

Bureau of Consumer Financial Protection

The Bureau Can Improve Its Controls for Issuing and Managing Interagency Agreements



Office of Inspector General
Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection



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Executive Summary, 2021-FMIC-C-009, July 21, 2021

The Bureau Can Improve Its Controls for Issuing and Managing Interagency Agreements

Findings

The Bureau of Consumer Financial Protection's Office of the Chief Procurement Officer (Procurement) and Office of the Chief Financial Officer (OCFO) can improve controls for issuing and managing interagency agreements (IAAs). Specifically, while the Bureau has issued IAA guidance, it does not clearly and formally describe IAA responsibilities; doing so would define expectations and establish an internal control framework. Additionally, Procurement and the OCFO did not consistently identify and document the correct statutory authority for issuing IAAs and did not follow relevant *Federal Acquisition Regulation* requirements. Effective controls would help to ensure that (1) the Bureau complies with relevant requirements and (2) IAAs are in the best interest of the federal government.

Invoice approvers did not consistently review IAA billings in accordance with the relevant Bureau policy. Enhanced Procurement and OCFO oversight could ensure that improper bills are identified in a timely manner and that the Bureau receives goods and services in accordance with agreement terms. Additionally, the Bureau did not consistently deobligate excess funding on IAAs in a timely manner. Enhanced deobligation controls could limit the Bureau's risk of improperly approving payments against outstanding balances and provide an opportunity to reallocate unused funds to address other needs. Finally, a Procurement report used to satisfy internal and external stakeholder IAA information needs did not contain complete data; ensuring that Procurement can generate complete IAA data can help the Bureau effectively report on and monitor its IAAs.

Recommendations

Our report contains recommendations designed to improve existing IAA guidance and internal controls, to enforce internal controls to ensure compliance with IAA policies and procedures, and to ensure the completeness of reports containing IAA data. In its response to our draft report, the Bureau concurs with our recommendations and outlines actions to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

The objective of this audit was to assess the design and operating effectiveness of the Bureau's controls for issuing and managing IAAs, including compliance with relevant laws and regulations. We focused on IAAs active during fiscal year 2019.

Background

The Bureau uses IAAs to procure certain goods or services from other government agencies. Procurement and the OCFO administer the Bureau's IAA program and rely on the program office that is procuring goods or services to perform certain functions, such as preparing the IAA document. For the purpose of our report, we characterize the IAA life cycle as having two key phases: issuance and management. IAA issuance begins after a program office identifies a need for goods or services and ends with the award being processed and funds being obligated. IAA management begins after the Bureau issues an IAA and includes (1) monitoring performance of the IAA, (2) accepting or rejecting payments, and (3) deobligating funds and closing IAAs.

The total obligated value of Bureau IAAs that were active during fiscal year 2019 was approximately \$320 million. Our scope for this audit included a nonstatistical, risk-based sample of 10 IAAs from a population of 114. Those 10 IAAs had a total obligated value of approximately \$19 million.



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Recommendations, 2021-FMIC-C-009, July 21, 2021

The Bureau Can Improve Its Controls for Issuing and Managing Interagency Agreements

Finding 1: Procurement and the OCFO Should Strengthen IAA Guidance and Training

Number	Recommendation	Responsible office
1	<p>Create or update existing IAA policies and procedures to establish clear expectations for issuing and managing IAAs. Ensure that expectations for the key activities in the IAA process are addressed, including</p> <ol style="list-style-type: none">roles and responsibilities of relevant parties, including BFS ARC, the OCFO, Procurement, program offices, and invoice approvers.training and certification requirements for invoice approvers.developing and maintaining IAA agreement documents.monitoring performance under the IAA.approving IPACs.deobligating and closing IAAs.	Office of the Chief Procurement Officer and Office of the Chief Financial Officer

Finding 2: Procurement and the OCFO Should Establish Controls for Identifying IAA Statutory Authorities and Following Relevant Requirements

Number	Recommendation	Responsible office
2	<p>Establish, in consultation with the Legal Division, internal controls to ensure that the Bureau is properly identifying IAA authorities and following relevant determinations and findings requirements. As part of establishing these internal controls, consider implementing OCFO or Procurement reviews to help ensure that the authority is accurate and that determinations and findings have been created as necessary.</p>	Office of the Chief Procurement Officer and Office of the Chief Financial Officer

Finding 3: Procurement and the OCFO Should Enhance Oversight to Ensure Compliance With Invoicing Policy

Number	Recommendation	Responsible office
3	<p>Enhance oversight of the program offices' compliance with IPAC policies and procedures. Consider actions such as targeted training for invoice approvers regarding IPAC approvals as well as enforcement measures to foster compliance with IPAC policies and procedures.</p>	Office of the Chief Procurement Officer and Office of the Chief Financial Officer

Finding 4: Procurement and the OCFO Should Enhance Controls to Ensure That Excess IAA Funding Is Deobligated in a Timely Manner

Number	Recommendation	Responsible office
4	Strengthen controls to ensure that excess funds on future IAAs are deobligated in a timely manner. Consider mechanisms to reinforce expectations and incentivize program offices to coordinate with servicing agencies to reconcile billings and initiate deobligations closer to the end of the IAA period of performance and promptly provide deobligation documentation to the OCFO.	Office of the Chief Procurement Officer and Office of the Chief Financial Officer
5	Take steps to review and deobligate funds on existing inactive IAAs.	Office of the Chief Procurement Officer and Office of the Chief Financial Officer

Finding 5: Procurement Should Ensure That It Can Generate Reliable IAA Data

Number	Recommendation	Responsible office
6	Review the IAA-related report package on which it intends to rely and establish processes to ensure that all IAA data are complete.	Office of the Chief Procurement Officer



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MEMORANDUM

DATE: July 21, 2021

TO: Dana James
Acting Chief Financial Officer
Bureau of Consumer Financial Protection

Josh Galicki
Acting Chief Procurement Officer
Bureau of Consumer Financial Protection

FROM: Cynthia Gray *Cynthia Gray*
Assistant Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2021-FMIC-C-009: *The Bureau Can Improve Its Controls for Issuing and Managing Interagency Agreements*

We have completed our report on the subject audit. We conducted this audit to assess the design and operating effectiveness of the Bureau of Consumer Financial Protection’s controls for issuing and managing interagency agreements, including compliance with relevant laws and regulations.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations and outline actions that have been or will be taken to address our recommendations. We have included your response as appendix B to our report.

We appreciate the cooperation that we received from your staff during our audit. Please contact me if you would like to discuss this report or any related issues.

cc: Jocelyn Sutton
Nellisha Ramdass
Rachelle Vaughan
Lauren Hassouni
Kevin Rice
William Erle
Anya Veledar
Carlos Villa



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Introduction

Objective

The Bureau of Consumer Financial Protection uses interagency agreements (IAAs) to procure certain goods and services from other government agencies. It relies on IAAs to support a range of functions, including litigation support for implementing and enforcing federal consumer financial law, procurement, travel, and accounting. During fiscal year 2019, the total obligated value of the Bureau’s active IAAs was approximately \$320 million.¹

The objective of this audit was to assess the design and operating effectiveness of the Bureau’s controls for issuing and managing IAAs, including compliance with relevant laws and regulations. Our scope focused on IAAs active during fiscal year 2019 and included a nonstatistical, risk-based sample of 10 IAAs from a population of 114.² These 10 IAAs had an obligated value of approximately \$19 million. The results from our sample cannot be projected to the entire population. Details on our scope and methodology are provided in appendix A.

Background

IAAs facilitate transfers of goods or services from one federal agency to another and typically entail a written agreement specifying the goods to be furnished or tasks to be accomplished by one agency (the servicing agency) in support of the other agency (the requesting agency). In some cases, the requesting agency receives goods or services directly from the servicing agency; in other cases—known as *interagency acquisitions*—the requesting agency (1) uses a servicing agency’s contract with a vendor to obtain supplies or services (a *direct acquisition*) or (2) uses a servicing agency to provide acquisition assistance, such as awarding and administering a contract, a task order, or a delivery order (an *assisted acquisition*).

The Economy Act provides general authority for agencies to issue IAAs if certain conditions are met.³ *Federal Acquisition Regulation* (FAR) subpart 17.5 implements the Economy Act, providing certain requirements for interagency acquisition-type IAAs, including requiring the requesting agency to determine that the interagency acquisition is in the best interest of the federal government in a determinations and findings (D&F) document. The Bureau has determined that it is not required to follow the FAR in its entirety; however, the agency has made a policy decision to follow the FAR, including its

¹ We define *active IAAs* as those with a portion of their period of performance during fiscal year 2019.

² Our audit excluded agreements that did not result in the exchange of funds for goods or services, as well as agreements in which the Bureau was providing goods or services to other agencies.

³ 31 U.S.C. § 1535. Specifically, a requesting agency may place an order with a servicing agency if (1) amounts are available, (2) the head of the requesting agency decides it is in the best interest of the U.S. government, (3) the servicing agency is able to provide or obtain by contract the ordered goods or services, and (4) the requesting agency decides the ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.

requirements for IAAs. The Bureau has also determined that the Consumer Financial Protection Act provides it with authority to issue IAAs.⁴

Additionally, the U.S. Department of the Treasury's *Treasury Financial Manual* contains policies, procedures, and instructions concerning financial management in the federal government. Chapter 4700 of the manual provides guidance to federal entities concerning intragovernmental transactions. Treasury also created standard IAA forms that include general terms and conditions, order requirements, and funding information; however, servicing agencies may use other IAA forms.

Internally, the Bureau has established documents to outline processes and procedures related to issuing and managing IAAs and to serve as a resource for staff who administer them. Specifically, the Bureau developed two key resource documents: *Interagency Agreement Guide* and *Desk Guide for Contracting Officer's Representatives (CORs)*.

Roles and Responsibilities

Administering the Bureau's IAA program is a shared responsibility of the Office of the Chief Procurement Officer (Procurement) and the Office of the Chief Financial Officer (OCFO). Procurement is responsible for processing IAA actions, such as awards and modifications, in the Bureau's procurement system; Procurement generally outsources these responsibilities to Treasury's Bureau of the Fiscal Service (BFS), Administrative Resource Center (ARC). The OCFO is responsible for assisting with and approving IAA forms and funding-related activities.

Procurement and the OCFO rely on the program office procuring the goods or services to perform certain IAA functions, such as preparing the IAA document, monitoring performance of the IAA, and reviewing and approving IAA payments. To perform these functions, the Bureau appoints an invoice approver, a role that is similar to that of a contracting officer's representative (COR) on a standard contract.

Key Activities in the IAA Process

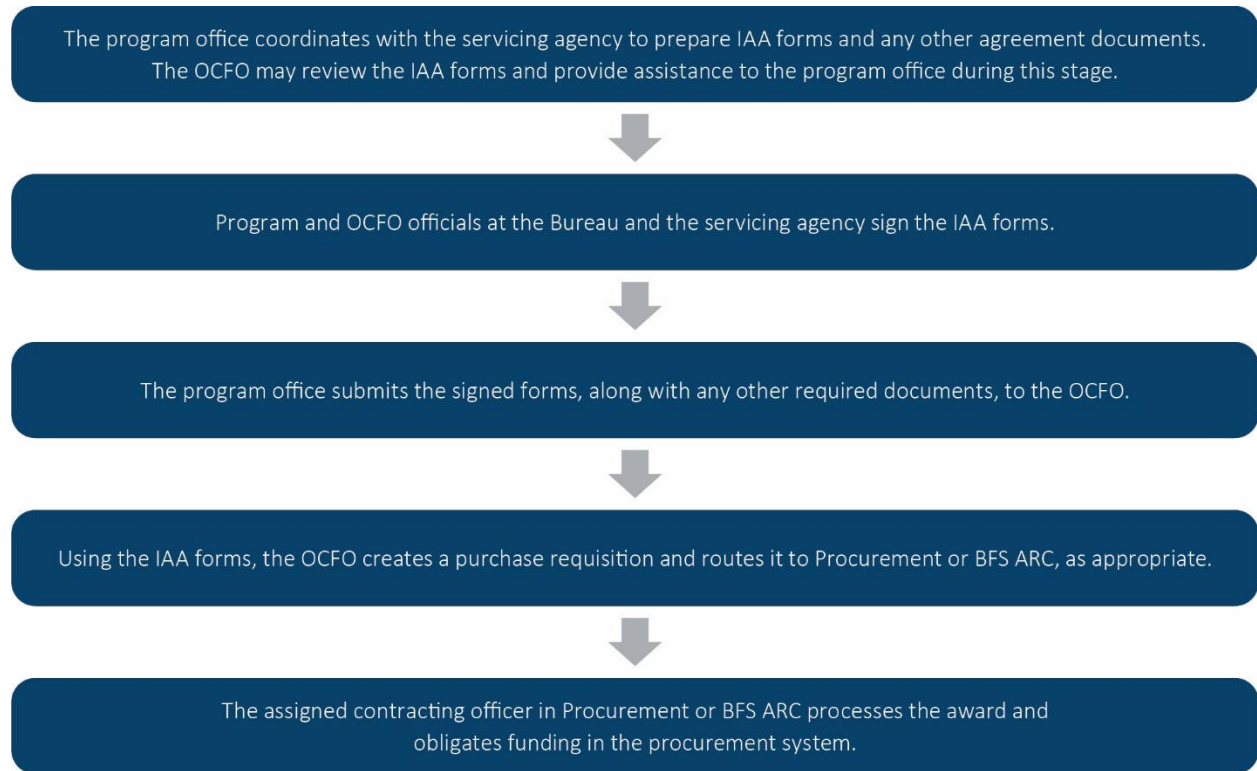
For the purpose of our report, we characterize the IAA life cycle as having two key phases: issuance and management.

IAA Issuance

The IAA issuance process begins after a program office identifies a need for goods or services and ends with the award being processed and funds being obligated (figure 1).

⁴ Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act is titled Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, 124 Stat. 1376, 1955-2113 (2010).

Figure 1. The IAA Issuance Process



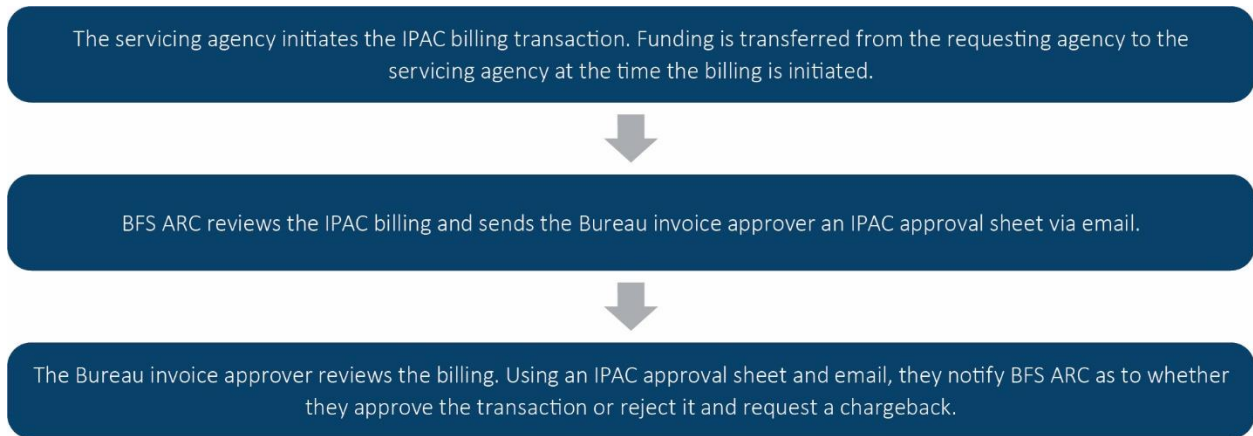
Source: OIG summary of Bureau IAA information.

IAA Management

IAA management begins after the Bureau issues an IAA. It includes (1) monitoring performance of the IAA, (2) accepting or rejecting payments as appropriate, and (3) deobligating funding and closing IAAs.

Invoice approvers monitor performance of the IAA to ensure that the Bureau receives the expected goods or services and accepts or rejects payments depending on whether goods or services were provided in accordance with the IAA terms. IAA payments are processed through the Intra-Governmental Payment and Collection (IPAC) system maintained by BFS ARC to facilitate the payment process between federal trading partners (figure 2).

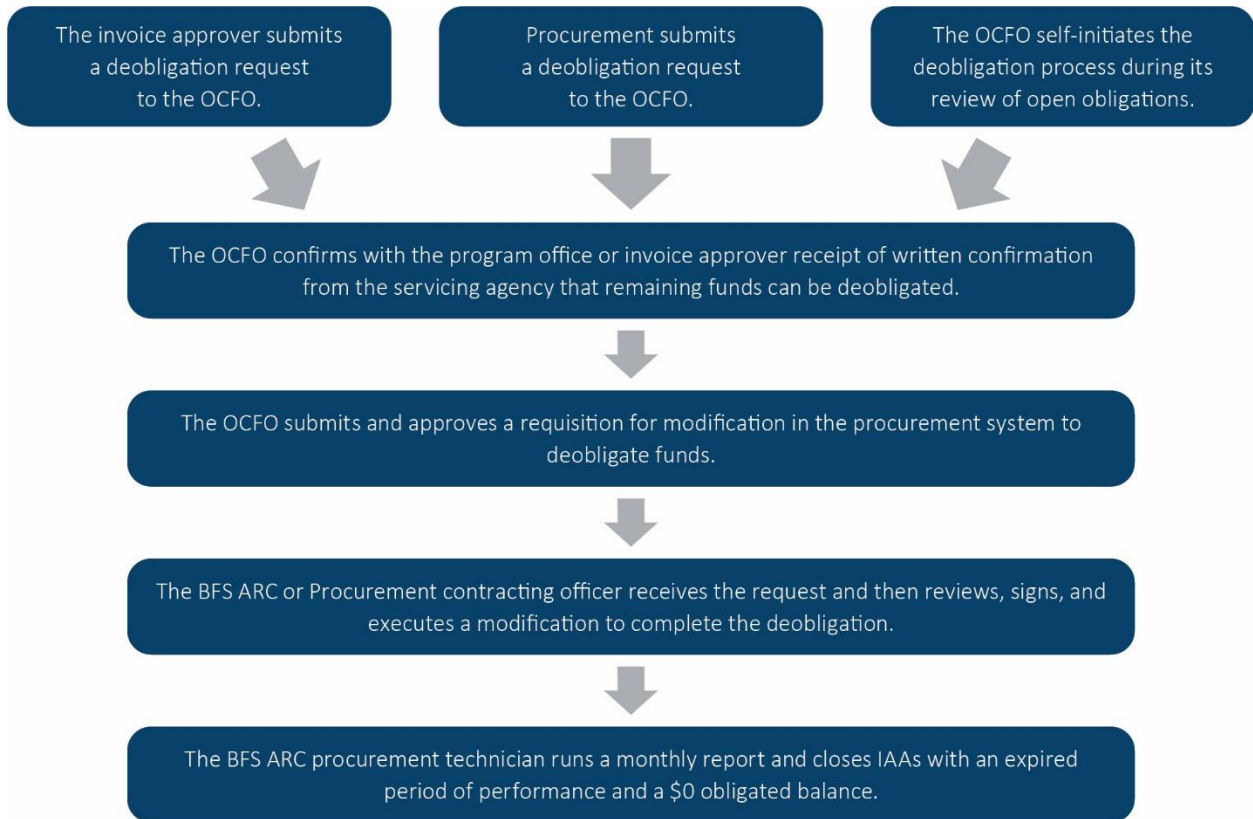
Figure 2. The IPAC Payment Process



Source: OIG summary of Bureau IAA information.

After supplies or services have been rendered, the Bureau deobligates any excess funding on and closes the IAA. This process can begin one of three ways (figure 3).

Figure 3. IAA Deobligation and Closure



Source: OIG summary of Bureau IAA information.

G-Invoicing

BFS is creating a new governmentwide platform, G-Invoicing, for issuing and managing IAAs and has mandated that all federal agencies must use G-Invoicing beginning in October 2022. G-Invoicing seeks to enhance governmentwide financial management and improve the quality of IAA reporting in part by providing a common platform for brokering IAA activity. G-Invoicing is expected to help requesting and servicing agencies (1) to negotiate and accept agreement terms and conditions, (2) to broker orders, (3) to exchange performance information, and (4) to validate settlement requests through IPAC.



Finding 1: Procurement and the OCFO Should Strengthen IAA Guidance and Training

While the Bureau has issued IAA guidance, Procurement and the OCFO have not clearly and formally documented the responsibilities of program offices and invoice approvers in the IAA issuance and management processes. The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* highlights the importance of establishing policies and procedures and communicating them to personnel. Further, each of our three benchmark agencies had established policies that address IAA issuance and management. Bureau officials have acknowledged that aspects of the agency's IAA guidance could be updated or clarified. Strengthening this guidance would better define the roles and responsibilities of relevant staff and establish a clear internal control framework for IAAs.

Procurement and the OCFO Can Better Define Program Office and Invoice Approver Responsibilities

Procurement and the OCFO rely on program offices and their assigned invoice approvers to execute many IAA responsibilities—including developing and maintaining IAA agreement documents, monitoring servicing agency performance, approving IPACs, and working with servicing agencies to deobligate IAAs—but they have not clearly and formally documented those responsibilities. Specifically, Procurement developed the *Interagency Agreements Guide* to outline processes and procedures related to preparing, processing, coordinating, executing, administering, and closing out IAAs for the invoice approvers. However, we found the following:

- The guide is not a policy; therefore, staff are not required to follow it.
- Several invoice approvers that we interviewed were not aware of the guide or noted that they rarely used it.
- The guide does not consistently align with the Bureau's IAA practices; for example, the guide references procedures that are not applicable to IAAs.

Procurement also developed the *Desk Guide for Contracting Officer's Representatives (CORs)* to serve as a resource for CORs and invoice approvers as they administer contracts and IAAs, respectively; however, it does not clearly delineate the differences in the two roles. The *Desk Guide* notes, "For all intents and purposes, the COR and Invoice Approver roles mimic one another. However, certain formalities may not be required for Interagency Agreements." The *Desk Guide* often does not indicate which formalities do not apply to invoice approvers. For example, it does not distinguish between CORs and invoice approvers in the following areas, even though we were informed that the roles differ in practice:

- appointment to serve in the invoice approver or COR role, including certification and training
- establishing and maintaining files
- closing out awards

In addition to the unclear written guidance, Procurement and the OCFO do not require IAA-specific training to communicate expectations. Procurement staff noted that the majority of their invoice approvers are also CORs who must obtain COR certifications and attend COR training. Procurement covers some IAA-related topics during optional COR trainings; however, we noted that those who are invoice approvers only are not required to attend any training.

GAO's *Standards for Internal Control in the Federal Government* highlights the importance of establishing policies and procedures, integrating them into the organization's operations, and communicating necessary information to personnel. Further, each agency that we benchmarked with had an established policy for aspects of IAA issuance and IAA management; two agencies created an IAA-specific policy and a third agency noted that IAAs were generally expected to follow its standard acquisition policy and procedures.

A Procurement staff member noted that the office created the *Interagency Agreement Guide* in 2017 because there was no other IAA-specific guidance, and officials from Procurement and the OCFO have acknowledged that aspects of the IAA guidance could be updated or clarified. Procurement staff and officials also stated that they have considered requiring COR certification for all invoice approvers. Strengthening IAA guidance will help Procurement and the OCFO (1) to better define roles and responsibilities of staff involved in IAA issuance and management and (2) to establish a clear internal control framework to help ensure that program offices issue and manage IAAs efficiently and effectively. Implementing certain training requirements can also ensure that invoice approvers are receiving necessary information regarding their roles and responsibilities.

Recommendation

We recommend that the chief procurement officer and the chief financial officer

1. Create or update existing IAA policies and procedures to establish clear expectations for issuing and managing IAAs. Ensure that expectations for the key activities in the IAA process are addressed, including
 - a. roles and responsibilities of relevant parties, including BFS ARC, the OCFO, Procurement, program offices, and invoice approvers.
 - b. training and certification requirements for invoice approvers.
 - c. developing and maintaining IAA agreement documents.
 - d. monitoring performance under the IAA.
 - e. approving IPACs.
 - f. deobligating and closing IAAs.

Management Response

The acting chief procurement officer and the acting chief financial officer concur with our recommendation. They note that they plan to issue collective guidance to more clearly establish expectations for the issuance and management of IAAs by the Bureau and its partners.

The acting chief procurement officer and acting chief financial officer estimate that corrective actions to address this recommendation will be completed by the fourth quarter of fiscal year 2022.

OIG Comment

The actions described by the acting chief procurement officer and the acting chief financial officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Finding 2: Procurement and the OCFO Should Establish Controls for Identifying IAA Statutory Authorities and Following Relevant Requirements

The Bureau did not consistently identify and document the correct statutory authority for issuing its IAAs, which is a requirement for the standard IAA forms, and did not follow relevant FAR and internal requirements to create D&Fs for certain IAAs. These omissions occurred because (1) there was confusion between the Bureau and BFS ARC as to who was responsible for creating D&Fs, (2) the Bureau has not provided clear guidance to program offices for selecting IAA authorities, and (3) Procurement and the OCFO have not established effective oversight processes related to selecting IAA authorities and fulfilling relevant D&F requirements. Developing and documenting a framework and oversight process for determining the statutory authority for IAAs will help the Bureau to identify the proper statutory authority for IAAs and thus follow the relevant FAR and internal requirements for D&Fs. Completing D&Fs as necessary helps to ensure that the interagency acquisition is in the best interest of the federal government.

The Bureau Did Not Consistently Identify IAA Statutory Authorities and Did Not Follow Relevant D&F Requirements

The Bureau did not consistently identify and document the correct statutory authority in its agreement forms and did not follow relevant legal requirements related to D&Fs. The standard IAA forms require both the requesting agency and the servicing agency to cite a statutory authority for issuing an IAA.⁵ Depending on the statutory authority for issuing an IAA and the type of IAA, additional requirements may apply. Specifically, if the Bureau enters into interagency acquisition-type IAAs under the Economy Act, FAR 17.502-2 states that the agreement must be supported by a D&F determining that the interagency acquisition is in the best interest of the government.

An OCFO official acknowledged that the Bureau may not have consistently cited the applicable statutory authority for the Bureau during fiscal year 2019 and prior. Further, in response to our audit inquiries,

⁵ The applicable statutory authority for IAAs depends on factors such as the requesting agency and the method for procuring goods or services. Many IAAs are issued under the authority of the Economy Act, which applies when a more specific authority does not exist. Other potential authorities include the Government Employees Training Act and the Office of Personnel Management Revolving Fund.

Bureau staff identified 4 of the 10 IAAs in our sample as having required a D&F but could not provide us with a D&F for any of them.⁶

- Of those 4, 2 did not cite the Economy Act.
- Of the 6 that the Bureau identified as not requiring D&Fs, 1 contained an agreement document indicating that a D&F was in fact required.

A Procurement official explained that the Bureau expected BFS ARC personnel, as the contracting officers, to execute D&Fs, whereas BFS ARC believed D&Fs were the Bureau's responsibility. In addition, we noted that Procurement and the OCFO have not provided clear guidance to program offices for identifying the correct statutory authority in its IAA documents. The Bureau's Legal Division stated that the Consumer Financial Protection Act provides the Bureau with general authority to issue most IAAs, but the program offices may cite the Economy Act as an additional authority. However, the *Interagency Agreement Guide*, which program offices may use to develop the IAA documents, does not note the Consumer Financial Protection Act as a potential authority. The guide also contains contradictory information about D&F requirements. One section indicates that D&Fs are only required for assisted acquisitions-type IAAs under the Economy Act, but another section notes that D&Fs are required for all Economy Act IAAs.⁷

Further, Procurement and the OCFO have not established effective oversight processes to help ensure that the proper authority is identified and that the associated legal requirements are met. Bureau policy does not require that the Legal Division review IAAs to ensure that the correct statutory authority is cited or to determine whether a D&F is required. In addition, the OCFO, which is responsible for reviewing IAA legal authorities, could not provide us with guidance from the Legal Division on how to determine IAA authorities. All three of our benchmarking agencies had implemented some form of legal reviews for new IAAs.⁸

Developing and documenting a clear framework and oversight process for determining the statutory authority for IAAs can help the Bureau to properly identify the statutory authority for the IAA and follow relevant FAR and internal requirements for a D&F. The proper completion of a D&F helps to ensure that the interagency acquisition is in the best interest of the federal government.

Recommendation

We recommend that the chief procurement officer and the chief financial officer

2. Establish, in consultation with the Legal Division, internal controls to ensure that the Bureau is properly identifying IAA authorities and following relevant D&F requirements. As part of establishing these internal controls, consider implementing OCFO or Procurement reviews to help ensure that the authority is accurate and that D&Fs have been created as necessary.

⁶ For one IAA in our sample, we did receive a D&F for a 2012 agreement between the Bureau and the servicing agency; however, that agreement had expired prior to the start of the IAA that we tested.

⁷ A procurement official and staff indicated that, in practice, D&Fs were only required for assisted acquisition-type IAAs.

⁸ Two agencies required a legal review of all IAAs and one agency required a legal review of all IAAs over a certain dollar threshold.

Management Response

The acting chief procurement officer and the acting chief financial officer concur with our recommendation. They stated that the Bureau plans to establish controls to ensure that the proper IAA authorities are identified and that relevant D&F requirements are followed.

The chief procurement officer and chief financial officer estimate that corrective actions to address this recommendation will be completed by the second quarter of fiscal year 2022.

OIG Comment

The actions described by the acting chief procurement officer and the acting chief financial officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Finding 3: Procurement and the OCFO Should Enhance Oversight to Ensure Compliance With Invoicing Policy

Invoice approvers did not consistently review IPACs in accordance with the *Invoicing and Electronic Payments Policy* or could not consistently provide evidence of adequate IPAC review. These instances of noncompliance with the invoicing policy appeared to result from (1) lack of clarity or awareness of the roles and responsibilities of the invoice approver, (2) difficulty in obtaining supporting documentation for IPACs, and (3) lack of prioritization of IPAC reviews. Following the expectations outlined in the invoicing policy will help invoice approvers to identify improperly billed IPACs in a timely manner and will help ensure that the agency receives the goods and services for which it is paying.

Invoice Approvers Did Not Consistently Review IPACs in Accordance With Policy

Invoice approvers did not consistently review IPACs in accordance with the *Invoicing and Electronic Payments Policy* and could not provide evidence of IPAC review. Specifically, the policy notes the following:

- Invoice approvers should properly review, analyze, and approve or reject IPACs, including ensuring that submitted costs are consistent with contract requirements. However,
 - for 1 IAA in our sample of 10, none of the 6 associated IPACs, totaling approximately \$341,000 and dating back to February 12, 2019, had been reviewed and approved as of November 2020
 - for 2 of the remaining 9 IAAs, the invoice approver monitored spending on the IAA but did not provide sufficient evidence to ensure that billing rates matched the agreed-upon contract rates at the time of the order
 - for 5 of 62 IPACs from 2 other IAAs, the Bureau was unable to provide supporting documents that detailed the amount being charged or refunded⁹

⁹ Bureau staff informed us that they maintained hard-copy support for four IPACs from one of the IAAs in the Bureau headquarters building. Because of COVID-19 restrictions on building access during our audit, we were unable to verify that assertion.

- Invoice approvers must review and approve IPACs in a timely manner. IPACs are considered delinquent if not approved or rejected within 12 days. However,
 - for 5 of 9 IAAs, 19 of the 51 associated IPACs were not approved within 12 business days; the delinquent IPACs averaged 72 business days for approval¹⁰
- Invoice approvers must complete an *Invoice Review Checklist* prior to approving the first IPAC under a new IAA.¹¹ However,
 - 3 of the 4 IAAs that required a completed *Invoice Review Checklist* did not have a completed checklist

Invoice approvers and Bureau staff indicated that these instances of noncompliance with the invoicing policy resulted from a lack of clarity or awareness of the roles and responsibilities of the invoice approver or difficulty in obtaining supporting documentation for IPACs. Further, while the OCFO notifies invoice approvers of delinquent payments on a weekly basis, an invoice approver and an OCFO official noted that IPAC reviews often are not prioritized. Following the invoicing policy's expectations will help invoice approvers to identify improperly billed IPACs in a timely manner and will help ensure that the agency receives the goods and services for which it is paying.

Recommendation

We recommend that the chief procurement officer and the chief financial officer

3. Enhance oversight of the program offices' compliance with IPAC policies and procedures. Consider actions such as targeted training for invoice approvers regarding IPAC approvals as well as enforcement measures to foster compliance with IPAC policies and procedures.

Management Response

The acting chief procurement officer and the acting chief financial officer concur with our recommendation. They plan to enhance guidance for and oversight of IPAC approvals. The Bureau will consider and evaluate available tools for compliance with IPAC policies and procedures, including possible future G-Invoicing capabilities.

The acting chief procurement officer and the acting chief financial officer estimate that corrective action to address this recommendation will be completed by the fourth quarter of fiscal year 2022.

¹⁰ This excludes the 1 IAA noted above for which all 6 IPACs had not yet been approved as of November 2020. Additionally, 11 of the IPACs we selected for testing did not have support that enabled us to determine when the IPAC was received or approved by the invoice approver; therefore, we could not determine whether approval was delinquent. We also noted 2 delinquent IPACs that had a documented and justified delay in approval; we excluded these 2 IPACs from the 19 we determined to be delinquent.

¹¹ The requirement to use the *Invoice Review Checklist* was first implemented on September 27, 2018. Therefore, invoice approvers were not required to complete an *Invoice Review Checklist* if the first IPAC on their IAA was received prior to this date.

OIG Comment

The actions described by the acting chief procurement officer and the acting chief financial officer appear to be responsive to our recommendation. We will follow up to ensure the recommendation is fully addressed.



Finding 4: Procurement and the OCFO Should Enhance Controls to Ensure That Excess IAA Funding Is Deobligated in a Timely Manner

Even though program offices and the OCFO must periodically review obligations, the Bureau is not consistently deobligating excess IAA funds in a timely manner. These offices are not deobligating excess funds timely because the Bureau encountered difficulties obtaining confirmation from servicing agencies that funds can be deobligated, as required in the *Interagency Agreement Guide*. By deobligating excess IAA funds in a timely manner, the Bureau limits the risk of offices improperly approving payments against outstanding balances and gains the opportunity to reallocate unused funds to address other needs.

The Bureau Is Not Consistently Deobligating Excess IAA Funds in a Timely Manner

The program offices and the OCFO conduct periodic reviews of open obligations to identify funds that can be deobligated. However, as of September 30, 2019, the Bureau had 264 IAAs with a total obligated value of approximately \$26.7 million for which the period of performance ended more than a year prior.

The Bureau's *Policy for Recording Commitments and Obligations* notes that program offices should perform a periodic review, at least annually, of all obligations and then submit a request to the OCFO to deobligate all remaining balances. Further, OCFO procedures state that the OCFO performs a semiannual review of the validity of obligations in conjunction with program offices. The OCFO notifies program offices when it uncovers funding that may be deobligated. Additionally, the *Treasury Financial Manual* states that agencies must follow up on obligations that are not showing recent activity and that once the requesting agency determines that the order is fulfilled, it should inform the servicing agency that the IAA will be deobligated within 30 days.

The Bureau has noted challenges in deobligating excess funds on IAAs. OCFO staff stated that during 2018 and 2019, the agency created a team to close out approximately \$56 million in obligations in both contracts and IAAs. An OCFO official attributed the Bureau's inactive IAA obligations to difficulties in obtaining the confirmation from program offices or servicing agencies that funding may be deobligated, which the Bureau encourages prior to deobligation.¹² Ensuring that IAA funds are deobligated in a timely manner may reduce the risk of the Bureau improperly approving payment against outstanding balances. It also provides the Bureau the opportunity to reallocate unspent obligated funds to other Bureau needs.

¹² A Bureau official noted that one particular servicing agency accounts for a significant portion of the inactive obligations. As of September 30, 2019, inactive obligations associated with this agency totaled approximately \$9.9 million—37 percent of the total inactive obligation balance. The official stated that the Bureau had been reaching out to the servicing agency for several years; however, because the agency has not responded, the Bureau has not been able to close the inactive obligations.

Management Actions Taken

During 2020, the Bureau implemented certain actions to reduce its inactive obligation balances for IAAs:

- In September 2020, the OCFO updated its semiannual review to include a procedure to escalate instances in which the program office is unresponsive to information requests about deobligations.
- As of October 2020, Procurement and the OCFO were developing a joint database and tracking system to monitor deobligation and close-out activities to ensure a more coordinated, agencywide effort.

Recommendations

We recommend that the chief procurement officer and the chief financial officer

4. Strengthen controls to ensure that excess funds on future IAAs are deobligated in a timely manner. Consider mechanisms to reinforce expectations and incentivize program offices to coordinate with servicing agencies to reconcile billings and initiate deobligations closer to the end of the IAA period of performance and promptly provide deobligation documentation to the OCFO.
5. Take steps to review and deobligate funds on existing inactive IAAs.

Management Response

The acting chief procurement officer and the acting chief financial officer concur with our recommendations. The Bureau intends to work with its partner agencies to ensure more-timely deobligations and will reinforce expectations internally with program offices. Additionally, the Bureau will continue to review and deobligate funds on existing inactive IAAs.

The acting chief procurement officer and the acting chief financial officer estimate that corrective actions to address these recommendations will be completed by the fourth quarter of fiscal year 2022.

OIG Comment

The actions described by the acting chief procurement officer and acting chief financial officer appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



Finding 5: Procurement Should Ensure That It Can Generate Reliable IAA Data

A Procurement report used to satisfy internal and external stakeholder IAA information needs did not contain complete data for the IAAs in our sample. GAO's *Standards for Internal Control in the Federal Government* emphasizes the importance of an information system with complete transaction records and management's use of quality information. Procurement staff attributed the data completeness issues to (1) their unfamiliarity with the third-party software used to generate the report and (2) incorrect data entry into the procurement system. By ensuring that Procurement can generate complete data, the Bureau can effectively report on and monitor its IAAs.

Procurement's Report on IAAs Did Not Contain Complete Data

The Bureau noted that it plans to rely more on certain automated reports to satisfy information needs regarding IAAs. Specifically, a Procurement staff member indicated that they would use the reports to internally track IAAs as well as to satisfy external requests, such as congressional requests. One key Procurement report displays individual award actions, such as issuing or modifying an IAA. Our sample of 10 IAAs had a total of 28 award actions, including 10 original awards and 18 modifications. The report that we tested contained incomplete data for our sample. Specifically, we found the following:

- One of 28 award actions (4 percent) was not included in the report.
- 16 of 28 award actions (57 percent), associated with 9 of the 10 IAAs in our sample, did not identify the servicing agency.
- 14 of 28 award actions (50 percent), associated with 4 of the 10 IAAs in our sample, did not describe the goods or services received under the IAA.

GAO's *Standards for Internal Control in the Federal Government* states that management should design an information system and control activities to respond to risks and achieve objectives, which may include completeness of transactions being recorded. *Standards for Internal Control in the Federal Government* also notes that quality information should be used by management and describes quality information as current, complete, and provided on a timely basis.

Currently, the Bureau uses a third-party software to retrieve data from the procurement system and other sources to create various procurement-related reports, including the individual award actions report that we tested. Whereas in the past, Procurement staff used a manual report to satisfy internal and external information needs, they noted that they intend to use the automated reports to satisfy information needs in the future.¹³ However, staff are still learning how the software generates reports

¹³ The manual report was a matrix showing all awards, including contracts and IAAs. The main source of data for the report was the individual award actions report that we tested, with additional data having been obtained from award documents and other sources.

and are coordinating with BFS ARC to understand why the report does not consistently produce servicing agency names. Additionally, a Procurement official explained that some of the issues noted above stemmed from incorrect data entry. Specifically, the official stated that descriptions of the goods and services received were missing because staff did not enter those descriptions into the procurement system. Lastly, the missing modification was excluded from the report because it did not have an award date in the procurement system, which is the key field used to generate the report that we tested.

Ensuring that it can generate complete IAA data will help Procurement to effectively report on and monitor IAAs. Data completeness is particularly important as Procurement indicated that it plans to rely on the software to generate procurement-related reports in the future.

Recommendation

We recommend the chief procurement officer

6. Review the IAA-related report package on which it intends to rely and establish processes to ensure that all IAA data are complete.

Management Response

The acting chief procurement officer and the acting chief financial officer concur with our recommendation. They state that the Bureau will continue to review automatically generated reports to ensure that all data relevant to the reports' purposes are complete.

The acting chief procurement officer and the acting chief financial officer estimate that corrective actions to address this recommendation will be completed by the second quarter of fiscal year 2022.

OIG Comment

The actions described by the acting chief procurement officer and the acting chief financial officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Appendix A: Scope and Methodology

Our objective was to assess the design and operating effectiveness of the Bureau's controls for issuing and managing IAAs, including compliance with relevant laws and regulations. Our scope was fiscal year 2019 IAAs for which the Bureau was procuring goods or services from another agency. For those IAAs, we reviewed the Bureau's processes for

- maintaining internal policies and procedures for IAAs
- determining and documenting the authority under which IAAs were issued
- maintaining supporting documentation for IAAs
- reviewing and approving IPACs
- overseeing servicing agencies or, in the case of interagency acquisitions in which the servicing agency had a limited role, contractors
- deobligating funding on and closing out IAAs

To accomplish our objective, we completed the following steps:

- We reviewed laws, regulations, policies, procedures, and guidance, including the
 - Economy Act
 - FAR, subpart 17.5
 - *Treasury Financial Manual*, chapter 4700
 - *Invoicing and Electronic Payments Policy*
 - *Policy for Acquisition Planning*
 - *Policy for Procurement Management and Legal Reviews*
 - *Recording Commitments and Obligations Policy*
 - *Signature Authority Policy*
 - *Desk Guide for Contracting Officer's Representatives (CORs)*
 - *Interagency Agreement Guide*
 - *Investment Review Board Charter*
- We performed walkthroughs to understand key IAA processes such as (1) issuance, (2) servicing agency oversight, (3) IPAC review, and (4) deobligation and closure.
- We judgmentally selected a nonstatistical, risk-based sample of 10 IAAs with a total obligated value of approximately \$19 million from a population of 114 IAAs with a total obligated value of

approximately \$320 million for detailed testing.¹⁴ To make the selection, we used a document that a Procurement staff member manually compiled and maintained to track information on each IAA award, and we focused on certain risk factors, such as dollar value and program office.¹⁵ The results of our testing cannot be projected to the entire population of IAAs. For each IAA in our sample, we tested to determine whether

- the Bureau maintained appropriate documentation of key transactions and events
 - the invoice approver or program office appropriately monitored performance under the IAA
 - the invoice approver properly reviewed and approved IPACs
 - IAA data were accurately and completely captured in the report that displays award actions that Procurement provided¹⁶
- We analyzed reports of open obligations to identify inactive IAA obligations.
 - We interviewed staff and officers from the OCFO, Procurement, the Legal Division, BFS ARC, and program offices.
 - We conducted benchmarking with three other federal agencies that we considered relevant based on factors such as the agency's mission, size, and function to identify best practices in IAA issuance and management.
 - We interviewed BFS officials and reviewed public guidance on G-Invoicing promulgated by BFS to better understand the potential effects of the transition to G-Invoicing on the Bureau's processes for issuing and managing IAAs.
 - We reviewed prior OIG, GAO, and independent audit reports related to the Bureau's process for issuing and managing contracts and IAAs.

Auditing standards require that we assess internal controls significant to our audit objective. Accordingly, we assessed the internal controls related to the Bureau's processes for issuing IAAs, monitoring servicing agencies, approving IPACs, generating IAA data, and deobligating funding. Our assessment included reviewing policies, procedures, and guidance applicable to issuing and managing IAAs. We also tested the Bureau's design and operating effectiveness of key controls. Internal control deficiencies identified during the audit are presented in the body of this report.

We conducted this audit from April 2020 to April 2021 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

¹⁴ In selecting our sample of IAAs, we excluded all IAAs related to rental and construction, as we have previously conducted reviews in these areas. As a result, the population of IAAs that we considered for sampling was 100, with a total obligated value of approximately \$52 million.

¹⁵ This report was a master listing of all awards, including IAAs, during fiscal year 2019. Because it was manually updated, we could not confirm its completeness. However, based on our review of the data in the report and our understanding of how the report was maintained, we determined it was sufficient for selecting IAAs for detailed testing.

¹⁶ Procurement stopped maintaining the manual report during 2020 and planned to rely on certain automated reports to satisfy its information needs. Therefore, we opted to test the accuracy and completeness of one of the automated reports rather than the manually maintained report.

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



Appendix B: Management Response

Bureau of Consumer Financial Protection
1700 G Street NW
Washington, D.C. 20552

July 9, 2021



Ms. Cynthia Gray
Assistant Inspector General for Audits and Evaluations
Board of Governors of the Federal Reserve System &
Bureau of Consumer Financial Protection
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Ms. Gray:

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft report titled *The Bureau Can Improve Its Controls for Issuing and Managing Interagency Agreements*. We have reviewed the report and concur with the draft recommendations. The Bureau remains committed to ensuring the integrity of our controls around interagency agreement (IAA) issuance and management, and we look forward to strengthening our processes.

Thank you for the professionalism and courtesy that you and your staff demonstrated throughout this review. We have provided comments for each finding and recommendation.

Sincerely,

**Dana M.
James**

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M. James
Date: 2021.07.09
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Dana M. James
Acting Chief Financial Officer

**Joshua
Galicki**

Digitally signed by Joshua
Galicki
Date: 2021.07.09
15:13:10 -04'00'

Joshua F. Galicki
Acting Chief Procurement Officer

consumerfinance.gov

**Response to Recommendations Presented in the Draft OIG Report:
“The Bureau Can Improve Its Controls for Issuing and Managing Interagency
Agreements”**

Finding 1: Procurement and the OCFO Should Strengthen IAA Guidance and Training

Recommendation 1. Create or update existing IAA policies and procedures to establish clear expectations for issuing and managing IAAs. Ensure that expectations for the key activities in the IAA process are addressed, including

- a. roles and responsibilities of relevant parties, including BFS ARC, the OCFO, Procurement, program offices, and invoice approvers.
- b. training and certification requirements for invoice approvers.
- c. developing and maintaining IAA agreement documents.
- d. monitoring performance under the IAA.
- e. approving IPACs.
- f. deobligating and closing IAAs.

Management Response: Management concurs with this finding and recommendation. Procurement and the OCFO plan to issue collective guidance to more clearly establish expectations for the issuance and management of IAAs by the Bureau and our partners.

FY 2022 Q4

Finding 2: Procurement and the OCFO Should Establish Controls for Identifying IAA Statutory Authorities and Following Relevant Requirements

Recommendation 2. Establish, in consultation with the Legal Division, internal controls to ensure that the Bureau is properly identifying IAA authorities and following relevant D&F requirements. As part of establishing these internal controls, consider implementing OCFO or Procurement reviews to help ensure that the authority is accurate and that D&Fs have been created as necessary.

Management Response: Management concurs with this finding and recommendation. The Bureau notes that the G-Invoicing platform may limit the statutory authority appearing on the IAA to the servicing agency’s authority, and since the Bureau is typically the buyer, the Bureau’s IAA authority may not be reflected in the future. However, the Bureau plans to establish

controls to ensure the proper IAA authorities are identified and that relevant D&F requirements are followed.

FY 2022 Q2

Finding 3: Procurement and the OCFO Should Enhance Oversight to Ensure Compliance With Invoicing Policy

Recommendation 3. Enhance oversight of the program offices' compliance with IPAC policies and procedures. Consider actions such as targeted training for invoice approvers regarding IPAC approvals as well as enforcement measures to foster compliance with IPAC policies and procedures.

Management Response: Management concurs with this finding and recommendation and plans to enhance guidance for and oversight of IPAC approvals. The Bureau will consider and evaluate available tools for ensuring compliance with IPAC policies and procedures, including possible future G-Invoicing capabilities.

FY 2022 Q4

Finding 4: Procurement and the OCFO Should Enhance Controls to Ensure that Excess IAA Funding Is Deobligated in a Timely Manner

Recommendation 4. Strengthen controls to ensure that excess funds on future IAAs are deobligated in a timely manner. Consider mechanisms to reinforce expectations and incentivize program offices to coordinate with servicing agencies to reconcile billings and initiate deobligations closer to the end of the IAA period of performance and promptly provide deobligation documentation to the OCFO.

FY 2022 Q4

Recommendation 5. Take steps to review and deobligate funds on existing inactive IAAs.

Management Response: Management concurs with this finding and these recommendations. As the OIG notes in the report, excess obligated balances on inactive IAAs are often due to untimely billings from our Federal partners or difficulties in obtaining confirmation from servicing agencies that funding may be deobligated. Therefore, the Bureau will work with our partner agencies to ensure more timely deobligations and will reinforce expectations internally

with program offices. Additionally, the Bureau appreciates the OIG's recognition of the actions taken during 2020 to reduce inactive obligation balances for IAAs. The Bureau will continue to review and deobligate funds as possible on existing inactive IAAs.

FY 2022 Q4

Finding 5: Procurement Should Ensure That It Can Generate Reliable IAA Data

Recommendation 6. Review the IAA-related report package on which it intends to rely and establish processes to ensure that all IAA data are complete.

Management Response: Management concurs with this finding and recommendation. The Bureau will continue to review automatically generated reports to ensure that all data relevant to the report's purpose are complete.

FY 2022 Q2



Abbreviations

ARC	Administrative Resource Center
BFS	Bureau of the Fiscal Service
COR	contracting officer's representative
D&F	determinations and findings
FAR	<i>Federal Acquisition Regulation</i>
GAO	U.S. Government Accountability Office
IAA	interagency agreement
IPAC	Intra-Governmental Payment and Collection
OCFO	Office of the Chief Financial Officer
Procurement	Office of the Chief Procurement Officer

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