



Audit Report



OIG-19-034

FINANCIAL REGULATION AND OVERSIGHT

The Office of Financial Research Procurements Were Made in Accordance with Requirements

April 2, 2019

Office of
Inspector General

Department of the Treasury

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Abbreviations

ARC	Administrative Resource Center
BPA	blanket purchase agreement
CO	contracting officer
COO	Chief Operating Officer
COR	contracting officer's representative
DTAP	Department of the Treasury Acquisition Procedures
FAR	Federal Acquisition Regulation
FSOC	Financial Stability Oversight Council
IDIQ	indefinite delivery indefinite quantity
IGCE	independent government cost estimate
OFR	Office of Financial Research
SOW	statement of work
Treasury	Department of the Treasury

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*The Department of the Treasury
Office of Inspector General*

April 2, 2019

Michael K. Kranbuhl
Acting Director, Office of Financial Research

This is the final of two reports on the results of our audit of the Office of Financial Research's (OFR) procurement activities.¹ This report provides our assessment of OFR's contracting practices.

The objectives of our audit were to determine if (1) OFR's procurement activities ensured that OFR effectively and efficiently acquired the goods and services needed to accomplish its mission; and (2) whether these acquisitions were made in compliance with applicable procurement regulations. To accomplish our objectives, we reviewed a non-statistical selection of OFR contracts awarded from December 2011 through June 2015 and reviewed the contracting officer's representatives' (COR) actions taken to manage and monitor OFR procurements from contract planning through contract administration. We did not include the Department of the Treasury's (Treasury) Administrative Resource Center's (ARC) contracting officer (CO) responsibilities in support of OFR as part of our audit.² We conducted our fieldwork from September 2015 through February 2018. Appendix 1 contains a more detailed description of the audit objectives, scope and methodology.

In brief, we found that OFR effectively and efficiently acquired goods and services to accomplish its mission and those acquisitions were made in compliance with applicable procurement

¹ As part of our oversight of OFR's procurement activities, we issued our first audit report on OFR's use of government purchase cards entitled *Treasury OIG Review of the Office of Financial Research's Government Purchase Card Program* (OIG-18-038; February 8, 2018).

² ARC is a government agency within Treasury's Bureau of the Fiscal Service. As part of its stand up, OFR entered into an interagency agreement with ARC to support its administrative functions.

regulations. We are not making any recommendations to OFR as a result of our audit; however, in light of OFR's recent workforce restructuring efforts, we encourage the Acting Director to ensure the files of OFR CORs are maintained and accessible in the event of any changes in COR responsibilities.

We provided a draft of this report to OFR management for review and comment. In a written response, management stated it was pleased with the results of our review. Management's response is provided in its entirety in appendix 2.

Background

OFR

Title I of Dodd-Frank Wall Street Reform and Consumer Protection Act,³ enacted July 21, 2010, created OFR within Treasury. OFR's mission from Fiscal Years 2012 to 2014 was to support the Financial Stability Oversight Council (FSOC),⁴ its member agencies,⁵ and the public by (1) improving the quality, transparency, and accessibility of financial data and information; (2) conducting and sponsoring research related to financial stability; and (3) promoting best practices in risk management. As part of its Strategic Plan for Fiscal Years 2015 – 2019, OFR updated its mission. Its current mission is to promote financial stability by delivering high-quality financial data, standards, and analysis for the FSOC and the public.

As part of its stand up, OFR entered into an interagency agreement with ARC to support its administrative functions.⁶ The interagency agreement focused on leveraging ARC's shared services; specifically, human resources, information systems, and procurement. ARC provides a full range of procurement services

³ P.L 111-203, July 21, 2010.

⁴ FSOC, also established by the Dodd-Frank Act, is charged with identifying threats to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the financial stability of the U.S. financial system.

⁵ FSOC members are the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Director of the Bureau of Consumer Financial Protection, the Chairman of the Securities and Exchange Commission, the Chairperson of the Federal Deposit Insurance Corporation, the Chairperson of the Commodity Futures Trading Commission, the Director of the Federal Housing Finance Agency, the Chairman of the National Credit Union Administration, an independent member with insurance expertise, the Director of the Office of Financial Research, the Director of the Federal Insurance Office, a state insurance commissioner, a state banking supervisor, and a state securities commissioner.

⁶ Reimbursable Services Agreement (Nov. 2010)

including simplified acquisition services and contract services. As OFR's procurement service provider, ARC COs performed contracting officer duties for OFR. Each division within OFR has a set of CORs responsible for managing the procurement process for their respective division. CORs coordinate with ARC COs throughout the acquisition process.

OFR's Contracting Process

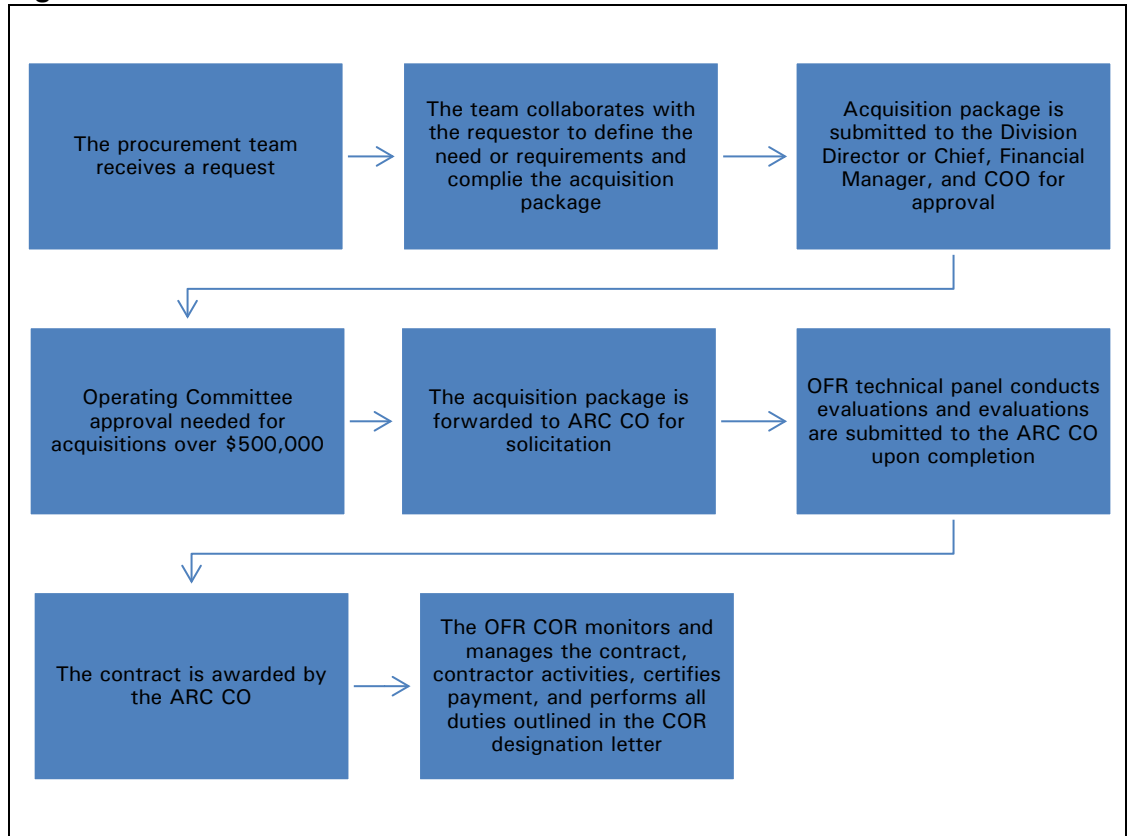
When a need is identified, the requestor submits the requirement to the procurement team, which is made up of the CORs for the requestor's division. The procurement team collaborates with the requestor to define the need or requirement and ensure the good or service requested aligns with OFR's mission. The procurement team compiles the procurement package, which includes (1) market research; (2) independent government cost estimates (IGCE); (3) statements of work (SOW) or Performance Work Statements; (4) source selection criteria including, if applicable, justifications for other than full and open competition; and (5) written acquisition approval forms. Procurement packages are routed to the Division Director or Chief, Financial Manager,⁷ and Chief Operating Officer (COO) for review. Requests for procurements over \$500,000 must be approved by the operating committee, which is made up of the Director, Deputy Director, COO, and a representative from Treasury's Office of Budget and Travel. Once approved, the acquisition package is submitted to an ARC CO for solicitation.

Once vendor proposals are received, the ARC CO coordinates with the COR to conduct evaluations. Evaluations are submitted to the CO upon completion. The ARC CO then awards the contract to the selected vendor. The OFR COR monitors and manages performance on the contract, contractor activities, certifies payment and performs all duties outlined in the COR designation letter from the CO.

⁷ Treasury's Office of Budget and Travel serves as OFR's financial manager.

See Figure 1 for a summary of OFR's procurement process.

Figure 1: OFR Procurement Process



Source: OFR Procurement Procedure; OFR-FIN-002; February 2012

Audit Results

OFR Complied with Applicable Requirements

We found OFR effectively acquired goods and services needed to accomplish its mission, and its acquisitions were made in compliance with applicable procurement regulations. We selected 10 contracts awarded from December 2011 through June 2015 from a universe of 96 contracts. Our non-statistical selection included firm fixed price contracts, purchase orders, indefinite delivery indefinite quantity contracts, blanket purchase orders, and a labor hour contract. We did not include ARC's CO responsibilities in support of OFR as part of our audit; our audit focused solely on OFR's COR roles and responsibilities in the procurement process. The results of our testing cannot be projected to the population.

We are not making any recommendations to OFR as a result of our audit.

Acquisition Planning

OFR conducted acquisition planning in accordance with applicable requirements. According to Federal Acquisition Regulation (FAR) subpart 7.1, *Acquisition Plans* and the Department of the Treasury Acquisition Procedures (DTAP), agencies shall perform acquisition planning and conduct market research for all acquisitions in order to promote and provide for full and open competition to the maximum extent practicable and selection of appropriate contract type. The purpose of planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner.

The CORs coordinated efforts to develop acquisition packages which included an 1) acquisition plan; 2) SOW; 3) market research; 4) IGCE; and 5) acquisition approval form. The acquisition plan for each contract we reviewed provided details of the item or service to be purchased, a defined acquisition strategy, and a budget estimate. The SOW for each contract reviewed defined the purpose of the procurement, period of performance, and performance objectives. CORs performed market research using a variety of methods and sources to include queries of government databases, such as the National Institutes of Health (NIH) Information Technology Acquisition and Assessment Center,⁸ and IGCEs were developed using going rates in markets and prior contracts. Both documents were prepared, as required, for all contracts in our sample. The acquisition approval forms provided a summary of the good or service to be purchased along with a business justification for the purchase. We reviewed each justification to ensure that the procurement was in support of OFR's mission. OFR's Interim Purchase Policy required acquisition plans to be approved by OFR's financial manager and OFR leadership. We reviewed the acquisition approval form for each contract and noted that proper approvals were obtained.

⁸ NIH Information Technology Acquisition and Assessment Center is the designated federal Executive Agent authorized by the Office of Management and Budget to administer government-wide acquisition contracts for information technology procurement.

Evaluation

Our selection of contracts included some that were awarded as sole source, small business set-aside, and best value awards. OFR evaluated proposals and conducted source selections in accordance with applicable requirements. According to FAR subpart 15.3, *Source Selection*, the agency shall evaluate competitive proposals and then assess their relative qualities solely on the factors and sub-factors specified in the solicitation. Evaluations may be conducted using any rating method or combination of methods. The DTAP states evaluation criteria under the source selection process shall be specific to the requirements of each solicitation, and shall clearly state what constitutes technical acceptability.

Additionally, according to FAR subpart 6.3, *Other Than Full and Open Competition*, when the supplies or services required by the agency are available from only one responsible source, and no other type of supplies or services will satisfy agency requirements, full and open competition need not be provided for. COs are responsible for certifying the accuracy and completeness of the justification for a sole source award. Each justification shall contain sufficient facts and rationale to justify the use of the specific authority cited. FAR subpart 19.5, *Set-Asides for Small Business*, allows for acquisitions to be reserved exclusively for participation by small business concerns. A determination to make a small business set-aside may be unilaterally made by the CO or jointly made by the Small Business Administration and the CO.

We reviewed OFR's evaluations of proposals, justification of sole source awards, and use of small business set aside acquisitions. We found that OFR CORs conducted technical panel evaluations of proposals using the criteria in the solicitation as well as followed evaluation guidance provided by the CO. We also reviewed sole source justifications to ensure the documentation contained sufficient rationale. OFR acquired services without competition through the use of a Government Wide Acquisition Contract (GWAC),⁹ which allowed for sole source task orders, and small business set-aside contracts. These acquisitions were made in

⁹ A GWAC is a pre-competed, multiple-award, indefinite quantity contract that agencies can use to buy information technology solutions.

accordance with the terms of the GWAC or facilitated by the Small Business Association.

Contract Administration

OFR CORs properly administered the contracts we reviewed. According to FAR subpart 1.6, *Career Development, Contracting Authority, and Responsibilities*, CORs assist COs in the technical monitoring and administration of a contract. To serve as a COR, federal employees must complete the training requirements issued by the Office of Federal Procurement Policy which allows for three different levels of certifications with varying requirements for training, experience, and continuous learning, depending on the types of contracts being managed. Specific contract administration functions outlined in a COR designation letter, delegated by the CO to the COR, include responsibilities such as maintaining a working file containing a history of actions taken with regard to the contract, accepting or rejecting supplies or services in accordance with the terms of the award, monitoring funding levels on the award, and reviewing and paying invoices. The OFR Procurement Procedure Policy instructs assigned CORs to perform all duties outlined in the COR designation letter.

All OFR CORs assigned to the contracts we reviewed were properly trained and certified per the Office of Federal Procurement Policy requirements. CORs properly maintained contract files to include, at a minimum: 1) a copy of the contracting officer's letter of designation describing the COR's duties and responsibilities; 2) a copy of the contract and any modifications; 3) invoices and supporting documents; and 4) records of payment. CORs monitored the funding levels on assigned contracts and payments on contracts in our sample did not exceed the amount awarded. Documentation provided showed CORs accepting and rejecting supplies or services as well as reviewing invoices.

We found that all OFR CORs maintained their files on a SharePoint site for each of their divisions. In light of OFR's recent workforce restructuring efforts, we encourage the Acting Director to ensure the files of OFR CORs are maintained and accessible in the event of any changes in COR responsibilities.

* * * * *

We appreciate the courtesies and cooperation extended by your staff during the audit. For a list of major contributors to this report, see appendix 3, and for report distribution, see appendix 4. If you have questions, please contact me at (202) 927-0384 or Eileen Kao, Audit Manager, at (202) 927-8759.

/s/

Jeffrey Dye
Director, Financial Regulation and Oversight

The objectives of our audit were to determine if (1) the Office of Financial Research's (OFR) procurement activities ensured that OFR effectively and efficiently acquired the goods and services needed to accomplish its mission; and (2) whether these acquisitions were made in compliance with applicable procurement regulations. This audit report, the final of two related to OFR procurement activities, focuses on OFR's contracting practices.

In addressing our audit objectives, we conducted fieldwork at OFR's office in Washington, DC from September 2015 through February 2018. The scope of our audit included OFR contracting officer's representatives' (COR) actions to manage and monitor OFR procurements, from contract planning through contract administration, on contracts awarded from December 2011 through June 2015.

To accomplish our objectives, we took the following actions:

- We reviewed federal regulations and Department of the Treasury (Treasury) and OFR policies and procedures, including:
 - Federal Acquisition Regulation;
 - Department of the Treasury Acquisition Procedures (March 2012, April 2013);
 - Department of the Treasury Acquisition Regulation (Oct. 2012);
 - *The Federal Acquisition Certification Contracting Officer's Representatives Program* (Sep. 2011);
 - *Office of Financial Research Interim Purchase Policy* (Feb. 2012);
 - *Office of Financial Research Purchase Policy (March 2016)*; and
 - Office of Financial Research, *Procurement Acquisition Procedures* (Feb. 2012, updated March 2016).
- We interviewed the following:
 - OFR's CORs;
 - Treasury's Administrative Resource Center (ARC) Contracting Officers (CO) supporting OFR procurements; and
 - Bureau of the Fiscal Service's (BFS) Systems Analyst and Program Analyst supporting OFR procurement systems.

- We validated the list of OFR contracts we received by conducting the steps below.
 - Reviewed BFS-ARC Statement on Standard for Attestation Engagements (16 reports from July 1, 2010 through June 30, 2016) to determine whether there were any control deficiencies between the Procurement Information System for Management (PRISM)¹⁰ and Oracle Federal Financials (Oracle)¹¹ interface.
 - Reviewed BFS monthly reconciliations from PRISM to the general ledger from December 2011 through June 2015 to determine whether reconciliations were performed and whether exceptions were resolved.
 - Reconciled OFR procurement entries into the PRISM system to OFR obligations in Oracle.

- We performed the following steps to select contracts for detailed review.
 - Obtained a BFS generated report of all OFR contracts listed in PRISM from December 2, 2011 through June 30, 2015. There were a total of 305 contracts. From this report we removed any awards that were identified as contracts awarded by other agencies,¹² contracts that were entered into PRISM but then cancelled before any amounts were obligated, and interagency agreements. We consolidated multiple blanket purchase agreement (BPA) awards with the same award number into one award resulting in 96 contracts in our population. The population included five different contract types: labor hour, BPA, indefinite delivery indefinite quantity (IDIQ), purchase orders, and firm fixed price.
 - From this population, we non-statistically selected 10 percent of the contracts resulting in a sample of 10 contracts. We selected contracts based on dollar value

¹⁰ PRISM is the procurement system used by ARC. It provides a wide range of procurement functionality for acquisition personnel such as purchase requisition preparation, approval, and submission.

¹¹ Oracle Federal Financials is the core financial management system used by ARC providing purchasing, accounts payable, accounts receivable, general ledger, and budget execution functionality.

¹² During its initial stand up, OFR often procured goods and services through contracts held by other Treasury components such as Departmental Offices and the Internal Revenue Service. These contracts were not managed by OFR CORs.

(high dollar and low dollar), risk, and contract type. Below is a summary of our selection.

○

Contract Type	Number of contracts reviewed
Labor Hour	1
BPA	2
IDIQ	2
Purchase Order	3
Firm Fixed Price	2

- For each contract selected, we reviewed the performance work statements, market research, independent government cost estimate, OFR acquisition approval form, sole source justifications, technical panel review of proposals and final decision, COR designation letters, COR recommendations on actions taken, all contract modifications, all invoices and support, and payment approvals to determine compliance with applicable procurement regulations.

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 objective.



March 11, 2019

Jeffrey Dye
Director, Financial Regulation and Oversight
The Department of the Treasury
Office of Inspector General
Washington, DC 20220

Dear Mr. Dye:

This letter is in response to the OIG's draft report entitled Review of the Office of Financial Research's Procurement Activities: Contracting Program, dated March 7, 2019, ("the Draft Report"). The Department of the Treasury, Office of Financial Research ("OFR") appreciates the opportunity to review the Draft Report, and this letter provides OFR's official response. Per the Draft Report, the review period from December 2011 through June 2015 resulted in no findings or recommendations. OFR is extremely pleased that your review found that our procurement processes were effective, efficient and compliant with the Federal Acquisition Regulations. While OFR has recently undergone a workforce restructuring, we are confident that our team will work to ensure that the acquisitions process continues to be efficient and compliant. Again, OFR appreciates the opportunity to respond to your draft report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kipp Kranbuhl', is written over a horizontal line.

Kipp Kranbuhl
Acting Assistant Secretary
for Financial Institutions

717 14th Street, NW, Washington, DC 20005

Appendix 3
Major Contributors to This Report

Eileen Kao, Audit Manager
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