



Office of Inspector General

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

Executive Summary, 2020-FMIC-B-012, March 30, 2020

The Board Can Improve Its Contract Administration Processes

Findings

The Board of Governors of the Federal Reserve System's Division of Financial Management (DFM) can improve its contract administration processes as well as related internal controls. Specifically, Procurement has not established an effective internal control system to monitor contracting officer's representatives' (CORs) performance of their duties. CORs are not always fulfilling their contract administration responsibilities; they approved invoices that did not meet invoice approval requirements and did not submit all required contractor performance evaluation forms. Additionally, we found that Procurement did not (1) execute internal controls on contract modifications and COR Acknowledgment forms and (2) extend standard purchase orders as required by policy.

CORs do not appear to be adequately trained to fulfill their responsibilities; COR training is not required prior to commencing COR duties, and refresher training is not required by Board policy. In addition, COR training is not tailored to various experience levels; new CORs and experienced CORs attend the same training.

Finally, contracting officers entered incomplete and inaccurate contract information into the relevant database, and DFM does not have a comprehensive contract closeout process that ensures all goods and services satisfy the contract terms.

Recommendations

Our report contains recommendations designed to improve compliance with Board policies and procedures and improve the effectiveness of internal controls associated with contract administration. In its response to our draft report, the Board concurs with our recommendations and outlines actions that have been or will be taken to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

The objective of this audit was to assess the Board's compliance with laws, regulations, and Board policies and procedures applicable to contract administration, as well as the effectiveness of the Board's internal controls related to contract administration. We focused on the Board's contract administration processes from postaward to contract closeout.

Background

Contract administration is the oversight of a contract to ensure that a contractor meets all terms, conditions, and requirements of the contract, including providing all required goods or services. It begins upon contract award and ends after final acceptance of the work required by the contract and final payment to the contractor. Contract administration requires coordination between DFM and the division receiving the goods or services. We examined the following contract administration processes: invoice approval and payment, contract file maintenance and review, contractor performance evaluations, contract renewal, and contract closeout.

The Board awarded approximately \$450 million in contracts for goods and services in 2018. Our scope for this audit included a nonstatistical, risk-based sample of 20 contracts from a population of 1,185 contracts with an invoice date in 2018.