



Executive Summary, 2023-FMIC-C-012, September 18, 2023

The CFPB Can Improve Its Controls for Exercising Contract Options

Findings

The Consumer Financial Protection Bureau’s Office of Finance and Procurement can improve its controls for exercising contract options. Specifically, contracting officers (COs) did not consistently (1) document whether options met all *Federal Acquisition Regulation* (FAR) determination requirements before exercising them; (2) exercise options before the associated contracts expired, as required by the FAR; (3) provide the contractors notice within contract-required time frames that they planned to exercise options; or (4) complete required follow-up actions.

Officials explained that Procurement does not have a policy or procedure for exercising contract options because the FAR contains the relevant requirements; they considered a policy or procedure an optional best practice. In addition, Procurement management does not formally track contract option–related time frames and relies on COs to monitor pertinent time frames.

Implementing controls, such as creating a contract options policy or procedure and a tool for tracking contract option–related time frames, will help ensure that COs exercise contract options in accordance with FAR requirements and that option-related activities are completed within contract-specified time frames. Ensuring FAR compliance and timely completion of activities will further ensure that contract options are in the agency’s best interest, mitigate disruptions of supplies or services, and minimize the risk of incurring additional costs.

Recommendations

Our report does not contain recommendations because Procurement created the *Exercising Option Periods* standard operating procedure, which outlines the key activities for exercising contract options and requires COs to perform the actions within the contract-required time frame. Procurement also began formally tracking contract option–related time frames to notify COs of contracts that are expiring and to identify modifications that occurred after the contract expiration date. In its response to our draft report, the CFPB states that it is committed to maintaining effective controls in the procurement program.

Purpose

The objective of this audit was to assess Procurement’s controls for exercising contract options to ensure compliance with applicable laws, regulations, and internal policies and procedures.

Our scope focused on contract options exercised from July 2019 through June 2021 and included a judgmental sample of 30 contract options with an approximate obligated value of \$22.3 million, representing approximately 25 percent of the total value of options exercised during our scope period.

Background

The FAR is the primary regulation guiding federal executive agencies in acquiring supplies and services. However, the CFPB has determined that it is not required to follow the FAR in its entirety. Nonetheless, the agency has voluntarily chosen to follow the FAR as a matter of policy.

The FAR affords federal agencies like the CFPB a unilateral right to exercise contract options to purchase additional supplies or services covered by a base contract. Procurement is responsible for overseeing purchasing activities and developing internal policies and procedures related to those activities. Procurement staff includes COs who are authorized to award and modify contracts and who work with the program offices to purchase supplies or services and exercise options.