

Board of Governors of the Federal Reserve System

The Board's Contract Solicitation, Selection, and Award Processes for the Contracts We Reviewed Were Generally Effective but Can Be Further Enhanced



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



Office of Inspector General

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

Executive Summary, 2025-FMIC-B-014, December 15, 2025

The Board's Contract Solicitation, Selection, and Award Processes for the Contracts We Reviewed Were Generally Effective but Can Be Further Enhanced

Findings

For the 30 sampled contracts that we reviewed—which did not include construction or governmentwide contracts—the Board of Governors of the Federal Reserve System's Division of Financial Management (DFM) generally designed and operated its contract solicitation, selection, and award processes effectively to help ensure the Board acquires goods and services at the best possible value.

However, DFM Procurement section guidance can better explain to its contract specialists when to request independent government estimates (IGEs) and how to use IGEs to assess price reasonableness. Using and requesting IGEs will increase the contract specialists' understanding of program offices' needs, assist in contract negotiations, and help ensure that prices are fair and reasonable.

Recommendations

Our report does not contain recommendations because Procurement section management implemented a series of actions that we confirmed fully addressed our planned recommendation. We describe those actions in finding 2.

Purpose

We conducted this audit to assess the effectiveness of the Board's contract solicitation, selection, and award processes, including its compliance with internal policies and procedures. The scope of our review did not include certain procurements, including construction contracts and governmentwide contracts. We reviewed a nonstatistical sample of 30 contracts awarded in 2022 and 2023 with a total value of about \$30 million.

Background

The DFM Procurement section oversees the contract solicitation, selection, and award processes. Procurement section staff include contract specialists, who have the delegated authority to sign contracts on behalf of the Board, and contract managers, who oversee contract specialists' actions and review contract files for completeness and accuracy before award.

Because the Board is not required to comply with the *Federal Acquisition Regulation*, the Procurement section developed its own *Acquisition* policy with supplemental guidance and checklists.



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

Recommendations, 2025-FMIC-B-014, December 15, 2025

The Board's Contract Solicitation, Selection, and Award Processes for the Contracts We Reviewed Were Generally Effective but Can Be Further Enhanced

Finding 1: For the Contracts We Reviewed, the Procurement Section Generally Designed and Operated Its Contract Solicitation, Selection, and Award Processes Effectively

Number	Recommendation	Responsible office
	No recommendations.	

Finding 2: Procurement Section Management Can Further Enhance Guidance on IGEs

Number	Recommendation	Responsible office
	No recommendations.	



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Introduction

Objective

For the 30 sampled contracts that we reviewed—which did not include construction or governmentwide contracts—we assessed the effectiveness of the Board of Governors of the Federal Reserve System’s contract solicitation, selection, and award processes, including the Board’s compliance with internal policies and procedures. To assess the design of these processes, we compared the Board’s Procurement section’s policies and procedures to relevant *Federal Acquisition Regulation* (FAR) provisions in the areas we reviewed. The Board is not required to comply with the FAR because the Federal Reserve Act authorizes the Board to determine and prescribe its obligations and expenditures.¹ We made this comparison to identify any gaps between the Board’s approach and leading design practices. To assess operating effectiveness, we reviewed contract files to determine whether the Procurement section complied with the requirements in its internal policies and procedures.

We selected January 1, 2022, through December 31, 2023, as our scope period. During that time, the Board awarded about \$2 billion in contracts.² We excluded from our sample review population (1) construction contracts; (2) precompeted governmentwide contracts; (3) currency and Federal Financial Institutions Examination Council contracts; and (4) Office of Inspector General contracts. These filters resulted in a population of 297 contracts with a total value of about \$63 million. We then selected a nonstatistical sample of 30 contracts (10 percent) valued at about \$30 million (47 percent). The results from our sample cannot be projected to the entire population. Appendix A describes our scope and methodology in greater detail, including the reasons we excluded certain categories of contracts from our sample population.

Background

The Board is authorized to procure goods and services under section 10 of the Federal Reserve Act. The Board delegates this responsibility to the chief acquisition officer, who oversees the Procurement section within the Board’s Division of Financial Management. Procurement section staff include contract specialists, who have the delegated authority to sign contracts on behalf of the Board for the purchase of goods and services, and contract managers, who oversee contract specialist actions and perform manager reviews of contract files. Contract specialists work with the program offices to select and award contracts for goods or services.

Procurement Solicitation, Selection, and Award Requirements

The Board’s contracts can be categorized into two types: purchase orders (POs) and solicitation, offer, and awards (SOAs). POs are less complex, short-form contracts, resembling an invoice between the Board and a vendor. The Board uses POs for subscriptions, office equipment, and other routine purchases of common goods. SOAs are more complex contracts that involve defining detailed and customized

¹ Section 10, paragraphs 3–4, of the Federal Reserve Act (12 U.S.C. §§ 243–244).

² The Board awarded \$0.62 billion in 2022 and \$1.4 billion in 2023.

statements of work and soliciting and evaluating proposals. SOAs are typically competitive contracts but can be noncompetitive in certain limited circumstances, such as those that require unusual and compelling urgency due to a material risk.

The Procurement section governs the acquisition processes through its *Acquisition* policy, supplemental guidance, and checklists. Through these documents, the Procurement section communicates to its contract specialists and contract managers key requirements for soliciting, selecting, and awarding contracts:

- **Certified and approved award documentation record (checklist).** Customized to the acquisition type, this template serves as a contract checklist used by the contract specialist to attest to a complete acquisition package. The checklist includes the following requirements:
 - **Independent government estimate (IGE).** The contract specialist documents the program office's budget value as the IGE.
 - **Market research.** The contract specialist certifies that they determined whether supplies and services meet the Board's price, quality, and timely delivery needs. In addition, the contract specialist determines the best approach for open competition or whether a noncompetitive method is appropriate.
 - **Legal review.** For all contracts that exceed or may exceed \$200,000 in any contract year, the Legal Division attests to its review of the contract in an email or memorandum.
 - **Technical evaluation.** For all SOAs, the contract specialist requests that a program office team evaluate technical proposals fairly, impartially, and individually against the requirements listed in the specified contract.
 - **Certification form.** A template is required for all contracts over \$100,000, completed by all technical evaluation team members and advisors to certify that no conflicts of interest exist.
 - **Evaluation report.** The technical evaluation team completes a report that assesses the proposals and the vendors' ability to meet the expectations in the solicitation.
 - **Record of proposals.** The contract specialist documents all vendor proposals received.
 - **Justification memorandum.** For all noncompetitive contracts in which the contract specialist solicits a proposal from only one vendor, the contract specialist obtains a justification memorandum from the program office, which includes the facts, circumstances, and approvals supporting noncompetitive methods. The program office's division director and Procurement section management approve the justification memorandum, and the Legal Division also approves if the contract value exceeds \$200,000.
 - **Fair and reasonable price determination.** The contract specialist analyzes prices to determine whether the pricing is competitive and whether the terms, conditions, and pricing meet the Board's needs. The contract specialist selects from one of five approaches; each approach can be used as the sole basis when determining price reasonableness, or multiple approaches can be used:

- competitive quotations/proposals
 - market research
 - comparison of prices found reasonable on previous purchases
 - current price lists, catalogs, or advertisements
 - comparison to an IGE
- **Award decision.** The contract specialist documents the vendor awarded the contract and the basis for that award. The contract file includes the notification email to the selected vendor.
- **Vendor validation.** The contract specialist documents that the vendor is not debarred or suspended from government contracting using a screenshot from the system for award management website.³
- **Manager approval.** A contract manager approves contract files for completeness and accuracy before award. Approval is documented through a signed checklist or separate email contained in the contract file.
 - SOA contracts require two contract manager approvals, one before solicitation issuance and another before award.
- **Statement of work.** The contract specialist collaborates with the program office to document the program office's description of the required contract deliverables or the expected results in clear, specific, and objective terms with measurable outcomes.
- **Vendor risk assessment.** The contract specialist coordinates with the program office to determine whether a vendor will process, store, or transmit Board information and to document it in a vendor risk assessment. If yes, the program office will complete a vendor risk rating questionnaire that determines the level of risk associated with the board information processed, stored, or transmitted. If not, the program office will not need to proceed any further. The contract specialist includes both the vendor risk assessment and vendor risk rating questionnaire forms in the contract file.

Additional Guidance

The U.S. Government Accountability Office (GAO) has reported on the benefits of IGEs as an acquisition tool for service contracts, such as aiding in contract negotiations.⁴ An IGE provides a reasonable cost estimate that is developed by the program office before soliciting vendor proposals or making contract awards. An IGE consists of cost-breakdown elements such as labor hours, labor rates, inflation, and market conditions. GAO's *Standards for Internal Control in the Federal Government* also states that management reduces risks and helps the agency achieve its goals when it establishes effective internal controls, such as designing and implementing policies and procedures.

³ A vendor is debarred or suspended for civil or criminal violations. A *debarred* vendor is excluded from government contracting and government-approved subcontracting for a reasonable, specified period. A *suspended* vendor is disqualified temporarily from government contracting and government-approved subcontracting.

⁴ U.S. Government Accountability Office, *Service Contracts: Agencies Should Take Steps to More Effectively Use Independent Government Cost Estimates*, GAO-17-398, May 17, 2017.



Finding 1: For the Contracts We Reviewed, the Procurement Section Generally Designed and Operated Its Contract Solicitation, Selection, and Award Processes Effectively

For the 30 sampled contracts we reviewed—which did not include construction or governmentwide contracts—the Procurement section generally designed and operated its contract solicitation, selection, and award processes effectively to help ensure the Board acquires goods and services at the best possible value. The Procurement section’s processes align with key FAR elements and are communicated in internal policies and procedures. For example, the Procurement section encourages full and open competition and requires justification when the contract specialist obtains limited or no competition, assesses price using five factors outlined in the FAR, and requires that a contract manager approve procurement actions. Procurement section management conveys these requirements through the *Acquisition* policy, guidance, and checklists.

In addition, for all contracts in our sample, the contract specialists generally met all relevant solicitation, selection, and award requirements. Contract specialists for each contract we reviewed attested to complete acquisition packages through signed checklists, and we confirmed that these acquisition packages were complete with the exception of 1 of the 16 SOA contracts. In this contract, the contract specialist did not obtain contract manager approval before solicitation but did obtain contract manager approval before award, as required. For SOAs, Procurement section guidance requires the contract specialist to obtain contract manager approval at both solicitation and award, either through a signed checklist or email. The contract specialist attributed this missing approval to a mistake. We concluded that this isolated instance did not indicate a systemic process weakness or warrant any recommendations.

Management Response

In response to our draft report, the chief financial officer concurs with this finding.



Finding 2: Procurement Section Management Can Further Enhance Guidance on IGEs

The Procurement section's checklists allow contract specialists to use one or more of five approaches for assessing price reasonableness, including comparing to an IGE, which is consistent with the FAR.

However, Procurement section expectations for (1) requesting IGEs and (2) using IGEs to assess price reasonableness are not clear.

- **Requesting IGEs.** Most procurement checklists require an IGE value; however, this value can be misleading because the checklist also instructs the contract specialist to input the program offices' budget value and Procurement section guidance does not expect the budget value to include an IGE as support.⁵ In addition, Procurement section policies, procedures, and checklists do not explain when to request an IGE from the program offices nor how to use it in the solicitation, selection, and award processes. Procurement section management told us that, in practice, some contract specialists request a vendor estimate to use as the budget value, while others input the value of the winning vendor's selected proposal to create its budget value. In our sample, one of the contract specialists requested an IGE from the program office for one of the competitive SOA contracts.
- **Assessing price reasonableness with an IGE.** Additionally, while the Procurement section checklist outlines how the contract specialist should use four of the five price reasonableness approaches, it does not explain how the contract specialist should use the fifth approach: comparison to an IGE. Further, although the checklist provides that each approach can be used as the sole basis to support price reasonableness, we were told by Procurement section management that they expect "comparison to an IGE" to be used with another approach. We understand that the rationale for this approach is that the checklist's IGE value is not an IGE—it is the program offices' budget value—and lacks sufficient cost breakdown detail (such as labor hours, labor rates, and market inflation). This expectation is not explained in the checklist. All four contracts in our sample that used an IGE as the basis for price reasonableness coupled it with another approach, and none of these four had an IGE supporting the budget value.

GAO's *Standards for Internal Control in the Federal Government* highlights the importance of establishing policies and procedures, integrating them into the organization's operations, and communicating necessary information to staff. In addition, GAO reported that without clear IGE guidance, agencies limit the effectiveness as an acquisition planning tool for service contracts and recommended those agencies clarify their guidance. GAO added that IGEs are an important part of the planning process, serving as a

⁵ Acquisition types such as SOAs and open market require an IGE in their checklist templates, while others like artwork and hotel agreement do not.

key analytical and communication tool about what is required for a service contract and what it should cost.⁶

Procurement section management explained that they do not have guidance for when and how contract specialists should use IGEs because estimates would not be useful for simpler contracts and contract specialists do not consistently receive realistic IGEs from the program offices; therefore, Procurement section management does not view IGEs as an effective tool for assessing price. However, Procurement section management agrees that they need to clarify IGE expectations and that developing an IGE guide would be a beneficial resource for outlining IGE expectations for different purchase types.

Without additional guidance, Procurement section management risks a contract specialist using a vendor proposal that lacks independence as an IGE to determine price reasonableness. In addition, although Procurement section management prefers other price reasonableness approaches, like comparing competitive bids and historical pricing, GAO has noted that using IGEs on service contracts can help contract specialists have a better understanding of the program offices' needs and can assist in contract negotiations.

Management Actions

After we presented our draft findings, Procurement section management updated all checklists to address IGE requirements and communicated those updates to the contract specialists. The checklists provide guidance about (1) whether the contract specialist should request an IGE based on the acquisition type and (2) using an IGE with another price reasonableness approach to support the validity of the IGE. Based on our review of the updated checklists, the actions taken address our planned recommendation.

Management Response

In response to our draft report, the chief financial officer concurs with this finding.

⁶ U.S. Government Accountability Office, *Service Contracts: Agencies Should Take Steps to More Effectively Use Independent Government Cost Estimates*.



Appendix A: Scope and Methodology

For the 30 sampled contracts that we reviewed—which did not include construction or governmentwide contracts—we assessed the effectiveness of the Board’s contract solicitation, selection, and award processes, including the Board’s compliance with internal policies and procedures. Our review covered January 1, 2022, through December 31, 2023. For the two calendar years, the Board awarded about \$2 billion—\$0.62 billion in 2022 and \$1.4 billion in 2023.

However, we excluded from our possible contract sample population (1) construction contracts because we have previously audited and have ongoing audit work related to the construction projects; (2) precompeted governmentwide contracts (such as General Services Administration Schedule contracts and National Aeronautics and Space Administration’s Solution for Enterprise-Wide procurement contracts) because vendors are already prequalified and prices are prenegotiated; (3) currency and Federal Financial Institutions Examination Council contracts because, even though the Board awards them, they are purchased on behalf of another organization or through a separate budget; and (4) OIG contracts to maintain independence.

Excluding these four categories of contracts left 297 contracts with a total value of about \$63 million. From these 297 contracts, we selected a nonstatistical, risk-based sample of 30 contracts that totaled about \$30 million. We only selected contracts valued greater than \$200,000—the Board’s threshold for contracts that require a legal review. Within that population of 297 contracts, we selected all 16 SOA contracts we identified, one of which was noncompetitive, due to their increased complexity. We added a mix of 5 competitive and 9 noncompetitive POs based on award year, program office, and purchase type to ensure the sample included contracts with different characteristics.⁷ The results from our sample cannot be projected to the Board’s entire population of contracts.

The following table provides the total breakout of the 30 contracts in our scope.

⁷ Purchase types include artwork, furniture, hardware, maintenance, services, software, subscriptions, and telecommunications.

Table. Contract Scope Characteristics

Contract type	Number of contracts	Percentage of sample
Competitive		
SOAs	15	50%
POs	5	17%
Noncompetitive		
SOAs	1 ^a	3%
POs	9	30%
Total	30	100%

Source: OIG analysis of Procurement section contract data.

^a The Board awarded this SOA contract noncompetitively due to urgent and compelling circumstances in which a governor requested consultation services to address a time-sensitive reputational risk to the Board.

To assess the design of the Procurement section's processes, we reviewed its *Acquisition* policy, guidance, and checklists related to the solicitation, selection, and award processes and compared them against relevant provisions in the FAR. We also reviewed relevant GAO reports to identify how other agencies used IGEs. Further, we interviewed the Procurement section's policy and compliance manager, contract managers, and contract specialists to understand key processes for the solicitation, selection, and award processes.

To assess the effectiveness of the Procurement section's processes for soliciting, selecting, and awarding contracts, for the 30 contracts in our scope, we analyzed contract documentation to determine whether the contract specialist

1. certified a checklist
2. documented an IGE value and how they determined the IGE value
3. performed and recorded market research
4. obtained legal review
5. documented technical evaluation requirements for all SOAs, including certification forms for all evaluation team members, evaluation reports, and vendors proposals
6. documented a justification memorandum for all noncompetitive contracts
7. determined if prices were fair and reasonable
8. recorded the award decision
9. performed the vendor validation

10. received all required approvals from the contract manager
11. documented the statement of work
12. obtained a completed vendor risk assessment

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. We conducted this work from October 2024 to November 2025.

Appendix B: Management Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

DIVISION OF
FINANCIAL MANAGEMENT

December 4, 2025

Ms. Cynthia Gray
Deputy Associate Inspector General for Audits and Evaluations
Office of Audits and Evaluations
20th and Constitution Avenue
Washington, DC 202551

Dear Ms. Gray:

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report titled *The Board's Contract Solicitation, Selection, and Award Processes for the Contract Types We Reviewed Were Generally Effective but Can Be Further Enhanced.*

We have reviewed the report and concur with your two findings which note that for the contract files reviewed, Division of Financial Management (DFM) Procurement generally designed and operated its contract solicitation, selection, and award processes effectively to help ensure the Board acquires goods and services at the best possible value and that DFM Procurement can further enhance guidance on Independent Government Estimates (IGEs).

We appreciate your continued partnership with DFM Procurement throughout the course of this audit.

Sincerely,

RENDELL JONES  Digitally signed by RENDELL
JONES
Date: 2025.12.04 08:01:33 -05'00'

Rendell L. Jones
Chief Financial Officer



Abbreviations

DFM	Division of Financial Management
FAR	<i>Federal Acquisition Regulation</i>
GAO	U.S. Government Accountability Office
IGE	independent government estimate
PO	purchase order
SOA	solicitation, offer, and award



Office of Inspector General

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