. For each of these 30 contracts, we reviewed NIH's contract documents, including but not limited to contract awards, modifications, contracting officer representative certifications, contractor closing statements, and payments. We reviewed NIH's policies and procedures related to managing Federal records, contract administration, and contract closeout. We also conducted interviews with NIH officials responsible for contract closeout.

## NIH Did Not Close Contracts in Accordance With Federal Requirements, Resulting in the Increased Risk of Fraud, Waste, and Abuse

### What OIG Found

NIH did not always close contracts in accordance with Federal regulations and HHS policies and procedures. Of the 30 judgmentally selected contracts totaling \$2.1 billion that we reviewed, NIH met all administrative closeout requirements for 1 contract totaling \$140 million. However, for the remaining 29 contracts, totaling more than \$1.9 billion, NIH did not meet one or more administrative closeout requirements. Administrative closeout requirements include but are not limited to the following: (1) performing a contract audit, (2) obtaining a contractor closing statement, and (3) performing a contract funds review.

NIH did not always close contracts in accordance with administrative closeout requirements because it did not have adequate internal controls including: (1) policies and procedures for meeting administrative closeout requirements from the Federal Acquisition Regulations and HHS Contract Closeout Directive, (2) policies and procedures for maintaining complete and accurate contract records, and (3) control activities for monitoring the performance of contracting personnel's compliance with administrative closeout requirements.

### What OIG Recommends and NIH Comments

We recommend that NIH: (1) complete the administrative closeout requirements for the 29 contracts totaling more than \$1.9 billion identified in our audit; (2) incorporate, by reference, the administrative closeout requirements from the Federal Acquisition Regulation and HHS Contract Closeout Directive into the *NIH Policy Manual*; (3) update the *NIH Policy Manual* to address the migration of contract file records to new contract management systems, the preservation of all contract file records when employees depart the agency, and the prevention of contract records from being destroyed before contract closeout has occurred; and (4) establish control activities for monitoring the performance of contract personnel's compliance with administrative closeout requirements.

In written comments on our draft report, NIH concurred with our recommendations. NIH stated that it will implement our first and second recommendations by December 2024 and third and fourth recommendations by June 2025.