



FOR IMMEDIATE RELEASE

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DOJ OIG Releases Report on Audit of the Bureau of Alcohol, Tobacco, Firearms and Explosives' Contract with Leidos, Inc., for Information Technology Services

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of [a report](#) on the Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATF) \$492.7 million contract with Leidos, Inc., for information technology (IT) services. The contract is intended to provide IT services to DOJ components and other federal agencies from May 1, 2020, through April 30, 2029.

The DOJ Office of the Inspector General (OIG) found that ATF adequately justified its selection of Leidos and generally performed the appropriate administration and oversight of the contract. However, we identified significant issues that led to cost increases and the government's inability to hold Leidos accountable for poor performance. Specifically, the OIG found:

- **ATF's Key Performance Indicators are Ineffective.** We found that certain Key Performance Indicators were inadequate to allow ATF and the federal components to hold Leidos accountable for poor performance. For example, ATF stated that Leidos did not meet the standards for timely installation of IT security patches, which are critical in mitigating risk of system breaches. However, ATF did not utilize disincentives for Leidos failing to meet these deadlines.
- **Inflexible Contract Type Led to Escalating Costs, Contentions, and Delays.** ATF's use of a fixed price structure for some services reduced flexibility and contributed to escalating costs for some components. For example, after JMD was informed by Leidos that several contract staff were being replaced with lesser qualified workers under their current fixed price project, JMD modified its order with Leidos, allowing experienced contract workers to remain on the contract. This resulted in JMD allocating additional, unbudgeted funds to maintain the same level of service. Further, federal components expressed dissatisfaction with Leidos' work performance and delays in getting work accomplished due to Leidos contesting that assigned work was out of scope, and Leidos failed to include its ongoing contentions and efforts to resolve them within its monthly status reports.
- **Increased Costs May Negatively Impact Agency Budgets.** In September 2021, Leidos submitted a modified cost proposal to ATF's contracting officer which increased its costs for future contract years. We found that the contract's shared cost model and the cost variability was not fully disclosed by Leidos or understood by ATF and other federal components. The increased costs may negatively impact agencies' budgets. Despite federal components descopeing services or leaving the program, the overall contract value has increased 85 percent as of the end of November 2022.

The DOJ OIG made eight recommendations to improve ATF's management of its contract with Leidos. ATF agreed with five recommendations and partially agreed with three recommendations. Leidos partially

agreed with one recommendation and stated that it was not in a position to agree or disagree with the remaining recommendations.

Report: Today's report can be found on the OIG's website at the following link:

<https://oig.justice.gov/reports/audit-bureau-alcohol-tobacco-firearms-and-explosives-enterprise-standard-architecture-task>

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