



# 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.