



Office of Inspector General

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

MEMORANDUM

DATE: February 24, 2021

TO: Rachelle Vaughan
Chief Procurement Officer
Bureau of Consumer Financial Protection

FROM: Peter Sheridan *Peter Sheridan*
Associate Inspector General for Information Technology

SUBJECT: OIG Report 2021-IT-C-002: *Forensic Evaluation of the Bureau’s Vendor Payment Process*

Executive Summary

We are issuing this memorandum to highlight observations from our forensic evaluation of the Bureau of Consumer Financial Protection’s vendor payment process. Our objective was to identify potentially illegal, improper, or erroneous transactions or activities in the vendor payment process. To conduct our work, we analyzed Bureau data on vendors, vendor payment transactions, and personnel for the January 1, 2018, through June 30, 2019, time frame.

Overall, we did not find significant indicators of potentially illegal, improper, or erroneous transactions or activities in the Bureau’s vendor payment process. However, we identified potential areas of concern involving the appearance of three duplicate invoices and one overpayment, which was corrected. We are highlighting these issues for the Bureau to examine in more detail. We are not issuing formal recommendations.

Background

The Bureau maintains an interagency agreement with the U.S. Department of the Treasury’s Bureau of the Fiscal Service, Administrative Resource Center (BFS ARC) to award contracts for various goods and services on behalf of the Bureau in compliance with federal procurement policies, procedures, and regulations. The Bureau and BFS ARC provide contract administrative services for their respective contracts. These services include executing approved and authorized contract modifications, monitoring delivery schedules, approving invoices and payments, and closing out completed contracts. During our review period from January 1, 2018, through June 30, 2019, the Bureau made payments on invoices totaling about \$300 million.

Invoice Processing Platform

The Invoice Processing Platform (IPP) is a secure, web-based electronic invoicing and payment information system provided by BFS ARC and maintained by the Federal Reserve Bank of St. Louis. The Bureau, as well as other federal agencies, use the IPP to send electronic purchase orders to suppliers, receive electronic invoices from suppliers, and conduct invoice routing and approval workflow. The IPP allows for online review, routing, and approval of accounts payable invoice transactions.

Invoice Approval, Processing, and Payment

The invoice approval process is the same for contracts awarded by the Bureau and by BFS ARC. Invoices are reviewed and approved by the invoice approver or the contracting officer's representative (COR). The Bureau and BFS ARC process invoices using the IPP, manual invoice approval, and the Intragovernmental Payment and Collection system.¹ Vendors either submit invoices directly into the IPP or email invoices to BFS ARC personnel, who manually enter them into the IPP. Invoices are electronically routed to invoice approvers or CORs for approval. Invoice approvers and CORs review the invoices and applicable supporting attachments in the IPP to determine whether (1) the invoices comply with the terms of the contract, (2) the goods or services were received or rendered, and (3) the costs are allowable.

Once the review process is complete and the payment request is certified, payments are disbursed to the appropriate vendors by the Bureau of the Fiscal Service's Payment Management. A BFS ARC accounting technician confirms payment requests in Oracle.² Oracle automatically verifies the availability of funds, checks the invoice number to determine whether the invoice has been processed, and will not process duplicate invoice numbers. Approved invoices are paid within 3 to 5 days. BFS ARC does not process disbursements for invoices without the Bureau's approval.

Objective, Scope, and Methodology

Our overall objective was to identify potentially illegal, improper, or erroneous transactions or activities in the Bureau's vendor payment process. To accomplish our objective, we reviewed and analyzed Bureau data on vendors, vendor payment transactions, and personnel for the January 1, 2018, through June 30, 2019, time frame.

We reviewed the Bureau's *Procurement Process (PO) Narrative for Fiscal Year 2020* and other relevant documentation pertaining to the Bureau's vendor payment process. In addition, we interviewed Bureau and BFS ARC program coordinators to obtain information about program operations. The Bureau provided us with Oracle data on vendors and IPP information on vendor payments as generated by BFS ARC. We obtained personnel data from the Bureau's Office of Human Capital.

¹ The Intragovernmental Payment and Collection system is maintained by BFS ARC. It is used to transfer funds from one government agency to another, typically for interagency agreements and intergovernmental personnel acts.

² Oracle is an enterprise resource planning system that serves as the system of record for Bureau financials.

We then ran a series of five data mining algorithms designed to highlight potential exceptions (that is, indications of potentially illegal, improper, or erroneous transactions or activities) in the vendor payment process. Specifically, the algorithms searched for the following:

- **Paid vendors not on approved vendor list**—We compared IPP data to the vendor list to determine whether payments were made to vendors that were not on the approved vendor list.
- **Multiple vendors with the same address**—Using the vendor list, we determined whether multiple vendors had the same mailing address (street address, city, state, and zip code).
- **Matching vendor and Bureau employee information**—We compared the vendor list to Bureau personnel data to determine whether any vendor’s address and banking information matched that of any Bureau employee.
- **Vendor mail drops**—We filtered the vendor list to determine whether any vendor’s address was a mail drop (post office box mailing address).
- **Duplicate payments**—We sorted and grouped IPP data to identify transactions with the same invoice number, supplier name, and payment date to determine whether duplicate payments were made to vendors.

We conducted detailed reviews of the results of these algorithms and followed up with the Bureau as needed to determine whether any positive results indicated potential illegal, improper, or erroneous transactions or activities.

Observations

We did not find significant indications of potentially illegal, improper, or erroneous transactions or activities in the Bureau’s vendor payment process. Although our tests did not yield exceptions, we noted two areas of concern derived from our duplicate payments test.

First, we found the appearance of duplicate invoices. On three occasions, a vendor split an invoice into two submissions—one with 00s before the invoice number, the other without. Doing so circumvented Oracle’s automatic check for duplicate invoice numbers. However, these three instances did not result in an overpayment because the split invoices totaled to the amount the vendor was rightfully owed.

Second, we identified the appearance of a duplicate payment. BFS ARC disbursed an overpayment to a vendor with the Bureau’s approval. Later, either the COR or BFS ARC caught the overpayment. To correct the overpayment, BFS ARC created two credits totaling the overpayment amount to the vendor’s account. When the vendor submitted the next invoice, BFS ARC manually offset the invoice by the amount of the credits. This process caused the appearance of a duplicate payment issued to the vendor.

Conclusion

We did not find significant indicators of potentially illegal, improper, or erroneous transaction or activities in the vendor payment process. However, we found potential areas of concern involving the appearance of three duplicate invoices and one overpayment, which was corrected. We are highlighting these issues for the Bureau to examine in more detail. We are not issuing formal recommendations.

This report does not include formal recommendations, and a response is not requested. We appreciate the cooperation that we received from the Office of the Chief Procurement Officer during this forensic evaluation. Please contact me if you would like to discuss this report or any related issues. We plan to provide a copy of this memorandum to our Office of Investigations and our Office of Audits and Evaluations for informational purposes.

cc: Josh Galicki