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Resources, Community, and
Economic Development Division

B-285178

May 12, 2000

The Honorable Bruce Babbitt
Secretary of the Interior

Subject: Department of the Interior: Outstanding Balances on Some Completed Contracts Should Be Deobligated

Dear Mr. Babbitt:

We reviewed contracts that were completed but not closed out and had outstanding balances at four agencies within the Department of the Interior (DOI) to determine whether any of the outstanding balances were not needed for contract closeout and could be deobligated. The agencies were the Bureau of Land Management, the National Park Service, the Bureau of Reclamation, and the U.S. Geological Survey. Officials at these agencies gave us a list of 31 contracts that were completed, but not closed out, and still had outstanding balances that totaled \$4.4 million at the end of calendar year 1999. Originally, these contracts had been awarded for \$1 million or more each during fiscal years 1991 through 1999. We found that \$607,000 in outstanding balances on five contracts was not needed for contract closeout, and procurement officials at the agencies have agreed to deobligate the balances. We are informing you of this situation in anticipation that you will help ensure that actions are taken to deobligate these balances. Details on these five contracts are provided in enclosure I.

The reasons why contracts had not been closed out varied. For some contracts, the agency was waiting for a final audit. For other contracts, a final invoice had not been received by the agency, or the contracts were being litigated. According to agency officials, most of the contracts will be closed out by July 2000 and any remaining balances will be deobligated when those contracts are closed out. The contracts that will not be closed out by that time are undergoing an audit or being litigated.

Outstanding balances also occurred for several reasons. For most of the contracts, the outstanding balances were being held to pay for final invoices that had not been received from the contractors or for payments of additional costs that might result from audits of the contracts. Finally, some contracts had outstanding balances because claims were pending or the contracts were being litigated. Procurement officials at the agencies agreed that the $607,000 in outstanding balances associated with five of the contracts was not needed to close out those contracts and would be deobligated.

We asked the Department of the Interior's Office of Procurement and Acquisition Management to provide us with data on completed, but not closed contracts, valued at over $1 million each that still had outstanding balances. The Office of Procurement and Acquisition Management requested this information from Interior's agencies that have been most active in contracting—the Bureau of Land Management, the National Park Service, the Bureau of Reclamation, and the U.S. Geological Survey. The agencies identified 31 contracts that were completed, but not closed out, and had outstanding balances. For each of the 31 contracts they identified, we contacted local agency procurement officials to determine the current status of each contract, the amount of funds outstanding, when the agency expected to close out the contract, and the amount of outstanding funds that are not needed to close out the contract, which could be deobligated.

We provided copies of a draft of this report to the Department of the Interior for review and comment. The Department of the Interior commented that it concurred with the findings in the draft report and will monitor the agencies' efforts to deobligate the funds under the five contracts listed in enclosure I. The Department's comments are included as enclosure II.

We conducted our work from November 1999 through April 2000 in accordance with generally accepted government auditing standards.

If you have any questions about this letter, please call me on (202) 512-3841. Key contributors to this letter were John Kalmar, Jr., and Ed Zadjura.

Sincerely yours,

for Jim Wells
Director, Energy, Resources,
and Science Issues

Contracts With Funds to Be Deobligated

Dollars in thousands

Agency	Contract number	Total funds obligated	Total funds to be deobligated	Contract file location
National Park Service	CX300094906	$23,700	$242	Denver, Colorado
National Park Service	CX450096908	1,212	227	Denver, Colorado
National Park Service	CX800010025	1,140	24	San Francisco, California
U.S. Geological Survey	1434-92-C-30011	4,701	26	Reston, Virginia
U.S. Geological Survey	1434-92-C-30026	3,320	88	Reston, Virginia
Total		**$34,073**	**$607**	

Source: GAO's analysis based on DOI's data.

Comments From the Department of Interior

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

MAY - 8 2000

Mr. Jim Wells, Director
Energy, Resources and Science Issues
U. S. General Accounting Office
441 G. Street, NW
Washington, DC 20548

Dear Mr. Wells:

Thank you for the opportunity to comment on the draft version of your report entitled "DEPARTMENT OF THE INTERIOR: Outstanding Balances on Some Completed Contracts Should Be Deobligated," (GAO/RCED-00-139R) and for the extension in the comment period.

The Department of the Interior concurs with the findings made in the draft report and will monitor the effort to deobligate the funds under the five contracts referenced in Appendix I to the report.

We note that the Department provided your auditors with information on all completed contracts for the four bureaus involved, for which obligations exceeded $1,000,000 as of the end of calendar year 1999. This amounted to a total of 114 contracts. Total obligations during the life of those 114 contracts was in excess of $520,000,000. Nearly 75 percent of those contracts had no unliquidated balances and the $607,000 in deobligations recommended under the remaining 31 contracts represents approximately one eighth of one percent of the total funds obligated under all contracts identified for the review. We believe that this information documents that the four bureaus involved are doing a commendable job in managing their major contracts relative to assuring that excess funds are deobligated in a timely manner.

If you have any questions or need clarification of these comments, please contact John K. Peterson, Senior Program Analyst, Office of Acquisition and Property Management at (202) 208-7269.

Sincerely,

John Berry
Assistant Secretary - Policy, Management and Budget

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