



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-21-38

What OIG Audited

An undefinitized contract action (UCA) is an agreement between the Government and the contractor that allows the contractor to begin work and incur costs before the Government and the contractor have reached a final agreement on contract terms, specifications, or price when there is insufficient time to use normal contracting vehicles. According to the Federal Acquisition Regulation (FAR) and Department of State (Department) policy, Contracting Officers must (1) receive preapproval before awarding a UCA, (2) create a negotiated definitization schedule, and (3) complete the definitization process within 180 days or before 40 percent of the work to be performed is completed, whichever is first.

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Administration, Office of the Procurement Executive (OPE), Office of Acquisitions Management (AQM), complied with Federal and Department guidelines in the application and execution of UCAs.

What OIG Recommends

OIG made four recommendations to OPE that are intended to improve the designation, reporting, and execution of UCAs. On the basis of the Bureau of Administration's response to a draft of this report and actions planned, OIG considers all four recommendations resolved, pending further action. A synopsis of management's comments and OIG's reply follow each recommendation in the Audit Results section of this report. The bureau's response to a draft of this report is reprinted in its entirety in Appendix C.

July 2021

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Department of State Compliance With Requirements Relating to Undefinitized Contract Actions

What OIG Found

AQM did not fully comply with the FAR in the application and execution of UCAs. Specifically, OIG examined a sample of 48 high-value Department contracts and task orders designated in Federal Procurement Data System – Next Generation (FPDS-NG) as UCAs and found that 36 of 48 (75 percent) had been improperly designated and recorded as UCAs. For example, OIG determined that 25 of 36 (69 percent) were improperly designated UCAs when contracting personnel inadvertently selected the wrong contract designation from a drop-down menu while manually entering data into FPDS-NG. The errors occurred for multiple reasons including (1) the Department's Global Financial Management System does not automatically transfer information for 52 procurement data elements, including UCAs, to FPDS-NG thereby requiring manual input; (2) the menu for manually entering UCA information into FPDS-NG is confusing and prone to error; and (3) the Department has not implemented a process to verify that UCA information entered in FPDS-NG is correct. In addition, OIG determined that 11 of 36 (31 percent) improper designations were due to confusing guidance about what constituted a UCA. Because of these deficiencies, the Department has limited assurance the data entered in FPDS-NG about UCAs and reported to the public are accurate.

With respect to the 12 contracts activities reviewed for this audit that were correctly recorded as UCAs in FPDS-NG, 11 of 12 (92 percent) did not fully comply with Federal and Department guidelines. For example, Contracting Officers did not receive preapproval from the head of the contracting activity before awarding 8 of 12 (67 percent) of the UCAs, nor did they create a definitization schedule for 5 of 12 (42 percent) of the UCAs, as required. These deficiencies occurred, at least in part, because Department guidance governing UCAs is not always clear or followed. In addition, the deficiencies could be attributed to limited Department training on the execution of UCAs. Until these deficiencies are corrected, the Department is at increased risk of paying greater costs for contracted goods and services than necessary.