



Executive Summary, 2024-FMIC-C-022, December 9, 2024

The CFPB Can Strengthen Guidance on Cost-Increase Modifications

Finding

Consumer Financial Protection Bureau contracting officers (COs) followed all six acquisition steps when awarding all contracts in our scope, in accordance with the *Federal Acquisition Regulation* (FAR) and CFPB policies. However, for the contract modifications with cost increases that we reviewed, COs did not consistently (1) conduct and document price reasonableness determinations and (2) obtain the expected reviews by the CFPB's Legal Division.

Procurement management has not issued guidance outlining the requirement to evaluate price reasonableness because they expect COs to be aware of the FAR requirement as part of their CO qualifications. Further, Procurement management had not documented expectations for Legal Division review, and CFPB policy includes vague language and multiple exclusions for modifications, which left COs unclear about when to request Legal Division review. Procurement management also allows for COs to exercise discretion when the FAR is not prescriptive, such as when to seek Legal Division reviews for total cost increases resulting from modifications.

Providing guidance to COs on the requirements related to cost-increase modifications will promote consistent reviews of modification pricing, thereby ensuring that the CFPB maximizes the value derived from its contracting activities.

Recommendation

Our report contains one recommendation designed to ensure that COs assess prices on cost-increase modifications consistently. In its response to our draft report, the CFPB concurs with our recommendation and outlines actions to address it. We will follow up to ensure that the recommendation is fully addressed.

Purpose

The objective of this audit was to assess whether the CFPB awarded contracts and managed modifications with cost increases in accordance with regulations, contract terms, and policies. We initiated this audit because of the financial risks associated with large cost increases over the life cycle of contracts and the legal risks associated with significant changes to the scope of initial contract awards.

Our scope covered 29 active CFPB contracts awarded from January 2020 through November 2023 that had at least one cost-increase modification that was not a contract option. These 29 contracts were valued at about \$244.5 million and had a total of 41 cost-increase modifications that increased the total value to about \$262.1 million.

Background

The Procurement section within the Office of Finance and Procurement oversees the CFPB's purchasing activities and has internal policies related to those activities. Procurement staff includes COs who are authorized to obligate the government by awarding and modifying contracts.

Procurement voluntarily follows the FAR and has developed related policies to supplement FAR requirements. We identified six steps related to defining the contract scope and selecting a vendor and three related to ensuring cost-increase modifications are within the scope of the original contract and reasonably priced.