



# U.S. DEPARTMENT OF HOMELAND SECURITY **OFFICE OF INSPECTOR GENERAL**

OIG-24-57

September 19, 2024

**FINAL REPORT**

## **Audit of Office of Intelligence and Analysis Contract and Funding Management Processes**





# OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

Washington, DC 20528 | [www.oig.dhs.gov](http://www.oig.dhs.gov)

September 19, 2024

MEMORANDUM FOR: The Honorable Kenneth L. Wainstein  
Under Secretary for Intelligence and Analysis  
Office of Intelligence and Analysis

FROM: Joseph V. Cuffari, Ph.D.  
Inspector General

SUBJECT: *Audit of Office of Intelligence and Analysis Contract and Funding Management Processes*

**JOSEPH V  
CUFFARI** Digitally signed by  
JOSEPH V CUFFARI  
Date: 2024.09.17  
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Attached for your action is our final report, *Office of Intelligence and Analysis Contract and Funding Management Processes Audit*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving Office of Intelligence and Analysis contract and funding management process. Your office concurred with one recommendation. Based on information provided in your response to the draft report, we consider recommendation 1, 2 and 3 open and resolved. As prescribed by Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, recommendation 4 will be considered open and unresolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please contact me with any questions, or your staff may contact Kristen Bernard, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



# DHS OIG HIGHLIGHTS

## Audit of Office of Intelligence and Analysis Contract And Funding Management Processes

September 19, 2024

### Why We Did This Audit

We contracted with an independent public accounting firm, RMA Associates, LLC to review internal controls related to I&A's contract and funding management processes. Our objective was to determine to what extent I&A's contract and funding management processes comply with policies, procedures, and contractual obligations. RMA Associates performed the audit in accordance with generally accepted government auditing standards (GAGAS) and applicable AICPA requirements.

### What We Recommend

RMA, LLC made four recommendations that, when implemented, should help improve I&A's controls and effectiveness.

**For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at:

[DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

### What We Found

RMA Associates, LLC (RMA), under contract with the Department of Homeland Security Office of Inspector General, concluded that the Office of Intelligence and Analysis (I&A) did not fully comply with Federal Acquisition Regulation and DHS requirements. Specifically, I&A's internal guidance lacked explicit language delineating contract administration responsibilities; and I&A contract files did not contain required monitoring and closeout documentation. By not specifying the contract administration roles and responsibilities in policy, the I&A program office may duplicate efforts for contract administration. Further, incomplete contract files limit the Office of the Chief Procurement Officer's ability to remain compliant with Federal guidance, and present readily available documentation for examination.

### Management's Response

DHS concurred with one recommendation and non-concurred with three recommendations. For two recommendations for which DHS non-concurred, it provided alternative actions to address the findings. Based upon DHS's proposed alternative actions, which include issuing an alert to remind contracting officials of the requirements, we consider three recommendations open and resolved, and one recommendation open and unresolved.

Department of Homeland Security  
Office of Inspector General

Audit of Office of Intelligence and Analysis Contract and  
Funding Management Processes

**Final Performance Audit Report**

Contract No: 70VT1523A00003

Date: August 26, 2024

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Joseph V. Cuffari, PH.D.  
Inspector General  
U.S. Department of Homeland Security  
Office of Inspector General

August 26, 2024

Dr. Cuffari:

RMA Associates, LLC (RMA) performed an audit of the Department of Homeland Security's (DHS) Office of Intelligence and Analysis Contract and Funding Management Processes during fiscal years 2022 and 2023. RMA performed the audit under contract with DHS, Office of Inspector General (OIG); specifically, in accordance with Task Order No. 70VT1523A00003, dated September 20, 2023. This report presents our audit results.

We conducted our audit in accordance with the generally accepted government auditing standards (GAGAS, also known as the "Yellow Book").<sup>1</sup>

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of any further assistance, please contact me at (703) 200-8090.

Respectfully,

*RMA Associates*

RMA Associates, LLC

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<sup>1</sup> Government Accountability Office (GAO) Government Auditing Standards, 2018 Revision, Technical Update April 2021.

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## Introduction

This report presents the results of RMA Associates, LLC's (RMA) performance audit of the Department of Homeland Security's (DHS) Office of Intelligence and Analysis (I&A) contract and funding management processes. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS).

## Background

DHS I&A is a member of the U.S. Intelligence Community. I&A is the only Intelligence Community component statutorily charged with delivering intelligence to our State, Local, Tribal and Territorial and private sector partners, and developing intelligence from those partners for the Department and the Intelligence Community. I&A specializes in sharing unique intelligence and analysis with operators and decision-makers to identify and mitigate threats to the Homeland. I&A's main focus is to provide the DHS with intelligence and information it needs to keep the Homeland safe, secure, and resilient. I&A balances its effort on integration at the tactical level with providing strategic analysis on threats to the Homeland. I&A's top priority is to align its intelligence resources across the Intelligence Enterprise (IE) to identify and allow the effective mitigation of threats.

I&A had 119 non-classified contracts that were initiated, active, and/or closed during fiscal years (FY) 2022 and 2023, with a contract value of \$180,652,042. I&A must comply with acquisition related statutes, regulations, and DHS policy in developing their requirements and assisting the contracting officer with administering the contract.

## Results of Audit

RMA determined that DHS I&A and the Office of Chief Procurement Officer (OCPO) did not fully comply with Federal acquisition related statutes, regulations, and DHS policy. When reviewing the associated I&A documents for compliance with Federal and DHS requirements, we determined that DHS I&A documentation did not identify I&A program office-specific responsibilities in connection with contract management.

RMA further identified through sample testing that DHS OCPO did not maintain complete records of its contracts. Additionally, we identified incomplete documentation associated with contract monitoring and closeout files that did not adhere to Federal Acquisition Regulation (FAR) and DHS requirements.

As a result, by not clearly specifying the contract administration roles and responsibilities, the I&A program office may duplicate efforts for contract administration. Further, incomplete contract files may limit OCPO's ability to remain compliant with Federal guidance and present readily available documentation for examination.

RMA identified two weaknesses and developed four recommendations.



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**Finding 1: DHS I&A’s Contract Management Guidebook Lacked Explicit Language Delineating DHS I&A’s Contract Administration Responsibilities**

RMA determined that the DHS I&A Contract Management Guidebook designated that the I&A’s contract management team and contracting officer representatives (COR) were involved in all aspects of the contract lifecycle. However, the Homeland Security Acquisition Manual (HSAM) designated the Chief of the Contracting Office (COCO) as the responsible authority for performing contracting and contracting administration functions at I&A. RMA determined that COCO’s administrative duties were carried out by OCPO, which was ultimately responsible for contracting administration functions at DHS I&A.

The FAR requires that the head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions. The HSAM supplements the FAR by designating the COCO as the head of each office performing contracting and contract administration functions.

Without specifying the contract administration roles and responsibilities in policy, I&A may duplicate efforts for contract administration.

**Recommendation**

RMA recommends that DHS I&A management coordinate with DHS OCPO to:

1. Update its DHS I&A Contract Management Guidebook and checklists to include specific contracting functions in support of OCPO and clearly delineate the contract administration responsibilities between DHS I&A and OCPO.

**Finding 2: DHS I&A’s Contract Files do not Contain Required Monitoring and Closeout Documentation**

When evaluating non-classified contract files that were initiated, active, and/or closed in FY 2022 and 2023 for 17 controls<sup>2</sup> across four stages of the contract lifecycle (i.e., pre-award, award, contract monitoring, contract closeout), RMA randomly sampled 30 I&A non-classified contracts totaling \$25,469,443.73, from a universe of 119 totaling \$180,652,042. We found that DHS I&A’s files did not comply with the following contract monitoring and contract closeout requirements:

- For 2 of 30 contract files, a COR appointment letter was not provided;
- For 6 of 18 closed contract files, a contract closeout completion statement was not provided; and

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<sup>2</sup> RMA conducted an examination of applicable laws, regulations, and best practice guidance for DHS contracting process and procedures and identified 17 controls across the contract lifecycle. This examination involved compiling a list of controls associated with acquisition protocols, contract requirements, and compliance mandates outlined within the Federal Acquisition Regulation (FAR), Homeland Security Acquisition Regulation (HSAR), and HSAM.

- For 2 of 18 closed contract files, the closeout modification was not signed on the same date that the contract action was released in the contract writing system.

Guidance found in the HSAM and FAR requires that contract files contain COR appointment letters and contract closeout completion statements, respectively. Specifically, as it relates to COR appointment letters, HSAM 3042-270-1(b) requires a COR nomination and appointment in the following specific instances: 1) every firm-fixed price contract or order that exceeds the simplified acquisition threshold and is neither a high-risk contract/order nor a contract/order for a major investment; (2) every contract or order that is high risk, or a major investment, regardless of value; or (3) fixed price contracts or orders below the simplified acquisition threshold if the contracting officer does not perform the inspection and acceptance of the supplies or services. Further, HSAM guidance requires closed contract files contain closeout modifications that were signed at the same time as the contract closeouts are released in the Procurement Request Information System Management (PRISM). PRISM is the contract writing system that DHS components use for procurement lifecycle support of contracts.

The DHS OCPO personnel stated that the missing COR appointment letters were archived offsite and not uploaded into the contract writing system.

For the contracts where a contract closeout completion statement was not available, the DHS OCPO personnel stated that the DHS I&A program office did not provide the contract closeout completion statements, precipitating the creation of closeout memos in their place.

For contracts where the closeout modifications were not signed on the same date that the contract action was released in the contract writing system, the DHS OCPO did not specify a reason these dates did not match. The OCPO team did add that these instances typically occurred because of either a system error with PRISM that delayed the closeout release or an administrative error where the contracting officer failed to release the contract modification when signed.

An incomplete contract file may limit OCPO's ability to remain compliant with Federal guidance and present readily available documentation for examination.

## **Recommendations**

RMA recommends that DHS OCPO management:

2. Develop a process to obtain and retain a Contracting Officer Representative appointment letter as part of the required documentation for monitoring contracts.
3. Develop, implement, and monitor training for the contract management personnel on completing contract closeout completion statements for all contract files.
4. Develop a process to ensure that all closeout modifications are signed on the same date that the contract action is released in the contract writing system.

## Management Comments and RMA Analysis

We obtained written comments on a draft of this report from DHS OCPO and DHS I&A through the Departmental GAO-OIG Liaison Office. We reviewed the comments, as well as the technical comments previously submitted and updated the report as appropriate. We noted that the Department's response included detailed language related to non-concurrence. We want to emphasize that each audit finding is fully supported by criteria, including the Federal Acquisition Regulation, Homeland Security Acquisition Regulation, Homeland Security Acquisition Manual and other DHS policies and procedures. Appendix I contains DHS's management response in its entirety. A summary of OCPO and I&A's response is below, and our analysis follows.

OIG recommended that DHS I&A management coordinate with DHS OCPO to:

**Recommendation 1:** Update its DHS I&A Contract Management Guidebook and checklists to include specific contracting functions in support of OCPO and clearly delineate the contract administration responsibilities between DHS I&A and OCPO.

**Response:** Concur. DHS I&A Contracts Management Team will update the "Contract Management Guidebook," dated October 2023, and checklist to specify which contracting functions are the responsibility of OCPO and which functions are supported by I&A Program Offices and the Financial Resource Management Contract Management Team.

**RMA Response:** DHS I&A management and OCPO concurred with this recommendation, and the proposed actions are responsive to this recommendation. DHS I&A Contracts Management Team will update the Contract Management Guidebook with an estimated completion date of June 30, 2025. This recommendation is resolved and open until documentation is provided that the guidebook has been issued.

OIG recommended that DHS OCPO:

**Recommendation 2:** Develop a process to obtain and retain a Contracting Officer Representative appointment letter as part of the required documentation for monitoring contracts.

**Response:** Non-concur. OCPO stated they did not need to create a process to obtain and retain a COR appointment letter. Management believed that current policies and procedures were sufficient to ensure the inclusion of COR letters. However, OCPO will issue an Acquisition Alert to remind contracting officials of the requirement to issue COR appointment letters, where required, and maintain those in the official contract files. (See Appendix I for DHS's detailed response.)

**RMA Response:** RMA evaluated DHS OCPO's response and determined that their action to issue an Acquisition Alert may be sufficient to meet the intent of the recommendation. Since this action will remind contracting officials to issue and maintain COR appointment letters, OCPO should request closure after the final audit report is issued and the Acquisition Alert implemented. The

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recommendation is resolved and open until OCPO provides documentation that evidences the issuance of the acquisition alert.

**Recommendation 3:** Develop, implement, and monitor training for contract management personnel on completing contract closeout completion statements for all contract files.

**Response:** Non-concur. OCPO stated they did not need to create a process to develop, implement, or monitor training for contract management personnel on completing contract closeout completion statements. Management believed that current policies and procedures were sufficient to ensure the contracting officer completes all required documentation to close contract files. However, OCPO will issue an Acquisition Alert to remind contracting officers to complete all applicable documentation when closing a contract, which may include, in some cases, contract closeout completion statement. (See Appendix I for DHS's detailed response.)

**RMA Response:** RMA evaluated DHS OCPO's response and determined that their action to issue an Acquisition Alert may be sufficient to meet the intent of the recommendation. Since this action will remind contracting officers to complete all applicable documentation when closing a contract, OCPO should request closure after the final audit report is issued and the Acquisition Alert implemented. The recommendation is resolved and open until OCPO provides documentation that evidences the issuance of the acquisition alert.

**Recommendation 4:** Develop a process to ensure that all closeout modifications are signed on the same date that the contract action is released in the contract writing system.

**Response:** Non-concur. OCPO stated there is no specific DHS policy or other requirement that requires closeout modifications to be signed on the same date that the contract action was released in the contract writing system. OCPO stated that the specific requirement in DHS policy is that the FPDS Contract Action Reports (CAR) for the closeout modification must be approved at the same time the modification is signed and/or released in the contract writing system. (See Appendix I for their detailed response.) DHS requested that OIG consider this recommendation resolved and closed.

**RMA Response:** RMA disagrees that DHS policy does not require a signature, or an equivalent method signifying approval, to release the closeout modification in the contract writing system. Our review tested these actions and found that two contract samples were not approved and released on the same day. The recommendation will remain unresolved and open until DHS OCPO provides a corrective action plan, including an estimated completion date, to ensure that all closeout modifications are approved on the same date that the contract action is released in the contract writing system.

## Appendix I: Management Comments

U.S. Department of Homeland Security  
Washington, DC 20528



BY ELECTRONIC SUBMISSION

August 19, 2024

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D  
Inspector General

FROM: Jim H. Crumacker  
Director  
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to Draft Report: "Audit of Office of Intelligence and Analysis's Contract Funding and Management Processes," (Project No. 23-067-AUD-I&A)

**JIM H  
CRUMPACKER**  
Digitally signed by JIM H  
CRUMPACKER  
Date: 2024.08.19 13:59:46 -04'00'

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS, or the Department) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

DHS leadership is pleased to note the OIG's recognition that the Office of Intelligence and Analysis's (I&A) top priority is to align its intelligence resources across the Intelligence Enterprise to identify and allow the effective mitigation of threats, and that I&A balances its tactical efforts with providing strategic analysis on threats to the Homeland. DHS remains committed to complying with the Federal Acquisition Regulation (FAR) the Homeland Security Acquisition Regulation (HSAR)<sup>1</sup> and the Homeland Security Acquisition Manual (HSAM)<sup>2</sup> in the administration of contracts.

DHS appreciates OIG's deletion of one and rewording of another recommendation, and clarifications made to the draft report in response to technical comments<sup>3</sup> provided by program officials and subject matter experts, and our original management response letter dated August 12, 2024, clarifying how contracts are administered and closed in

<sup>1</sup> <https://www.dhs.gov/publication/hsar>

<sup>2</sup> <https://www.dhs.gov/homeland-security-acquisition-manual>

<sup>3</sup> Such feedback is not intended to substantively alter any of OIG's overall findings, conclusions, or recommendations, but rather to strengthen audit products by improving accuracy, helping to ensure and validate workable solutions, minimizing the number of non-concurrences, etc. This process also helps foster mutually beneficial and productive relationships with the audit agencies, while maintaining and respecting auditor independence.

compliance with the FAR, HSAR and HSAM. However, DHS remains concerned that OIG's draft report still contains inaccurate statements about statutory, regulatory and policy requirements. As a result of these inaccurate statements, the report seems to draw broad conclusions and makes recommendations that are not supported by the findings. For example, there is no explicit requirement that contract files contain closeout modifications which were signed at the same time the contract closeouts are released in the Procurement Request Information System Management (PRISM). Instead, HSAM 3004.804-5(c)(1) requires the contracting officer to approve the Federal Procurement Data System (FPDS) contract action report for closeout modification concurrent with the signing and/or release of the modification in the contract writing system.

DHS also strongly disagrees with the OIG's assessment that incomplete contract files limit OCPO's ability to close its I&A contracts and to remain compliant with Federal guidance, track procedures for contract file closeout, and present readily available documentation for examination. It is unclear what OIG means by "track procedures for contract file closeout," but the documents cited by the OIG as missing from the contract files have no impact on DHS's ability to close out contracts; these contracts can be still closed regardless of those documents being maintained in the file or elsewhere.

Finally, it is important to highlight that OIG's focus on contract file documentation bears no material relevance in meeting the audit's stated objectives. Though the report is titled "Audit of Office of Intelligence and Analysis's Contract Funding and Management Process," the findings address contract administration documentation, do not address I&A's program management processes outside of contract administration, and omit any analysis of I&A's contract funding process. Moreover, in explaining why the audit was done, the report states that sound financial practices and management operations, reliable financial systems, and internal controls are essential for accurate timely financial information that supports management decision making needed to achieve the DHS mission. It is also unclear, based on the findings in the draft report and the discussions with the OIG, how the cited missing contract documents impact accurate timely financial information that supports management decision-making.

The draft report contained four recommendations, one with which DHS concurs (Recommendation 1) and three with which the Department non-concurs (Recommendations 2-4). Attached find our detailed response to each recommendation. Technical comments addressing several accuracy, contextual and other issues were previously provided separately for OIG's consideration, as appropriate.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Attachment

**Attachment: Management Response to Recommendations  
Contained in 23-067-AUD-I&A**

OIG recommended that DHS I&A management coordinate with DHS OCPO to:

**Recommendation 1:** Update its DHS I&A Contract Management Guidebook and checklists to include specific contracting functions in support of OCPO and clearly delineate the contract administration responsibilities between DHS I&A and OCPO.

**Response:** Concur. DHS I&A Contracts Management Team will update the “Contract Management Guidebook,” dated October 2023, and checklist to specify which contracting functions are the responsibility of OCPO and which functions are supported by I&A Program Offices and the Financial Resource Management Contract Management Team. I&A’s Contract Management will coordinate with OPO all updates to the “Contract Management Guidebook” and checklists to ensure that they accurately reflect I&A’s role when assisting OPO’s contracting officers with administering I&A’s contracts, after which I&A will revise the “Contract Management Guidebook,” as appropriate. Estimated Completion Date (ECD): June 30, 2025.

OIG recommended that DHS OCPO:

**Recommendation 2:** Develop a process to obtain and retain a COR [Contracting Officer Representative] appointment letter as part of the required documentation for monitoring contracts.

**Response:** Non-concur. OCPO does not need to create a process to obtain and retain a COR appointment letter. Current DHS policy, guidance and procedures are sufficient to ensure inclusion of the COR letters in applicable contract files.

It is also important to clarify that in addition to the specific instances, cited in HSAM 3042-270-1(b), where a COR nomination and appointment is required, in some instances, the contracting officer may retain and execute all contract administration functions—which is addressed under HSAM 3042.270-1(b):

“[i]n very limited instances a contracting officer may retain and execute the contract administration functions in accordance with FAR Subpart 42.3. This may be appropriate when administration of the contract does not require complex technical knowledge or when the contracting officer has sufficient time and training to personally monitor the contractor’s performance. Unless the contracting officer retains and executes all contract administration functions, CORs shall be nominated and appointed as follows...”

Also, in addition to existing DHS guidance, OCPO's Oversight Branch checks for this compliance when conducting biennial reviews of the Contracting Activities' contract files.

Notwithstanding OCPO's non concurrence with this recommendation, OCPO will issue an Acquisition Alert<sup>4</sup> to remind contracting officials of the requirement to issue COR appointment letters, where required, and maintain those in the official contract files. ECD: January 31, 2025.

**Recommendation 3:** Develop, implement, and monitor training for contract management personnel on completing contract closeout completion statements for all contract files.

**Response:** Non-concur. OCPO does not need to develop, implement, or monitor training for contract management personnel on completing contract closeout completion statements. Although it is unclear what is meant by contract management personnel, current DHS policy, guidance, procedures, and training are sufficient to ensure the contracting officer completes all required documentation to close contract files. Contract closeout completion statements are not always required and contracting officers assist CORs, rather than contract management personnel, if information from the CORs is needed to close the contract action.

In addition, as discussed in the technical comments provided to OIG on May 22, 2024, and July 16, 2024, DHS's supplemental contract close out process and procedures, such as DHS's quick close out Deviation, streamlined the process of closing out some low-risk actions. In April 2017, DHS promulgated a quick close out procedure<sup>5</sup> that allows the contracting officer to close low risk contracts without meeting all of the FAR close out requirements. This deviation is still in effect and does not require a contract completion statement. Notwithstanding OCPO's non concurrence with this recommendation, OCPO will issue an Acquisition Alert to remind contracting officers to complete all applicable documentation when closing a contract, which may include, in some cases, contract closeout completion statements. ECD: January 31, 2025.

**Recommendation 4:** Develop a process to ensure that all closeout modifications are signed on the same date that the contract action is released in the contract writing system.

**Response:** Non-concur. There is no specific DHS policy or other requirement that requires closeout modifications to be signed on the same date that the contract action was released in the contract writing system. Instead, HSAM 3004.804-5(c)(1) states that

<sup>4</sup> Acquisition Alerts are notices to improve Department awareness of acquisition policy and regulatory changes.

<sup>5</sup> "Class Deviation (Number 16-01), Revision 1 from Federal Acquisition Regulation 42.708, Quick Closeout Procedures," signed April 5, 2017



“[c]ontract modifications issued to closeout the contract must be reported to FPDS using ‘Closeout’ under the ‘Reason for Modification’ drop down ... Contracting Officers must approve FPDS [Federal Procurement Data System] contract action reports for closeout modifications at the same time the modification is signed and/or released in the contract writing system.” The specific requirement is that the FPDS Contract Action Reports (CAR) for the closeout modification must be **approved** at the same time the modification is signed and/or released in the contract writing system.

Nevertheless, in its August 12, 2024, response to DHS’ technical comments to the OIG’s Notice of Findings and Recommendations, OIG maintained that the HSAM guidance requires closed contract files contain closeout modifications that were signed at the same time the contract closeouts are released in PRISM. In that response, OIG acknowledged that they did not review the FPDS CARs. Rather, they tested the modifications against the PRISM – Delivery/Task Order – Modification History Summary page. This specific action is not required by the HSAM and as such OIG’s finding misunderstands the requirements of the HSAM.

OIG’s response also indicates that the OIG may misunderstand PRISM’s role as a support tool for contracting officers. PRISM is not a system of record, it is not a contract file or document storage system, or a financial system. The OIG incorrectly ascribes too much importance to PRISM and misapplies HSAM policy that supports having accurate information in the FPDS publicly available database.

DHS requests that OIG consider this recommendation resolved and closed.

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## Appendix II: Objective, Scope, and Methodology

### Objective

The objective of our audit was to determine to what extent I&A's contract and funding management processes complied with policies, procedures, and contractual obligations.

### Scope

The scope of the audit was the assessment of whether DHS I&A complied with applicable contract regulations, policies, and procedures during FYs 2022 and 2023. The scope of the audit included:

- contract execution, and closeout;
- contract monitoring and compliance;
- contract administration and recordkeeping;
- funding authorization and appropriation;
- financial controls and compliance;
- obligations and deobligations;
- contract funding tracking and/or monitoring; and
- financial reporting/transparency, and documentation.

### Methodology

RMA used the following criteria for this audit:

- GAGAS 2018 Revision Technical Update April 2021;
- FAR;
- GAO (Green Book), *Standards for Internal Control in the Federal Government*;
- HSAR;
- HSAM; and
- DHS-specific statutes and other relevant policies and procedures.

To address and accomplish the audit objective, we followed these key steps:

- Performed entity-level, program, and internal control reviews and walkthroughs including DHS I&A's contract source system and documentation;
- Tested criteria associated with the DHS I&A contract management practices for the sample of contracts selected;
- Reviewed and assessed DHS I&A contract files and other relevant documentation;
- Interviewed applicable DHS I&A officials; and
- Evaluated 30 non-classified contracts from DHS I&A from FYs 2022 and 2023 and tested for compliance with FAR and DHS requirements.

RMA employed a randomized sampling method for a comprehensive and representative sample of 30 non-classified I&A contracts that were initiated, active, and/or closed from FYs 2022 and 2023. We began the sampling process by defining the universe of 119 non-classified contracts.

The assumption of 30 contract samples was based on statistical literature and practice.<sup>3</sup> Random samples of a minimum of 30 items derived the same error rates on average as large samples based on the normal distribution for a specific confidence level and precision. At least 30 samples are required before one can reasonably expect an analysis based on a normal distribution to be valid and reasonable to find any deviation in the population based on the confidence level and precision established.

RMA assessed the reliability of the contract data used for sample testing by conducting a visual walkthrough of how the contract data population was produced from the DHS contract management system. We also assessed the reliability of the data by interviewing DHS contract data personnel, reviewing related documentation, including audit query and methodology reports, and used professional judgment in our assessment of the data for applicability, completeness, and accuracy. We determined that the data was sufficiently reliable for the purposes of this report.

The 17 controls that RMA assessed during its evaluation of the 30 contracts are listed below. Each control is listed under the contract lifecycle stage are taken from the FAR, HSAR, and HSAM.

Pre-Award	Award	Contract Monitoring	Contract Closeout
<ul style="list-style-type: none"> <li>• Requirements Request Form (RRF) for each contract sample, along with support including the Statement of Work (SOW), Performance Work Statement (PWS), or Statement of Objective (SOO)</li> <li>• Documentation for the promotion of full and open competition in soliciting offers and the awarding of contracts. Requesting a written justification for why this was awarded in the manner it was (e.g., non-competitive acquisition/other than full and open competition)</li> <li>• Documentation for evidence of completed market research</li> <li>• A copy of the final/approved Acquisition Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation of a signed contract and evidence of the contract type</li> <li>• Documentation for evidence of award record in Momentum (Screenshot of award)</li> <li>• Documentation of a pre-award package in PRISM (Screenshot of award)</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation of a Performance Surveillance Plan (PSP) or something similar such as a Quality Assurance Surveillance Plan (QASP)</li> <li>• Documentation of activities executed from PSP, or QASP, which includes activities around contractor performance evaluations, recommendations for invoice and payment, management contractor employee access, and managing government property</li> <li>• Documentation of a Contracting Officers Representative Appointment Letter</li> <li>• Documentation of the latest invoice and payment voucher for the contract</li> </ul>	<ul style="list-style-type: none"> <li>• Documentation of a Contractor Performance Assessment Reporting System (CPARS), if applicable</li> <li>• Documentation of a Closeout File. This can/would include closeout modifications, files for firm-fixed price contracts, and evidence of receipt of property and final payment.</li> <li>• RRF</li> <li>• Documentation of the Closeout Notification Letter</li> <li>• Documentation of the Contract Closeout Completion Statement</li> <li>• Documentation of the completed/signed de-obligation closeout checklist</li> </ul>

<sup>3</sup> Sampling Techniques, 3<sup>rd</sup> edition by W.G. Cochran, Willey Publishing Co, 1973, page 58.

We conducted this performance audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork remotely in conjunction with I&A and OCPO (DC Headquarters location) from October 2023 through June 2024.



## **OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

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### **Appendix III**

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