Office of Inspector General

Audit Report 2015-FMIC-C-014

The CFPB Can Enhance Its Contract Management Processes and Related Controls

September 2, 2015

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

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Abbreviations

ARC	Administrative Resource Center
BFS	Bureau of the Fiscal Service
BFS Procurement	Bureau of the Fiscal Service's Division of Procurement
BPA	blanket purchase agreement
CFPB	Consumer Financial Protection Bureau
CFPB Procurement	CFPB's Office of Procurement
CO	contracting officer
COR	contracting officer's representative
COR Monthly Report	Contracting Officer's Representative (COR) Monthly Contractor Performance Report
CPARS	Contractor Performance Assessment Reporting System
Desk Guide	*Desk Guide for CORs and Invoice Approvers*
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
OIG	Office of Inspector General
OMWI	Office of Minority and Women Inclusion
PCA	procurement certification administrator
T&I	CFPB's Office of Technology and Innovation
TEP	technical evaluation panel
Treasury	U.S. Department of the Treasury
U.S.C.	*United States Code*

Executive Summary:

The CFPB Can Enhance Its Contract Management Processes and Related Controls

2015-FMIC-C-014 **September 2, 2015**

Purpose

The objective of this audit was to assess the Consumer Financial Protection Bureau's (CFPB) compliance with applicable laws, regulations, and CFPB policies and procedures, as well as the effectiveness of the CFPB's internal controls, related to contract management.

Background

In fiscal year 2014, contracts represented 30 percent of the CFPB's $498 million in obligations (agreements that result in financial outlays, immediately or in the future). The CFPB's Office of Procurement is responsible for oversight of the CFPB's procurement functions. The CFPB's Office of Procurement collaborates with contracting officer's representatives in the program offices across the CFPB's divisions to perform certain procurement activities, including oversight of contractor performance. In addition, the CFPB's Office of Procurement collaborates with the CFPB's Office of Minority and Women Inclusion to further leverage CFPB procurement opportunities for minority-owned and women-owned businesses.

The CFPB has an interagency agreement with the U.S. Department of the Treasury's Bureau of the Fiscal Service (BFS), Administrative Resource Center, to conduct certain procurement activities on behalf of the CFPB.

Findings

In general, we found the CFPB to be in compliance with applicable laws, regulations, and CFPB policies and procedures, although we noted that certain contract management controls could have been improved in 3 contracts among the 29 contracts in our sample. The 3 contracts represented $6.2 million out of our sample's total value of $166 million. In the first contract, the CFPB made payments that did not conform to the contract and the *Federal Acquisition Regulation* for a system that was not completed and implemented. In the second contract, the CFPB did not adequately monitor a contract with contingent and uncertain license costs and settled a claim for licenses that exceeded the planned funding amount. In the third contract, the CFPB required a contractor to change its site location one week after the award of a task order, resulting in a 21.5 percent labor rate increase. These 3 contracts were awarded by the BFS Division of Procurement on behalf of the CFPB. We found no evidence that the BFS Division of Procurement or the relevant CFPB program office notified the CFPB's Office of Procurement of these contract issues in time for the latter to assist in their resolution.

We also found that 32 of the 79 contractor performance evaluations required by the *Federal Acquisition Regulation* were overdue. Further, the BFS Division of Procurement omitted a contract clause designed to clarify the Office of Inspector General's access to contractor records from 1 of the 10 contracts we sampled for this purpose. The CFPB's Office of Minority and Women Inclusion is required to develop standards and procedures to ensure that minority-owned and women-owned businesses are considered for CFPB procurements, including procedures that will enable the CFPB to know whether contractors have failed to make a good faith effort to include minorities and women in their workforce. Although there is no statutory deadline, these standards and procedures have not yet been developed.

Recommendations

We are making recommendations designed to improve the CFPB's contract management processes and related controls. These recommendations include enhancing policy to clarify the functions of contracting officer's representatives, improving contract protections and related notifications, and developing and implementing required standards and procedures. In its response to our draft report, the CFPB concurs with our recommendations and outlines planned, ongoing, and completed activities related to these recommendations.

Summary of Recommendations, OIG Report No. 2015-FMIC-C-014

Rec. no.	Report page no.	Recommendation	Responsible office
1	13	Clarify guidance and contracting officer's representative designation letters and conduct refresher training to emphasize that contracting officer's representatives a. do not have the authority to modify contracts, including terms related to acceptance of, and payment for, deliverables. b. are required to accurately report contractor performance issues in Contracting Officer's Representative (COR) Monthly Contractor Performance Reports. c. must follow the procedures in the December 2014 *Desk Guide for CORs and Invoice Approvers* and maintain documentation in the contracting officer's representative file that is sufficient to establish the basis for contract actions proposed or undertaken.	Office of Procurement
2	16	Ensure that guidance and training given to contracting officer's representatives emphasizes the importance of adequately monitoring contracts with contingencies.	Office of Procurement
3	16	Enhance policy to require an assessment of the potential costs and benefits of including a provision, such as a not-to-exceed limit, in contracts with contingencies, and include this requirement in the interagency agreement with the Bureau of the Fiscal Service's Division of Procurement.	Office of Procurement
4	16	Assess whether contracting officer's representatives should submit Contracting Officer's Representative (COR) Monthly Contractor Performance Reports to the CFPB's Office of Procurement for certain commodity contracts, including software purchases.	Office of Procurement
5	23	Develop and implement a policy that requires a. the Bureau of the Fiscal Service's Division of Procurement and the relevant CFPB program offices to notify the CFPB's Office of Procurement as soon as practicable when specified contract actions occur that could present a risk to the CFPB. b. the CFPB's Office of Procurement to perform an assessment of these contract actions and take appropriate actions.	Office of Procurement
6	26	Ensure that policy includes a requirement to complete timely Contractor Performance Assessment Reporting System evaluations and clarify this requirement in the contracting officer's representative designation letter.	Office of Procurement
7	26	Enhance the CFPB Office of Procurement's management of the Contractor Performance Assessment Reporting System evaluations to ensure that entries are completed timely.	Office of Procurement
8	28	Strengthen internal controls by including all CFPB-mandated contract clauses, such as the OIG access-to-records clause, in the interagency agreement with the Bureau of the Fiscal Service's Administrative Resource Center and conduct periodic sampling or other activities to ensure that all mandated clauses are included in contracts awarded on behalf of the CFPB.	Office of Procurement

Rec. no.	Report page no.	Recommendation	Responsible office
9	28	Determine the feasibility of including the OIG access-to-records clause in contracts awarded before July 2013 via modifications to contracts, as appropriate.	Office of Procurement
10	30	Develop and implement standards and procedures as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act to ensure the consideration of minority-owned and women-owned businesses for CFPB procurements and for the determination of whether a contractor or subcontractor made a good faith effort to include minorities and women in its workforce.	Office of Minority and Women Inclusion

OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

September 2, 2015

MEMORANDUM

TO: Sartaj Alag
Chief Operating Officer
Consumer Financial Protection Bureau

Stuart Ishimaru
Director, Office of Minority and Women Inclusion
Consumer Financial Protection Bureau

FROM: Melissa Heist *Melissa Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2015-FMIC-C-014: *The CFPB Can Enhance Its Contract Management Processes and Related Controls*

The Office of Inspector General (OIG) has completed its final report on the subject audit. We conducted this audit to assess the Consumer Financial Protection Bureau's (CFPB) compliance with applicable laws, regulations, and CFPB policies and procedures, as well as the effectiveness of the CFPB's internal controls, related to contract management.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations. We have included your response as appendix B to our report.

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

cc: David Gragan, Assistant Director, Office of Procurement
Stephen Agostini, Chief Financial Officer
J. Anthony Ogden, Deputy Inspector General

Contents

Introduction

Objective

The objective of this audit was to assess the Consumer Financial Protection Bureau's (CFPB) compliance with applicable laws, regulations, and CFPB policies and procedures, as well as the effectiveness of the CFPB's internal controls, related to contract management. This audit focuses primarily on procurement activities after contract award and is a follow-on to our 2013 evaluation that focused on the preaward contract solicitation and selection process.[1]

To accomplish our objective, we sampled and assessed 29 contracts, which had a total obligated value of $166 million. The CFPB's Office of Procurement (CFPB Procurement) awarded 12 of these contracts, and the Bureau of the Fiscal Service's (BFS) Division of Procurement (BFS Procurement), within the Administrative Resource Center (ARC) of the U.S. Department of the Treasury (Treasury), awarded the remaining 17 on behalf of the CFPB. We selected our sample from the 426 CFPB contracts that were active from April 1, 2013, through March 31, 2014, which had an overall obligated value of $271.9 million. Our sample included the 20 highest obligated value contracts, as well as 9 randomly selected contracts. Details on our scope and methodology are in appendix A.

Background

Contracts represented 30 percent of the CFPB's fiscal year 2014 obligations of $498 million.[2] Contract management involves activities performed by government officials after a contract has been awarded to determine how well the government and the contractor performed to meet the requirements of the contract. Effective contract management helps ensure that the end users are satisfied with the product or service being obtained under the contract and that the services are provided in accordance with the terms and conditions of the contract.

The CFPB's Office of Procurement

CFPB Procurement is responsible for oversight of the CFPB's procurement functions, including the contract award and contract management processes. CFPB Procurement's oversight of the contract management process includes establishing policies and procedures, overseeing staff training and certification, and overseeing contractor performance reporting.

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1. Office of Inspector General, *CFPB Contract Solicitation and Selection Processes Facilitate FAR Compliance, but Opportunities Exist to Strengthen Internal Controls*, OIG Report No. 2013-IE-C-004, March 28, 2013.

2. CFPB policy states that an *obligation* refers to a binding agreement that will result in financial outlays, either immediately or in the future.

CFPB Procurement staff members include four contracting officers (COs). COs have the sole authority to enter into, administer, and terminate contracts. In addition, CFPB Procurement collaborates with program offices across the CFPB's divisions[3] to assign, train, and use program office personnel with subject-matter expertise as contracting officer's representatives (CORs).[4] CORs perform certain procurement activities, including oversight of contractor performance and payment after contract award.

CFPB Procurement informed us that it is not sufficiently staffed to handle the entire contracting workload for the CFPB. For additional support with contract award and administration, the CFPB and Treasury established an interagency agreement in 2010 for procurement services on a fee basis.[5] Treasury's BFS Procurement follows the agreement's policies for procurement, and its staff includes COs who are required by the *Federal Acquisition Regulation* to ensure the performance of all necessary actions for effective contracting. For the contracts it awards on behalf of the CFPB, BFS Procurement is responsible for full procurement services on any contract actions. This includes conducting preaward procurement activities, such as providing advice to the CFPB staff members, preparing solicitations and amendments, conducting a price analysis of proposals, performing a legal review, and making the award decisions. In addition to preaward services, BFS Procurement provides contract management services, such as monitoring delivery schedules; executing modifications, including option-year renewals; resolving contractual issues; processing claims; issuing terminations, as appropriate; and closing out orders and contracts. The CFPB and Treasury have renewed the interagency agreement annually.

In fiscal year 2014, the CFPB entered into contracts with an obligated value of approximately $151 million (table 1). COs from either the CFPB or BFS Procurement awarded the majority of these contracts on behalf of the CFPB. In addition, the U.S. General Services Administration (GSA) has awarded contracts on the CFPB's behalf for the CFPB's building renovations. We did not assess these contracts awarded by GSA because they are the subject of another Office of Inspector General (OIG) audit.

Table 1: Breakdown of CFPB Contract Awards by Agency, Fiscal Year 2014

Contracting agency	Obligated amount ($ millions)	Obligated percentage
CFPB	76.4	51
BFS	69.3	46
GSA	5.2	3
Total	**150.9**	**100**

Source: OIG analysis of CFPB Office of Procurement data, January 2015.

3. CFPB divisions include Operations; Consumer Education and Engagement; Supervision, Enforcement, and Fair Lending; Research, Markets, and Regulations; External Affairs; and Legal.

4. In 2011, an Office of Federal Procurement Policy memorandum to senior procurement officials noted that the term *COTR* (contracting officer's technical representative) was being changed to *COR* to align with the *Federal Acquisition Regulation*.

5. The CFPB initially operated under authorities granted to the Secretary of the Treasury until a CFPB Director was appointed in January 2012. Prior to hiring CFPB Procurement staff in December 2010, BFS ARC awarded all CFPB contracts on the agency's behalf. The CFPB continues to use BFS ARC for certain procurements pursuant to an interagency agreement.

Contracting Officer's Representatives

COs designate a COR to assist in the technical monitoring or administration of a contract. In 2015, the CFPB had 143 trained and certified CORs, roughly 9 percent of the CFPB's workforce. All CFPB contracts are overseen by CFPB CORs, who generally work in the program office that requires the deliverables to be provided under the contract. These CORs are not under the direct supervision of CFPB Procurement.

A CFPB CO or a BFS Procurement CO formally designates a COR for each contract via a designation letter that specifies the COR's responsibilities and scope of authority. CORs are generally responsible for

- monitoring, rating, and reporting on contractor performance
- evaluating contractor invoices and approving payments to contractors
- establishing and maintaining, for each contract, a COR file for associated documentation

Only the CO has the authority to make commitments that affect the terms of the contract.

Monitoring, Rating, and Reporting on Contractor Performance

CORs monitor contractor performance and typically report this performance internally via the Contracting Officer's Representative (COR) Monthly Contractor Performance Report (COR Monthly Report) for service contracts over $150,000 awarded by either the CFPB or BFS Procurement. CORs report externally via the Contractor Performance Assessment Reporting System (CPARS) for service and supply contracts over the simplified acquisition threshold.[6]

COR Monthly Report

CFPB Procurement uses the COR Monthly Report to collect contract performance information from the CORs on

- quality of service
- cost control
- timeliness of performance
- business relationships

CORs rate contractors' performance using a color-coded scale and can add an explanatory narrative (table 2).

6. The *Federal Acquisition Regulation*, subpart 2.1, defines the *simplified acquisition threshold* as $150,000, with certain limited exceptions.

Table 2: COR Monthly Report Rating Scale

Color	Definition
Blue	The contractor has demonstrated a performance level that was significantly in excess of anticipated achievements and is commendable as an example for others.
Green	There are no, or very minimal, performance issues, and the contractor is meeting the contract requirements. Response to inquiries and/or technical, service, administrative issues is consistently effective.
Yellow	Successful performance requires minor agency resources to ensure achievement of contract requirements. Response to inquiries and/or technical, service, administrative issues is somewhat effective.
Red	Performance issues are jeopardizing the achievement of contract requirements despite use of agency resources. Recovery is not likely. Response to inquiries and/or technical, service, administrative issues is marginally effective.

Source: COR Monthly Report.

CFPB Procurement uses the COR Monthly Report as an indicator of contractor performance and stated that it intervenes when contractor performance is rated *yellow* or *red*. The CO will coordinate with the COR to discuss the rating and determine the path forward, which could include meetings with the contractor to discuss performance or formal actions up to and including contract termination. COR Monthly Reports are included in the *CFPB Office of Procurement Quarterly View*, an internal CFPB Procurement publication circulated to senior CFPB management officials.

Contractor Performance Assessment Reporting System

CPARS is the governmentwide contractor evaluation tool for contracts and orders.[7] The *Federal Acquisition Regulation* requires agencies to prepare past performance evaluations for each contract and order of services or supplies that exceeds the simplified acquisition threshold. The *Federal Acquisition Regulation* states that these "evaluations shall be prepared at least annually and at the time the work under a contract or order is completed."[8] CORs generally input their evaluation information into CPARS, although they may provide it to CFPB Procurement or BFS Procurement for input.

The contractor performance information in CPARS populates the Past Performance Information Retrieval System, the governmentwide performance information repository, where it can be retrieved by agency acquisition officials and COs from across the government for use in making award decisions.

7. Orders can include task orders for services or delivery orders for commodities.

8. *Federal Acquisition Regulation* 42.1502(a).

Evaluating Contractor Invoices and Approving Payments

The CFPB uses the Invoice Processing Platform[9] for electronic invoice submission and payment via electronic funds transfer for most invoices. BFS ARC reviews invoices that contractors submit to determine whether they are proper as defined by the Prompt Payment Act.[10] If the invoice is deemed proper, BFS ARC enters it into the Invoice Processing Platform, and an e-mail is generated and sent to the appropriate CFPB COR for approval.

CORs are required to check invoices for accuracy within 5 business days of notification, determine whether the services or goods were received, and ensure that the invoice does not duplicate an earlier invoice. If the COR determines that the invoice is correct, the COR is required to provide invoice approval certification to BFS ARC through the Invoice Processing Platform so that payment may be scheduled. If the invoice is determined to be incorrect, the COR is required to return the invoice to BFS ARC and indicate the reason for the rejection. If an invoice is not accepted or rejected within 12 days, the invoice is delinquent and will be added to the weekly delinquency list that is provided to the CFPB's Office of the Chief Financial Officer for follow-up.

In December 2014, the Office of the Chief Financial Officer issued the *Desk Guide for CORs and Invoice Approvers* (*Desk Guide*). The *Desk Guide* provides guidance to CORs on invoice approval and includes an Invoice Review Checklist. In addition, the *Desk Guide* provides broad instruction on the role of a COR, as well as procedures related to contracts and interagency agreements.

Establishing and Maintaining a COR File

Each COR is required to maintain a working contract file to record all contract administration activities. The COR contract file must contain sufficient documentation to establish the basis for contract actions and be readily accessible to principal users. CFPB policy requires the COR to maintain the following sections within a file:

1. contract/agreement, orders, and modifications
2. COR designation letter
3. contract data deliverables and reports
4. correspondence
5. invoices
6. COR documentation of contractor performance
7. miscellaneous records

9. The Invoice Processing Platform is a Web-based, electronic invoicing and payment information system provided by BFS ARC to support efficient invoice processing for federal agencies.

10. The Prompt Payment Act, Pub. L. No. 97-177, and its associated regulations in the *Code of Federal Regulations*, title 5, part 1315, require executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late.

COR Certification, Training, and Performance

The CFPB certifies CORs at three levels, and the complexity of the contract being managed determines the required certification level of the designated COR (table 3). The higher levels of COR certification require more extensive initial training and experience. CORs at all certification levels must meet continuing education requirements to remain certified. The CFPB's procurement certification administrator (PCA) is responsible for ensuring that COR certifications are issued in accordance with the Office of Management and Budget's Office of Federal Procurement Policy[11] and that CORs assigned to contracts maintain active certifications. In the event that a COR does not maintain his or her certification, CFPB Procurement will work with the COR to find a replacement.

Table 3: COR Qualification Requirements by Contract Type and Complexity Level

COR level	Contract type	Complexity level	Requirements
Level I	Firm, fixed-price contracts with basic provisions; orders (i.e., purchase orders, task orders, and delivery orders)	Contracts are low risk; oversight is confined to basic inspection and acceptance.	No experience; 8 hours of training
Level II	Level I contracts plus labor-hour and time-and-materials contracts	Contracts are moderately to highly complex; project management activities are required; contract could have serious impact on mission; continuous oversight or technical direction is required.	One year of experience; 40 hours of training
Level III	All contract types	Contracts are highly complex and are the most mission critical; significant program management activities are required; major investments are involved.	Two years of experience; 60 hours of training

Source: *CFPB Procurement Career Development Handbook*.

CFPB Procurement conducts monthly COR roundtable meetings to disseminate information and assist CORs in meeting their periodic training requirements. These roundtables cover subjects such as basic COR responsibilities, contract fraud, and required reporting. CORs document training for their certifications in the Federal Acquisition Institute Training Application System, a governmentwide system that is used by federal employees to manage their career development and training. The PCA monitors COR certification expirations and ensures that CORs assigned to contracts do not have expired certifications.

11. The Office of Federal Procurement Policy was established by Congress in 1974 to provide overall direction for governmentwide procurement policies, regulations, and procedures and to promote economy, efficiency, and effectiveness in acquisition processes.

Office of Minority and Women Inclusion

In addition to collaborating with the program offices within the CFPB to use personnel as CORs, CFPB Procurement collaborates with the CFPB's Office of Minority and Women Inclusion (OMWI) to further leverage CFPB procurement opportunities for minority-owned and women-owned businesses. In January 2012, the CFPB established OMWI as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).[12] OMWI is responsible for all agency matters relating to diversity in management, employment, and business activities. Although the CFPB is exceeding its goal for small business awards, which have included awards to businesses of different socioeconomic categories, one of OMWI's goals is to establish a transparent process for procurement opportunities that results in an increase in the award of contracts to minorities and women. In April 2012, the CFPB hired the Director of OMWI, and as a result of a reorganization in 2014, the Director of OMWI reports directly to the Director of the CFPB.

The Dodd-Frank Act requires OMWI to report the CFPB's contract actions related to minority-owned and women-owned businesses to Congress annually. OMWI reports the percentage of procurements awarded to minority-owned and women-owned businesses, the total amount of contracts awarded, and the challenges the CFPB may face in contracting with minority-owned and women-owned businesses.

Laws, Regulations, and Guidance

Federal Government Requirements

The *Federal Acquisition Regulation* is the primary regulation guiding federal executive agencies in their acquisition of supplies and services with appropriated funds. Although the CFPB has determined that it is not required to follow the *Federal Acquisition Regulation*, the agency has made a policy decision to conduct all of its procurements in accordance with the *Federal Acquisition Regulation*.

The CPARS Program Office's *Guidance for the Contractor Performance Assessment Reporting System (CPARS)* includes a process and procedures for agencies to follow when reporting past performance information. The guidance should be read in conjunction with associated *Federal Acquisition Regulation* parts related to contractor past performance information.

Section 342 of the Dodd-Frank Act includes procurement-related requirements for OMWI. In accordance with these requirements, OMWI must develop standards and procedures for the fair inclusion of minority-owned and women-owned businesses, including procedures for determination of whether contractors have failed to make good faith efforts and the associated effects of these determinations.

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12. Section 342 of the Dodd-Frank Act (Pub. L. No. 111-203, 124 Stat. 1376, 1541–44 (2010), codified at 12 U.S.C. § 5452) requires the CFPB and certain federal financial regulatory agencies to create an OMWI to be responsible for all agency matters related to diversity in management, employment, and business activities.

The Office of Federal Procurement Policy[13] memorandum *Improving the Management and Use of Interagency Acquisitions* includes guidance for developing interagency agreements involving the acquisition function.

CFPB Guidance

In addition to the laws, regulations, and guidance noted above, the CFPB has established policies and procedures for various aspects of contract management, as shown in table 4.

Table 4: CFPB Contract Management Policies and Procedures

Title	Effective date	Purpose
Policy for Designating CORs	May 2012	Establishes the CFPB's policy for designating a COR for each contract
Policy for the Office of Procurement Contract Files	May 2012	Establishes the CFPB's policy for maintaining and disposing of CFPB Procurement contract files
CFPB Contract Close-Out Checklist Procedures	February 2013	Establishes the CFPB's procedure for the CO to initiate the close-out process after contract supplies or services have been rendered, received, or paid
Policy for COR Contract Files	November 2013	Establishes the CFPB's policy for establishing, maintaining, and disposing of COR contract files
Desk Guide for CORs and Invoice Approvers	December 2014	Serves as a resource to help CORs and invoice approvers properly order and account for services or goods, estimate known and potential billings, and close contracts

Source: OIG analysis of CFPB policies and procedures.

13. The Office of Federal Procurement Policy was established by Congress in 1974 to provide overall direction for governmentwide procurement policies, regulations, and procedures and to promote economy, efficiency, and effectiveness in acquisition processes.

Finding 1: The CFPB Made Payments for a System That Was Not Completed and Implemented

We found that the CFPB paid a contractor for a land sales recordkeeping and registration system (referred to as *registration system*) that was not implemented, and the COR approved payments that did not conform to the requirements of the contract. On the same contract, the CFPB also paid for a help desk that was never fully operational and onsite training that was not documented. In addition, the COR did not accurately report the contractor's progress to CFPB Procurement. The contract detailed the requirements for the registration system and required the CFPB to withhold final payment for the system until the system was fully implemented and accepted by the CFPB. The contract also specified fixed payments for a help desk support function, onsite training, and other services.

The CFPB informed us that the registration system was accepted; however, there was no documentation in the COR file supporting acceptance. In addition, the contract was modified to remove the requirement for the full implementation of the system more than a month after the contract's period of performance ended. The *Federal Acquisition Regulation* states that a COR has no authority to make any changes that affect the terms and conditions of the contract. In addition, the COR file policy says that the COR file will contain sufficient documentation to establish the basis for contract actions proposed or undertaken. The COR for this contract no longer works for the CFPB; therefore, we were unable to determine why the COR approved payments to the contractor for full system implementation and did not report the contractor's performance as poor until the final month of the contract. Ultimately, the CFPB did not exercise the option to extend this contract. While the CFPB acquired the source code that it stated could be used for future implementation efforts, it has paid over $1 million to a contractor for a system that has not been completed and implemented.

The CFPB Contracted for a Registration System

On September 28, 2012, BFS Procurement awarded a fixed-price contract for $2.5 million on behalf of the CFPB for the development and implementation of a registration system, as well as for training and other related support. The contract's period of performance included a base year beginning September 28, 2012, and ending September 27, 2013, as well as four option periods, the last ending on December 27, 2017. The CFPB obligated $1,060,702 in the base year of the contract (table 5).

Table 5: Breakdown of Prices in the Registration System Contract

Contract activity	Contract amount ($)
Prototype development	122,539
Full system implementation	446,514
Software licenses, maintenance/support, travel	86,845
Hosting	155,005
Training	19,953
Help desk support	129,390
Data migration—P030	7,560
Data migration—DRMS	45,360
Preventive health checks	9,075
Tertiary backup	6,228
Recordkeeping	19,239
Legal claims	12,994
Total	**1,060,702**

Source: OIG analysis of the registration system contract.

The Registration System Was Not Completed and Implemented

System Development and Implementation

In June 2013, the COR authorized, and the CFPB made, the final progress payment to the contractor for full system implementation, even though the registration system was not implemented at that time. The contract specified system requirements that included an interface with the Pay.gov website,[14] and the contract stated that the CFPB would make three monthly progress payments of $148,838, totaling $446,514, for final system development and implementation. The contract also specified that the third and final progress payment would be withheld until the system was fully implemented and the CFPB had accepted it.

The CFPB made the first two system progress payments as the contract required. The contractor split the billing for the final progress payment into two equal payments of $74,419, invoicing for the first payment in March 2013 and the second in May 2013. The COR approved these invoices, and the CFPB paid them in April 2013 and June 2013, respectively.

We found no documentation supporting that the system had been implemented prior to the final June 2013 payment for system implementation and no documentation clearly stating system acceptance. Further, at the time the final payment was made for full system implementation, the interface with Pay.gov had not been established, and the contract had not been modified to remove the requirement for the interface with Pay.gov or to permit partial invoicing or partial payments for full system implementation.

The *Federal Acquisition Regulation* states that CORs do not have authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and

14. BFS ARC provides Pay.gov as a mechanism to make electronic payments to federal government agencies.

conditions of the contract. Further, the COR designation letters provided to the CFPB's CORs reflect these *Federal Acquisition Regulation* requirements. A CFPB staff member stated that the paid invoice was evidence of system acceptance. However, we found that the contract was modified in November 2013 "to remove the deliverable of the full implementation of the . . . system." This modification occurred more than a month after the period of performance ended in September 2013.

The COR for this contract no longer works for the CFPB, so we were unable to determine why the COR approved the partial payment in April 2013 and the final system payment in June 2013 when the system had not been implemented. A CFPB Office of Technology & Innovation (T&I) staff member familiar with this project stated that the system was not operational but that the contractor had satisfied the major requirements of the contract. T&I staff members stated that they verified that the major requirements had been satisfied by conducting a code review prior to the expiration of the contract's base year. A T&I staff member noted that the remaining issue for final system implementation was the development of a working interface with the Pay.gov site. A member of the CFPB program office that would have used the registration system stated that he reviewed an early prototype but that implementation of the final system had been delayed. Ultimately, T&I staff members did not provide us with documentation of system implementation to support that the CFPB accepted a fully implemented system as required by the contract.

Help Desk Support

The CFPB paid the contractor for help desk support that was not provided. The contract required that the contractor provide help desk support every weekday that the federal government was open. The final system was never implemented, and a CFPB staff member stated that the help desk was never operational. As noted above, the COR for this contract no longer works for the CFPB, and we were unable to determine why the COR approved payments of over $125,000, made from May 2013 through September 2013, for help desk support for a system that was never fully operational.

Onsite Training

We did not find documentation showing that the contractor provided training to CFPB staff members as required by the contract, although CFPB staff members informed us that the contractor conducted some one-on-one training and developed some training materials. The contract required the contractor to provide training for up to 20 CFPB staff members onsite at CFPB headquarters in Washington, DC, and to start the training within five business days after acceptance of the system. In addition, the contract required the COR to approve all training materials at least two weeks prior to the start of the training. We also did not find documentation in the COR file showing that the COR, as required, approved or accepted any training materials. Because the COR no longer works for the CFPB, we were unable to determine why the COR authorized a payment of $15,960 for training of which the CFPB did not receive the full benefit.

COR Monthly Reports Were Inaccurate

The COR did not accurately report the status of the contractor's progress. In the September 2013 COR Monthly Report for this contract, submitted 12 months into the contract's period of performance, the COR stated, "The Contractor is 5 months overdue with delivery of the full system. The Contractor is unable to correct the problems without significant help from the CFPB staff." However, we noted that in the two preceding monthly reports, the COR stated that the contractor's timeliness of performance and quality of service were satisfactory, even though the contractor would have been 4 months overdue with delivery of the full system in August 2013, and 3 months overdue in July 2013. In the September 2013 COR Monthly Report, the COR also stated, "Issues with the Contractor's ability to perform have been identified by the CFPB T&I office. The issues are so severe that we have decided not to exercise the option period for the contract."

CFPB Procurement instructs CORs to document contractors' performance in COR Monthly Reports and submit the reports to a CFPB Procurement Analyst in CFPB Procurement. CFPB Procurement uses the COR Monthly Reports as an indicator of contractor performance, and they stated that they intervene to provide assistance to the program office when contractor performance is rated *yellow* or *red*. This intervention could include a meeting with the contractor or formal actions up to and including contract termination. Since the COR did not indicate contractor timeliness of performance and quality of service ratings as *red* until the September 2013 COR Monthly Report—in the final month of the contract—CFPB Procurement was not aware of these contractor performance issues.

The Contract Was Not Extended

The COR stated in the September 2013 COR Monthly Report that the option years for this contract were not exercised because of severe performance issues; however, a CFPB program office official told us that the contract option was not exercised because the statute that drove the need for the registration system was amended. Specifically, the program office official noted that this amendment reduced required registrations by approximately 65 percent, thereby eliminating the need for this system. We noted, however, that this amendment to the statute was proposed in June 2013, did not become law until September 2014, and did not become effective until March 2015.

CFPB staff members told us in February 2015 that they are continuing to use the same system and processes for these registrations that have been in place for approximately five years. They stated the current system is expensive, cumbersome, and ill-suited for the mission, and CFPB staff members are exploring other modernization solutions. The final modification to the registration system contract, signed November 8, 2013, canceled all option years and reduced the cost total by $42,865. The CFPB spent over $1 million on the system and related support. CFPB management informed us that they received the source code that the contractor had developed but never placed in full production; CFPB management noted that the source code could eventually be used toward a full production system. CFPB management provided source code to us; however, we were unable to determine whether the source code was usable, and the CFPB did not provide any associated testing documentation. As of June 2015, this system has not been completed or implemented.

Recommendation

We recommend that the Assistant Director for Procurement

1. Clarify guidance and COR designation letters and conduct refresher training to emphasize that CORs

    a. do not have the authority to modify contracts, including terms related to acceptance of, and payment for, deliverables.

    b. are required to accurately report contractor performance issues in COR Monthly Reports.

    c. must follow the procedures in the December 2014 *Desk Guide* and maintain documentation in the COR file that is sufficient to establish the basis for contract actions proposed or undertaken.

Management's Response

In its response, the CFPB concurs with our recommendation and states that it has updated the COR designation letter accordingly to emphasize items a, b, and c as described above. The CFPB further states that the Office of Procurement will conduct refresher training at an upcoming COR meeting that will reinforce the importance of these three items.

In its response, the CFPB states that it made a business decision not to exercise the option to extend the contract on the registration system and that it received from the vendor all the source code for the system that contains the integral components needed to develop a registration system. Additionally, the CFPB states that it received associated project artifacts related to the system, including design documents, wire frames, user test cases, and manuals.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendation. The OIG intends to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding 2: Improved Monitoring and Other Controls Could Have Reduced the Risks Related to a Software License Contract

T&I did not have procedures in place to control software use and was not diligent in monitoring usage under a software license contract. This contract authorized the CFPB to use a fixed number of software licenses under a base agreement, as well as additional licenses the CFPB would pay for at the end of each contract year as specified in the contract's true-up clause.[15] The U.S. Government Accountability Office (GAO), in *Standards for Internal Control in the Federal Government*, states the importance of controls, including ongoing monitoring in the course of normal operations, and with respect to software, control over the acquisition. CFPB officials stated that they did not have a clear understanding of the contract terms for licenses and the true-up process and that they were also relying on monitoring reports from Treasury.[16] Because this contract was not considered a service contract, the COR was not required to submit a COR Monthly Report to CFPB Procurement. Without controls such as adequate monitoring, BFS Procurement could still have protected the CFPB against the risk of additional costs by using a not-to-exceed limit in the contract. In addition, without a COR Monthly Report, CFPB Procurement was unaware that the contractor filed a claim in time to assist in its resolution. Ultimately, BFS Procurement was able to negotiate a settlement for the payment of these licenses, as well as software assurance support, but needed to obligate additional funding for payment. As a part of this settlement, BFS Procurement also modified the contract to remove the true-up provision in the contract's final option year.

The CFPB Contracted for Software Licenses

In December 2012, BFS Procurement, on behalf of the CFPB, placed a firm, fixed-price delivery order with a contractor to purchase a set number of software licenses for a fixed fee over a three-year period. Because the CFPB was uncertain about the actual number of licenses that it would need and use, the order contained a true-up clause with additional funding to pay for additional licenses.

T&I was using Treasury's process for monitoring the use of software and relied on reports from Treasury to track software license usage. At the time, T&I did not have procedures in place requiring user authorization prior to software use. GAO notes that procedures requiring prior authorization to use software and monitoring of software usage are important controls.

T&I staff members stated that they could have been more diligent in monitoring the number of licenses used. Further, the contract could have included a ceiling or not-to-exceed provision as a control to limit the CFPB's overall contract costs. *Federal Acquisition Regulation*, subpart 16.2, states that a ceiling may be included on firm fixed-price contracts with "prospective price redetermination" based on evaluation of contract uncertainties and their possible cost impact.

15. The order defined *true-up* as the contractor, on an annual basis, collaborating with the CFPB to account for the number of licenses the CFPB added in the previous 12-month period of performance.

16. The CFPB began operations in July 2011 and relied on the information security program and systems of Treasury.

Additional License Expense Exceeded Obligated Funding

In August 2014, the contractor filed a claim asserting that the "CFPB used the authorization provided by the contract to access and use . . . licenses for which it has not paid." The claim stemmed from a dispute over the number and type of additional licenses for which the contractor was seeking payment under the true-up clause, as well the terms of payment for these licenses. The CFPB asserted that it already held the rights to some of the licenses for which the contractor was seeking payment. However, CFPB officials informed us that they did not understand that under the agreement, the CFPB was purchasing additional licenses requiring full payment at the time of true-up.

Procedures requiring prior authorization to use software and improved monitoring of software may have reduced the number of additional licenses the CFPB used and was required to purchase. In addition, having these controls in place would have reduced the risk of increased costs to the CFPB, as the use of each additional license increased the agency's costs and there was no cost ceiling established in the contract.

The BFS Procurement CO for this contract negotiated a settlement for this claim that included the purchase of additional licenses and added software assurance support. While these licenses were acquired at a discount, the total cost exceeded the original funding planned for this contract by $366,044. The CFPB paid for these additional licenses as required under the true-up clause and received the perpetual rights for the number of licenses that it used. In addition, BFS Procurement modified the contract to remove the true-up provision in the final option year. A breakdown of planned contract costs versus actual costs is in table 6.

Table 6: Software Contract Amount Versus Actual Costs

Contract years	Contract amount ($)	Actual costs ($)
Base year	427,372	427,372
True-up	106,843	1,022,224
Option year 1	427,372	427,372
True-up	240,396	98,373
Option year 2	427,372	427,372
True-up	407,314	0
Total	**2,036,669**	**2,402,713**

Source: Original contract and the September 30, 2014, settlement agreement.

COR Monthly Reports Were Not Required for This Contract

The COR did not send COR Monthly Reports to CFPB Procurement for this contract, and CFPB Procurement officials told us that they were not aware of the issues surrounding this contract and the associated claim until late in the process. While CORs submit COR Monthly Reports for service contracts over $150,000, this contract was not a service contract requiring the submission of a COR Monthly Report to CFPB Procurement. CFPB Procurement uses the COR Monthly

Report as an indicator of contractor performance and stated that it intervenes when contractor performance is rated *yellow* or *red*. T&I worked directly with BFS Procurement and did not involve CFPB Procurement in the negotiation of the claim. CFPB management informed us that BFS Procurement managed and settled the claim with the advice of BFS legal counsel in accordance with the interagency agreement. Since CFPB Procurement was unaware of the contract issue until late in the process, it could not assist with its resolution prior to the claim being filed.

Management Actions Taken During the Audit

As noted above, BFS Procurement negotiated and acquired the needed licenses. A T&I official stated that the office has changed its process and implemented a system that allows it to keep track of software licenses. The system is configured to collect information about licenses that are installed on CFPB computers, including the number of licenses, the number of licenses used, the number of licenses available, and the expiration dates of licenses, among other things. Further, CFPB management informed us that it shares reports that monitor licenses with the relevant CO on a quarterly basis to ensure that the CFPB stays within contract limits.

Recommendations

We recommend that the Assistant Director for Procurement

2. Ensure that guidance and training given to CORs emphasizes the importance of adequately monitoring contracts with contingencies.

3. Enhance policy to require an assessment of the potential costs and benefits of including a provision, such as a not-to-exceed limit, in contracts with contingencies, and include this requirement in the interagency agreement with BFS Procurement.

4. Assess whether CORs should submit COR Monthly Reports to CFPB Procurement for certain commodity contracts, including software purchases.

Management's Response

In its response, the CFPB concurs with our recommendations and states that it will ensure that guidance and training are provided to the CORs that emphasizes the importance of adequately monitoring contracts with contingencies. Additionally, the CFPB states that it will issue a policy statement, reminding staff of the responsibilities of a CO in structuring contracts. These responsibilities include assessment of the costs and benefits of utilizing a not-to-exceed limit in contracts with contingencies. Also, the CFPB states that the same policy statement shall be delivered to BFS Procurement through either an interagency agreement or other means as appropriate. Finally, the CFPB states that it now requires that COR Monthly Reports be submitted for software purchases exceeding $150,000.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendations. The OIG intends to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding 3: The CFPB Required a Contractor to Use an Alternate Worksite One Week After Contract Award

One week after BFS Procurement awarded a $2.3 million task order on behalf of the CFPB for information technology security services, the CFPB required the contractor to change its worksite location from Westminster, Colorado, to Northern Virginia. However, the solicitation for this task order and the associated blanket purchase agreement (BPA) did not contain a provision requiring a contractor site in Northern Virginia. The *Federal Acquisition Regulation* requires BPAs to include the location of work and solicitations to BPA holders to include the basis upon which selections will be made. T&I staff members informed us that they required the contractor to change its worksite location to strengthen the CFPB's oversight of the contractor and to ensure the security of the services provided. We noted that the CFPB's technical evaluation panel (TEP)[17] memorandum in support of the initial award to this contractor stated that the proposed contractor site was in Northern Virginia, when it should have reflected the worksite named in the contractor's proposal—Westminster, Colorado. The modification to this task order to change the contractor's worksite location resulted in an overall average increase in the contractor's labor rates of 21.5 percent and the obligation of $279,240 in additional funding for the one-year period of performance of this task order. This change of worksite location seven days after the task order award and the associated increased costs, coupled with the TEP's incorrect identification of the contractor's proposed worksite, call into question the best-value determination that led to the initial award.

The CFPB Required the Contractor to Change Its Worksite Location

T&I required the contractor to change its worksite location from Westminster, Colorado, to Northern Virginia seven days after the award of a task order under this contract. Subpart 8.4 of the *Federal Acquisition Regulation* requires solicitations to BPA holders to include a description of services, fairly consider all responses received, and make the award in accordance with selection procedures. Subpart 8.4 also requires BPAs to include a "location of work" in the statement of work.[18] We noted that the solicitation for this task order did not contain a provision requiring a contractor site in Northern Virginia; the contractor's proposal stated that its proposed contractor site was Westminster, Colorado, and the labor rates it offered were based on this Colorado site. In response to the CFPB's requirement that the contractor change its worksite location, the contractor submitted a request for a rate increase.

T&I staff members informed us that they required the contractor to change its worksite location to allow for stronger CFPB oversight of the contractor and to ensure the security of the information technology security services provided. We noted that although the Westminster,

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17. The TEP was composed of T&I staff members. The TEP evaluated the contractors' technical proposals against the solicitation's technical evaluation factors.

18. *Federal Acquisition Regulation* 8.405-3(b)(2)(i).

Colorado, worksite location was included in the task order, the associated TEP memorandum stated that the proposed contractor site was in Northern Virginia. T&I staff members on the TEP could not recall why this statement was included in the memorandum but noted that the task order was awarded near the end of the CFPB's fiscal year, when their workload was substantial.

The modification of this task order to change the contractor's worksite location resulted in an overall average increase in the contractor's labor rates of 21.5 percent (table 7). As a result of the modification to this task order and the labor rate increases, the CFPB obligated $279,240 in additional funding for the one-year period of performance of this task order.

Table 7: Contractor Labor Hourly Rates for Westminster, Colorado, and Northern Virginia

Labor categories originally awarded	Rates originally awarded, Westminster, CO ($)	Modified rates, Northern VA ($)	Rate increase (%)
Sr. Program Manager	135.18	190.39	40.8
Technical Expert 2	160.54	247.58	54.2
Sr. Computer Security Specialist	121.43	123.91	2.0
Sr. Systems Engineer	108.70	116.88	7.5
Sr. Computer Systems Analyst	117.29	119.68	2.0
Sr. Software Engineer	109.57	132.01	20.5
Staff Software Engineer	83.77	103.28	23.3
Overall average rate increase			**21.5**

Source: OIG analysis of labor rates from initial task order and modification 0001.

The TEP Incorrectly Identified the Contractor's Proposed Worksite

On September 24, 2013, the TEP issued a memorandum to BFS Procurement summarizing its best-value analysis of seven vendor proposals to provide various information technology support services to the CFPB. In this memorandum, the TEP recommended awarding BPAs to three contractors that the TEP rated *outstanding*. The TEP also recommended that the tasks and subtasks solicited for the BPA be divided among these three contractors and awarded in separate task orders. BFS Procurement made all the awards as recommended by the TEP, including the award to the contractor discussed in this finding (Contractor 1).

In summarizing the contractors' proposed hours and pricing, the TEP's memorandum states that while Contractor 1's quote was significantly higher than the other two contractors rated *outstanding*, the higher quote could be attributed to the greater number of support hours proposed. In addition, the TEP notes, "The proposed solution to utilize a . . . facility located in Northern Virginia is low risk and offers no compromise of continuity with strict adherence to the post-award schedule." The TEP further states that the "robustness of [Contractor 1's] solution with palpable benefits with regard to these task areas warrants the increased costs," and the TEP indicates its support for the higher-priced quote.

Our review of proposed hours and pricing for the tasks showed that overall, Contractor 1's proposed costs were more than double those proposed by the two other contractors rated *outstanding* and awarded BPAs and other task orders under this solicitation. We also noted that Contractor 1's proposal stated clearly that the proposed location, and the associated labor rates, were based on the contractor's Westminster, Colorado, location. The TEP's discussion of its comparative analysis of other contractors' technical proposals for the tasks awarded to Contractor 1 did not include comparisons with the technical proposals of the other two contractors that the TEP rated as *outstanding*.

The *Federal Acquisition Regulation* permits awards based on a best-value analysis, where technical factors are more important than costs. However, given the wide disparity in proposed costs from comparably rated contractors, the TEP's incorrect identification of this contractor's proposed worksite, and the labor rate increase due to the required change in contractor worksite location seven days after task order award, it is not clear that the CFPB received the best-value solution.

Management Actions Taken During the Audit

After the OIG brought this issue to CFPB Procurement's attention, BFS Procurement, on behalf of the CFPB, recompeted the contract by soliciting a multiple-award BPA. In March 2015, a different contractor, which the TEP rated as the highest technically qualified and the lowest cost, was selected. In addition, CFPB management informed us that work under this contract will be competed annually.

We believe that the actions taken by CFPB Procurement fully addressed our concerns regarding this finding; therefore, we are not making a recommendation.

Finding 4: CFPB Procurement Should Be Notified of Issues With Contracts Awarded by BFS Procurement

CFPB Procurement maintains an interagency agreement with BFS Procurement to perform procurement functions, and CFPB Procurement uses personnel from CFPB program offices as CORs. However, we did not find evidence that BFS Procurement or the relevant CFPB program offices notified CFPB Procurement of the contract issues presented in findings 1, 2, and 3. The contracts discussed in these findings were awarded by BFS Procurement. The *Federal Acquisition Regulation* states that the authority and responsibility to contract are vested in the agency head, and it provides for the agency head to "delegate broad authority to manage the agency's contracting functions to heads of such contracting activities."[19] The *Federal Acquisition Regulation* also permits agency heads to mutually agree to assign contracting functions and responsibilities from one agency to another. GAO and the Office of Federal Procurement Policy provide guidance that could be incorporated into CFPB procurement policies, procedures, and practices and that could strengthen the interagency agreement that the CFPB maintains with BFS ARC. This interagency agreement states that BFS ARC is responsible for resolving contract issues, but we noted that there is no requirement for BFS ARC to notify CFPB Procurement of such issues. We also did not find clear guidance in CFPB policy that directs CFPB program office management to notify CFPB Procurement of contract issues. Without timely notification, CFPB Procurement could not assist in resolving these contract issues. Strengthening and clarifying policies, procedures, and practices could improve CFPB Procurement's oversight of the CFPB's procurement functions, particularly those that are distributed across BFS Procurement and multiple CFPB program offices. Such improved oversight could reduce the risk and expense to the CFPB from its contracting activities.

CFPB Procurement Was Not Notified of Contract Issues

We noted that neither BFS Procurement nor the program offices notified CFPB Procurement in a timely manner of the issues we discuss in findings 1, 2, and 3, including

- contract payment term changes made without a contract modification
- contractor performance disputes and issues
- claims filed by a contractor due to a dispute involving billing
- required location changes made shortly after award, leading to increased cost

The *Federal Acquisition Regulation* permits agency heads to mutually agree to assign contracting functions and responsibilities from one agency to another, and GAO and the Office of Federal Procurement Policy publish relevant best practices for internal controls and interagency agreements. GAO states the following:

- Pertinent information should be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently.

19. *Federal Acquisition Regulation* 1.601(a).

- Policies and procedures enforce management's directives and ensure that actions address risks for stewardship of government resources and achieving effective results.

- Management should ensure that there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency's ability to achieve its goals.

The Office of Federal Procurement Policy states that the agencies involved in an interagency agreement should work together to define their roles in the agreement so that accountability is effectively established.

BFS Procurement awarded these contracts on behalf of the CFPB under an interagency agreement, which states that BFS ARC is responsible for resolving contract issues. There is no requirement for BFS Procurement to notify CFPB Procurement of such issues. We also did not find clear guidance or controls in CFPB policy regarding when BFS Procurement or CFPB program office management should notify CFPB Procurement of contract or contractor performance issues. Two of the 12 CORs we interviewed expressed frustration with the contract management process; they stated that they were not sure of their role and BFS Procurement's involvement with contracts.

In our first three findings, we noted that without CFPB Procurement's knowledge or intervention, the CFPB (1) paid for an electronic registration system that was never implemented,[20] (2) entered into a contract without a not-to-exceed limit for the cost of additional licenses and settled a claim based on these costs, and (3) modified a contract in response to a contractor's rate increase due to the CFPB changing the required worksite location one week after contract award. Without clear guidance that explains when and how BFS Procurement and CFPB program offices should notify CFPB Procurement of contract issues, CFPB Procurement's oversight is limited. Limited oversight reduces CFPB Procurement's ability to take timely action to resolve contract and contractor performance issues and to avoid the potential for risk and additional expense to the CFPB.

Management Actions Taken During the Audit

To improve oversight and quality control over CFPB contracts administered by BFS Procurement, and to improve oversight of CFPB Procurement staff members, whose numbers have increased, CFPB Procurement created a supervisory position that will report directly to the CFPB Deputy Assistant Director for Procurement. Additionally, CFPB Procurement informed us that there is a need for a closer liaison with one program office, and it has requested to have a representative attend the weekly CFPB Procurement meetings. CFPB Procurement also noted that such direct involvement is mandatory given the need to obtain information as early as possible.

20. As noted in finding 1, the COR did notify CFPB Procurement of performance issues, but not until the COR Monthly Report that was submitted in the final month of the contract period.

Recommendation

We recommend that the Assistant Director for Procurement

5. Develop and implement a policy that requires

   a. BFS Procurement and the relevant CFPB program offices to notify CFPB Procurement as soon as practicable when specified contract actions occur that could present a risk to the CFPB.

   b. CFPB Procurement to perform an assessment of these contract actions and take appropriate actions.

Management's Response

In its response, the CFPB concurs with our recommendation and states that it will issue a policy requiring BFS, in conjunction with program office personnel, to notify the Director of Procurement when a claim is filed by a vendor; a modification is contemplated that will increase the value of a contract, call order, or task order by at least 20 percent under the authority of the changes clause; or a selection decision is contemplated in which the prospective awardee's price is at least 30 percent higher than the next-best firm. The CFPB also states that the policy will require CFPB Procurement to conduct an assessment when it is notified.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendation. The OIG intends to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Finding 5: Contractor Performance Evaluations Were Not Submitted Timely

We found that 32 of the 79 required CFPB CPARS contractor performance evaluations (41 percent) were overdue. The *Federal Acquisition Regulation* requires that contractor performance evaluations be prepared and entered into CPARS "at least annually and at the time the work under a contract or order is completed."[21] In addition, CPARS guidance specifies that these evaluations must be completed within "120 days following the end of the period of performance." While the CORs generally understand their CPARS reporting responsibilities, the CFPB does not have a formal policy that clearly identifies these responsibilities, and we found the instructions in the COR designation letter to be unclear. In addition, CFPB Procurement does not have a centralized CPARS oversight process to effectively ensure timely submission of the evaluations. CPARS evaluations flow through to the Past Performance Information Retrieval System, the system that COs across government agencies use to help them select companies that deliver the highest-quality goods and services on time and within budget. Untimely evaluation submissions to CPARS results in federal agencies not having the most complete and up-to-date information about contractors.

Contractor Performance Evaluations Were Overdue

In our review of the CFPB's August 21, 2014, CPARS report, we determined that 32 of 79 contractor performance evaluations were not completed by the deadline, resulting in a 59 percent compliance rate. Of these 32, five were subsequently completed and 27 remained to be completed at the time we completed our review (table 8).

Table 8: Aging Schedule of Overdue Evaluations

Number of days overdue	Number of evaluations
0–90	4
91–180	3
181–270	12
271–365	3
>365	5
Total	**27**

Source: OIG analysis based on a CFPB CPARS report dated August 21, 2014.

The *Federal Acquisition Regulation* requires agencies to prepare CPARS contractor performance evaluations at least annually and upon contract completion. Agencies must prepare these evaluations for each contract or order that exceeds the simplified acquisition threshold.

21. *Federal Acquisition Regulation* 42.1502(a).

Additionally, the *Guidance for the Contractor Performance Assessment Reporting System (CPARS)* states that agencies are to complete the evaluation within 120 days of completion of the contract or order performance period, or the evaluation is reported as overdue. While the CPARS report we reviewed indicated that the CFPB had generally initiated evaluations as required by the *Federal Acquisition Regulation*, the CFPB is not fully complying with the time frame for completion established in the CPARS guidance.

Procurement management stated that it is the CORs' responsibility to complete the contractor evaluations for CPARS and that the CORs generally understand this. However, the CFPB does not have clear, formal policies or procedures specifying the CORs' CPARS evaluation responsibilities, which would help to ensure compliance with CPARS guidance. Further, the COR designation letter states, "The system used for providing annual reports on Contractor performance is CPARS," but the designation letter does not clearly state that CPARS reporting is the COR's responsibility. CFPB Procurement stated that it relies more heavily on the internal COR Monthly Reports than on CPARS when evaluating contractors.

The CPARS evaluations flow through to the Past Performance Information Retrieval System, the system that agency selection officials and COs across the federal government use as a resource in making award decisions for contracts and orders. Therefore, without timely completion of evaluations that effectively communicate contractor strengths and weaknesses, source selection officials throughout the federal government do not have the best possible information to consider when making awards to contractors.

Management Actions Taken During the Audit

CFPB Procurement management noted that it has taken several actions to improve the timeliness of CPARS submissions. During the course of this audit, the CFPB produced the *Desk Guide.* This December 2014 guidance states that completing contractor performance evaluations in CPARS is one of the CORs' most important roles. Additionally, CFPB Procurement assigned staff to assist the CORs in completing CPARS evaluations and is in the process of hiring a full-time staff member to centralize oversight of the CPARS reporting process. CFPB Procurement has also provided training for the CORs that emphasized the importance of using CPARS.

Our analysis of the November 10, 2014, CPARS report found that the timeliness of evaluation submissions had improved to 68 percent, as compared with 59 percent in the August 2014 report. As a point of reference, in August 2014, GAO reported that the CPARS contractor performance evaluation timeliness compliance rate of the 10 largest federal agencies ranged from a low of 13 percent to a high of 83 percent.[22]

22. U.S. Government Accountability Office, *Contractor Performance: Actions Taken to Improve Reporting of Past Performance Information*, GAO-14-707, August 2014.

Recommendations

We recommend that the Assistant Director for Procurement

6. Ensure that policy includes a requirement to complete timely CPARS evaluations and clarify this requirement in the COR designation letter.

7. Enhance CFPB Procurement's management of the CPARS evaluations to ensure that entries are completed timely.

Management's Response

In its response, the CFPB concurs with our recommendations and states that it will establish an internal CPARS policy to clarify reporting requirements for procurement staff and will revise the CPARS language in the COR designation letter to clarify reporting responsibilities. Additionally, the CFPB states that it is centralizing responsibility for compliance within the office, as there will be one dedicated person to collect contractor performance evaluations from the CORs and input evaluations into CPARS.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendations. The OIG intends to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding 6: OIG Access-to-Records Clause Not Included in 1 of 10 Sampled Contracts

We found that BFS Procurement omitted the OIG access-to-records clause from 1 of 10 contracts we sampled that originated after the CFPB agreed to include the clause in July 2013. While the CFPB's contracts prior to this date, including those in our original sample of 29, include some provisions for the government's access to records, these provisions do not explicitly cover the OIG. BFS Procurement informed us that omission of the clause from the single contract was an error. We noted that the CFPB's interagency agreement with BFS ARC does not include a requirement for BFS ARC to include this clause. The Office of Federal Procurement Policy has issued guidance regarding interagency agreements. Inclusion of an OIG access-to-records clause that explicitly grants the OIG access to contractors' records would clarify the OIG's contractual access rights and enhance the OIG's ability to carry out its independent oversight role.

One Contract Did Not Include the OIG Access-to-Records Clause

Our review of a sample of 10 contracts that were awarded in 2014 found that 1 contract awarded by BFS Procurement did not contain the OIG access-to-records clause. We also reviewed the 29 contracts in our initial sample and observed that all 4 of the contracts awarded after July 2013 contained the OIG access-to-records clause. CFPB Procurement began including a clause that clarifies the OIG's access to contractor records in its performance work statement template for CFPB contracts in July 2013, and CFPB policy requires usage of this template in contracts.[23] BFS Procurement uses its own performance work statement template, as well as an additional template containing CFPB-specific clauses, including the OIG access-to-records clause. The Office of Federal Procurement Policy interagency agreement guidance states that contracts or orders awarded on behalf of the requesting agency should adhere to any statutory, regulatory, and policy requirements specifically applicable to the requesting agency. In addition, this Office of Federal Procurement Policy guidance provides an example of an interagency agreement that includes sections for general terms and conditions, as well as requesting-agency-specific restrictions.

A BFS Procurement official informed us that the template containing the CFPB clauses, including the OIG access-to-records clause, was inadvertently not used in the contract awarded in 2014 and that the BFS Procurement CO did not notice that the OIG clause was missing while reviewing the contract. In addition, we noted that the CFPB's interagency agreement with BFS ARC does not include the requirement for this clause. The single 2014 contract that omitted the OIG access-to-records clause appears to be an exception; overall, the CFPB generally complies with its policy that requires use of the performance work statement template that contains the OIG access-to-records clause.

Contracts that include the OIG access-to-records clause give explicit contractual authorization to the OIG to have access to, and the right to examine, contractors' records. Inclusion of this clause supports the OIG's independent oversight role by enhancing its ability to access and evaluate contractors' records.

23. A *performance work statement* describes a contract's required results in clear, specific, and objective terms.

Recommendations

We recommend that the Assistant Director for Procurement

8. Strengthen internal controls by including all CFPB-mandated contract clauses, such as the OIG access-to-records clause, in the interagency agreement with BFS ARC and conduct periodic sampling or other activities to ensure that all mandated clauses are included in contracts awarded on behalf of the CFPB.

9. Determine the feasibility of including the OIG access-to-records clause in contracts awarded before July 2013 via modifications to contracts, as appropriate.

Management's Response

In its response, the CFPB concurs with our recommendations and states that it will issue a policy by either amending the BFS interagency agreement or using other means as appropriate to mandate that the OIG access-to-records clause is included in new contracts awarded on behalf of the CFPB. The CFPB will also require that BFS conduct an annual sampling of its CFPB-funded contracts to ensure that the OIG access-to-records clause is included. Additionally, the CFPB states that it will consider the feasibility of including the OIG access-to-records clause in contracts awarded before July 2013.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendations. The OIG intends to follow up on the CFPB's actions to ensure that the recommendations are fully addressed.

Finding 7: Procedures for Consideration of Minority-Owned and Women-Owned Businesses Not Yet Developed

We found that OMWI has not developed the procedures mandated by the Dodd-Frank Act to ensure the consideration of minority-owned and women-owned businesses for CFPB procurements and for contractor consideration of minorities and women in their workforce. The Dodd-Frank Act does not specify a deadline by which these procedures must be developed. OMWI management informed us that its focus has been on outreach, both within the agency and to minority-owned and women-owned businesses, to increase contracting opportunities for minority-owned and women-owned businesses. While we recognize the potential benefit of outreach efforts to increase opportunities for these businesses, procedures are an important means to ensure that COs and program officials consider minority-owned and women-owned businesses.

Required Procedures Have Not Been Developed

OMWI has not developed the procedures mandated by the Dodd-Frank Act for (1) ensuring the consideration of minority-owned and women-owned businesses for CFPB procurements and (2) determining whether a contractor or subcontractor made a good faith effort to include minorities and women in its workforce. Moreover, OMWI does not have a schedule for developing these procedures. Section 342 of the Dodd-Frank Act requires that OMWI

> develop and implement standards and procedures to ensure, to the maximum extent possible, the fair inclusion and utilization of minorities, women, and minority-owned and women-owned businesses in all business and activities of the agency at all levels, including in procurement, insurance, and all types of contracts.

Further, when determining whether to terminate a business activity, the act states that

> the standards and procedures developed and implemented under this subsection shall include a procedure for the Director to make a determination whether an agency contractor, and as applicable, a subcontractor has failed to make a good faith effort to include minorities and women in their workforce.

The act does not specify a deadline for developing or implementing these procedures.

GAO states that procedures are an important internal control activity because they ensure that management's directions to mitigate risks are carried out. Moreover, GAO states that procedures are essential for achieving effective and efficient program results.

OMWI is staffed by four employees, and OMWI management informed us that the office's focus has been on outreach, in collaboration with CFPB Procurement, to increase awareness among minority-owned and women-owned businesses of CFPB procurement opportunities. These collaborative outreach efforts have included providing resources, hosting informational workshops on doing business with the CFPB, and providing technical assistance. In addition, since its inception, OMWI has met its reporting requirements (table 9).

Table 9: CFPB Contracts Awarded to Minority-Owned and Women-Owned Businesses by Obligation Dollars and Percentage of Total CFPB Contract Obligations, 2013 and 2014

Type of business	2013	2014
Minority owned[a]	$16,972,273 (15%)	$21,646,173 (14%)
Women owned	$9,830,322 (9%)	$15,376,560 (10%)

Source: OIG analysis of performance data from the March 2015 *Office of Minority and Women Inclusion of the Consumer Financial Protection Bureau Annual Report for 2014*.

[a]OMWI defines *minority owned* as Asian American/Pacific Islander, African American, Hispanic American, or American Indian/Alaskan Native ownership.

While the CFPB is exceeding its goal for small business awards, which have included awards to businesses of different socioeconomic categories, OMWI management indicated that linking minority-owned and women-owned contractors with the program offices is a challenge, and OMWI will continue to conduct external outreach with these contractors. OMWI management stated that OMWI is also reaching out to encourage CFPB Procurement and CFPB program officials to use minority-owned and women-owned businesses for CFPB procurements. Such efforts consist of informing and reminding the program offices and COs about minority-owned and women-owned businesses that may be interested in procurement opportunities. OMWI's desired outcome is to expand contract awards to these groups. In addition, in May 2014, the CFPB posted to its website a letter from the Director of the CFPB that explains the importance of supplier diversity. The letter contains a statement that promotes diversity and inclusion by identifying a variety of businesses, including women-owned and minority-owned businesses, as prospective contractors and inviting them to respond to CFPB solicitations.

OMWI's goal is to establish a transparent process for procurements that enhances contracting opportunities for minority-owned and women-owned businesses. Documenting the procedures mandated by the Dodd-Frank Act will assist the CFPB in its efforts to ensure the fair inclusion and utilization of minority-owned and women-owned businesses in contracted activities.

Recommendation

We recommend that the Director of OMWI, in collaboration with the Assistant Director for Procurement,

10. Develop and implement standards and procedures as required by the Dodd-Frank Act to ensure the consideration of minority-owned and women-owned businesses for CFPB procurements and for the determination of whether a contractor or subcontractor made a good faith effort to include minorities and women in its workforce.

Management's Response

In its response, the CFPB concurs with our recommendation and states that it will develop procedures to ensure the consideration of minority-owned and women-owned businesses for CFPB procurements. Additionally, the CFPB states that it will develop standards and procedures to determine whether vendors doing business with the CFPB have made good faith efforts to diversify their own workforces. The CFPB is in the process of finalizing the good faith effort standard contract provision for incorporation into its contracts. The CFPB states that it plans to have standards for its good faith effort reviews drafted by the end of fiscal year 2016 and the processes in place to begin implementation by the quarter that follows.

OIG Comment

We believe that the actions described by the CFPB are responsive to our recommendation. The OIG intends to follow up on the CFPB's actions to ensure that the recommendation is fully addressed.

Appendix A
Scope and Methodology

To accomplish our objective, we selected a sample of 12 contracts awarded by CFPB Procurement and 17 contracts awarded by BFS Procurement on behalf of the CFPB, as described below. We assessed these contract actions and the relevant contract management documentation, such as modifications, invoices, contractor performance reports, and other documentation contained in COR files. We also reviewed guidance, processes, and reporting for information systems used in the contract management process, including the Invoice Processing Platform, CPARS, and the Federal Acquisition Institute Training Application System, as well as controls, where applicable. In addition, we reviewed the qualifications and training for CORs assigned to the contracts in our sample.

We reviewed sections of the *Federal Acquisition Regulation* applicable to contract management, as well as section 342 of the Dodd-Frank Act for procurement and contract management requirements for OMWI. In addition, we examined CFPB procurement policies and other CFPB guidance as well as the CFPB's interagency agreements with BFS ARC; the March 2014 and February 2015 *CFPB Strategic Plan, Budget and Performance Plan and Report*; and the OMWI annual reports for calendar years 2012 through 2014. We also reviewed relevant reports from GAO and the CFPB's independent auditor, as well as our prior report on the CFPB's contracting, solicitation, and selection processes.

We interviewed personnel from CFPB Procurement, including the Chief Procurement Officer and Assistant Director for Procurement, the Deputy Assistant Director for Procurement, procurement analysts, and a CO. In addition, we interviewed 12 CORs from various program offices who were assigned to contracts within our sample, as well as the Director of OMWI and OMWI staff members. We also interviewed 3 COs, as well as staff members, from BFS ARC.

From April 1, 2013, through March 31, 2014, the CFPB had 426 active contracts with an obligated value of $271.9 million. We stratified these contracts and sampled from this universe 29 contracts that had a total obligated value at that time of $166 million. Our sample included all 20 contracts from the highest obligated value stratum, as well as 9 contracts randomly selected from the remaining strata, as identified in table A-1.

Table A-1: Contract Sample Stratified by Obligated Value

Obligated value	Contract count	Sample size
>$2,499,999	20	20
$1,000,000–2,499,999	34	2
$500,000–999,999	33	2
$150,000–499,999	61	2
$1–149,999	278	2
<$0 (deobligations)	31	1
Total	**426**[a]	**29**

Source: OIG data analysis based on CFPB Procurement data.

[a]Contract count amounts do not equal contract count total due to deobligations stemming from contracts in other strata.

An additional sample of 10 contracts was selected to test for inclusion of the OIG access-to-records clause. Most of the 29 contracts in our original sample were awarded before the CFPB agreed to include the clause in its contracts.

We identified contract deliverables and reviewed documentation for COR approval prior to payment. In addition, we analyzed 120 contractor invoices from our sample of 29 contracts to determine whether billed line items, such as labor categories and rates, were in accordance with the terms of the contract. We also assessed whether payments were made timely and as stipulated by the contract.

We reviewed COR evaluations of contractor performance documented in 47 COR Monthly Reports for our sample of 29 contracts. We conducted follow-up interviews and further analysis to determine the resolution of any potential issues we identified. We also analyzed documentation to determine whether CORs assigned to contracts within our sample had certification levels that were appropriate for the contracts they were assigned to and that their certifications were current. We conducted our fieldwork from June 2014 to March 2015.

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

cfpb Consumer Financial Protection Bureau

1700 G Street NW, Washington, DC 20552

August 19, 2015

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System and
Consumer Financial Protection Bureau
20th and C Streets, NW
Washington, DC 20551

Dear Mr. Bialek:

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report entitled "*The CFPB Can Enhance Its Contract Management Processes and Related Controls*". We have reviewed the report and concur with the recommendations.

The Consumer Financial Protection Bureau's Office of Procurement is tasked with establishing processes and executing contract actions in conjunction with Treasury's BFS Procurement in support of the Bureau's mission. Upon contact execution, select duties are delegated to the Contracting Officer's Representatives (CORs) to ensure goods and services are delivered per contract terms and conditions. This post-award activity comprises the CFPB's contract management process.

We are pleased you agree that our office is in compliance with applicable laws, regulations, and Bureau policies and procedures. We also appreciate your thorough efforts in reviewing our portfolio of contracts, which in this case was a $166 million sample of investments as part of the 426 active contracts from April 1, 2013 through March 31, 2014, valued at $272 million. In your review of 29 contracts, you identified three for which enhanced contract management controls could have improved outcomes and/or efficiency. With respect to two of these contracts, we have already taken management action addressing OIG's concerns, and we have established and are implementing plans to improve the remaining controls identified in your report.

Since the period from which the sampling of contracts occurred, the Office of Procurement has expanded its contract management capacity by bringing on board additional Contract Specialist and Contracting Officer personnel to support essential procurement activities required for the agency's growth. My office plans to implement and refine policies and procedures to ensure that best practices govern our relationship with BFS. We will also build upon our management actions already taken to increase reporting in the Contractor Performance Assessment Reporting System or CPARS. The Office of Procurement will soon address recommended refresher training as part of our monthly COR roundtable meetings. We expect this additional support and training to contribute to continuing and enhancing our strong record with respect to contract management at the Bureau.

Sincerely,

David P. Gragan

David P. Gragan
Assistant Director for Procurement

Recommendation 1

We concur with this recommendation. The COR designation letter has been updated accordingly in order to emphasize items a, b, and c as described above in the recommendation. Further, the Office of Procurement shall conduct refresher training, which will reinforce the importance of these three items at an upcoming COR Roundtable meeting.

With regards to the registration system, the CFPB did in fact make the decision not to exercise the option on this contract. This assessment was ultimately a business decision for the Bureau. Prior to closing out the contract, CFPB's Office of Technology and Innovation (T&I) received all of the source code behind the system from the vendor, which contains the integral components needed to develop a registration system. The CFPB also received associated project artifacts related to the system. Artifacts include design documents, wire frames, user test cases and manuals.

Recommendations 2, 3, and 4

We concur with these recommendations and appreciate your commendation of management actions taken by the Bureau while the audit was ongoing.

Similar to the refresher training addressed in response to Recommendation 1, the Office of Procurement will ensure that guidance and training is provided to CORs at an upcoming roundtable meeting, which shall emphasize the importance of adequately monitoring contracts with contingencies.

The Director of Procurement will issue a policy statement to the Office of Procurement, reminding staff of and memorializing the responsibilities of a Contracting Officer in structuring contracts. These responsibilities include assessment of the costs and benefits of utilizing a not-to-exceed limit in contracts with contingencies. The same statement shall be delivered to BFS Procurement either through our inter-agency agreement or other means as appropriate.

In addition, as OIG recommended in its report, the Office of Procurement now requires COR monthly reports be submitted for software purchases exceeding $150,000, similar to the existing requirement for service contracts greater than $150,000.

Recommendation 5

We concur with this recommendation and appreciate your commendation of the management actions taken by the Bureau while the audit was ongoing. To further ensure best practices in our contract management, the Office of Procurement will issue policy through amendment to the BFS inter-agency agreement, or other appropriate means, requiring BFS in conjunction with program office personnel to provide notification to the Director of Procurement when any of the following occur:

a. A claim is filed by a vendor.
b. A modification is contemplated, which will increase the value of a contract, call order, or task order by at least 20% under the authority of the changes clause.
c. A selection decision is contemplated in which the prospective awardee's price is at least 30% higher relative to the next best firm in rank.

The policy will also require an assessment by the Office of Procurement upon notification.

In an effort to further ensure that any performance risks are escalated in a timely manner to the Office of Procurement, members of the T&I front office are attending weekly CFPB Procurement pipeline meetings as well as weekly meetings with BFS Procurement staff. Attendance at these meetings will facilitate conversations between T&I and both procurement teams on projects, contractor performance and potential areas of concern where more proactive procurement assistance may be warranted. Further, the Office of Procurement has assigned a senior contracting officer to be the dedicated liaison to the T&I staff on all procurement matters, regardless of whether the contract is to be executed by our office or the Bureau of Financial Services, our shared services provider.

Recommendations 6 and 7

We concur with these recommendations and appreciate your commendation of the management actions taken by the Bureau while the audit was ongoing. We are pleased to note that our CPARS evaluation submissions reporting rose to 68%, a number that stands up favorably even among the 10 largest federal agencies. Nevertheless, we strive to expand upon that success. To do so, we will establish an internal CPARS policy to clarify reporting requirements to procurement staff and will revise the CPARS language in the COR designation letter to clarify reporting responsibilities. Additionally, we are centralizing responsibility for compliance within the office as there will be one dedicated person to collect contractor performance evaluations from CORs and input evaluations into CPARS.

Recommendations 8 and 9

We concur with these recommendations. The Office of Procurement will issue policy by either amending the BFS inter-agency agreement or other means as appropriate to mandate that the OIG access-to-records clause is included in new contracts awarded on behalf of the CFPB. We will also include language mandating that BFS conduct an annual sampling of its CFPB-funded contracts to ensure the OIG access-to-records clause is included. As requested, we will consider the feasibility of including the OIG access-to-records clause in contracts awarded before July 2013.

Recommendation 10

We concur with this recommendation. The Office of Minority and Women Inclusion (OMWI) will develop procedures to ensure the consideration of minority-owned and women-owned businesses for CFPB procurements. Further, OMWI will develop standards and procedures to determine whether vendors doing business with the Bureau have made good faith efforts to diversify their own workforces pursuant to the Dodd-Frank Act requirements. The Bureau is in the process of finalizing the Good Faith Effort standard contract provision for incorporation into CFPB contracts. OMWI plans to have standards for its good faith effort reviews drafted by the end of fiscal year 2016, and the processes in place to begin implementation by the quarter that follows.

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