OFFICE OF INSPECTOR GENERAL

U.S. International Development Finance Corporation

DFC Can Improve the Acquisition of Goods and Services

December 17, 2024

Audit Report DFC-25-002-C

1100 New York Avenue, NW
Washington, DC 20527
https://www.dfc.gov/oig

Report Highlights

Office of Inspector General
U.S. International Development Finance Corporation

DFC Can Improve the Acquisition of Goods and Services

What Was Reviewed

The U.S. International Development Finance Corporation (DFC) Office of Inspector General (OIG) contracted with the independent public accounting firm RMA Associates, LLC (RMA) to conduct an audit of DFC's acquisition of goods and services.[1] The objective of this audit was to determine whether DFC complied with applicable goods and services contract regulations, policies, and procedures. We evaluated six goods and services contracts. This included one contract for hardware, one for technical support services, one large software purchase, one contract for legal services, and two contracts for consulting services.

DFC has grown significantly and quickly since it officially began operations in January 2020. At that time, the corporation had 300 full-time government employees and 114 contractors, and its maximum contingent liability doubled from $30 billion (under the predecessor agency the Overseas Private Investment Corporation, or OPIC) to $60 billion.[2] As of July 2024, DFC had 669 full-time government employees and 274 contractors.[3] Moreover, pending legislation may raise the maximum contingent liability to anywhere from $100 to $120 billion in the coming years. Given this growth, DFC's goods and services acquisitions has increased and will likely grow further in the coming years; thus, it is critical that DFC has sufficient contract policies and procedures. We conducted this audit to review DFCs current acquisition framework as it prepares for future growth.

What Was Found

The audit determined that DFC generally complied with applicable goods and services contract regulations, policies, and procedures. Between fiscal years 2022 and 2023, DFC executed 1,372 goods and services contracts totaling $83.8 million.[4] Over that timeframe, acquisitions staff has grown from nine individuals in early 2021 to 26 as of July 31, 2024.[5] However, improvements can

[1] This included DFC procurement contracts for supplies and services for its use only, and did not cover DFC's financial products (e.g., loans, insurance, equity), which are not acquired to be used by DFC.
[2] The number of contractors included nine personal services contractors (PSC) and 105 contractors.
[3] This number of contractors included 25 PSCs and 249 contractors.
[4] This number was provided by DFC using www.sam.gov as the source.
[5] This includes 10 contracting officers, six support contractors, one PSC, one government support staffer, and eight contract specialists.

be made in the areas of process, strategy, policies and procedures, roles and responsibilities, and data reliability. For example, DFC has not created a formal acquisition strategy, defined what is a major acquisition, or developed a process to affirm best practices as Corporation-wide requirements. Overall, the audit determined that DFC has delegated much of the acquisition decision making processes and policies to the individual functional areas within DFC.

Specific report take-aways on DFC's goods and services acquisitions include:

- DFC lacks a formal coordination process for effectively acquiring major acquisitions, resulting in $6.6 million in unsupported questioned costs.
- DFC does not have a formal acquisition strategy, and its internal acquisition policies and procedures can be strengthened.
- DFC needs further assessment of the applicability of laws and regulations including the Federal Acquisition Regulation (FAR) and Office of Management and Budget (OMB) Circular No. A-130 Managing Information as a Strategic Resource.
- DFC has not implemented a standardized process for the development, review, approval, and communication of the corporation's policies and procedures.
- Contracting Officer's Representative (COR) appointment letters from three of the six (50 percent) sampled awards were not provided and CORs oversaw contracts valued above their COR level acquisition threshold.
- Given its size, DFC has a high number of CORs. Specifically, DFC has 95 designated CORs, out of a total of 669 full-time government employees, who fulfill this role on top of their primary job duties.
- Acquisition (ACQ) data quality issues pertaining to a contract's period of performance and obligation amount need to be corrected in its new Acquisition Management System (AMS). Specifically, out of a total of 1,372 contracts provided, 1,110 (or 81 percent) showed an improper period of performance start date of January 1, 1900, and five contracts showed unusually high award obligation amounts (one for $4.8 billion). This was caused by improper data migration issues from the legacy system into the new AMS, as well as some reporting errors in the new AMS.[6]

Recommendations

The audit made 15 recommendations that will further strengthen the efficiency and effectiveness of DFC's acquisition of goods and services. Specifically, RMA recommends the following to the DFC's Chief Executive Officer:

- **Recommendation 1**: Determine and document what constitutes a major acquisition and major Information Technology (IT) acquisition for the corporation.

[6] Specifically, certain data fields between the legacy system and the new system were incompatible or absent, creating errors in the new system such as the incorrect default date of "1/1/1900" in the period of performance.

- **Recommendation 2**: Develop and formalize an integrated acquisitions review process to ensure effective collaboration between key stakeholders on acquisitions, including major acquisitions and major IT acquisitions. The process should identify key stakeholders and define the phases when stakeholders must coordinate approvals before moving forward with the acquisition.
- **Recommendation 3**: Engage relevant stakeholders to develop a formal acquisition strategy that supports the corporation's mission and strategic plan.
- **Recommendation 4**: Review current acquisition policies to ensure they are up to date, consistent, and identify gaps that need to be addressed.
- **Recommendation 5**: Create ACQ policies and procedures to address gaps identified during the audit and in subsequent ACQ reviews pursuant to Recommendation 4.
- **Recommendation 6**: Ensure the Office of Administration's (OA) Policies, Forms, and Procedures are centrally located and accessible to applicable DFC staff.
- **Recommendation 7**: Develop and implement an agency-wide process for the development, review, and approval of the corporation's policies and procedures.
- **Recommendation 8**: Reassess the corporation's position on adherence to OMB Circular No. A-130 and update the Office of Information Technology (OIT) Directive accordingly.
- **Recommendation 9**: Update the OA Directive to reflect the corporation's position on adherence to the FAR.
- **Recommendation 10**: Approve a policy that clearly defines how the Clinger-Cohen Act applies to DFC, particularly the Chief Information Officer's reporting structure.
- **Recommendation 11**: Develop a strategy for effectively and efficiently using CORs and Government Technical Monitors (GTM).
- **Recommendation 12**: Define the roles and responsibilities of a GTM in acquisition policies and procedures.
- **Recommendation 13**: Define in the acquisitions policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.
- **Recommendation 14**: Develop a process to periodically analyze DFC's contract files to determine the completeness and accuracy of COR levels and appointment letters.
- **Recommendation 15**: Resolve the remaining AMS data migration issues and verify that data can be reliably exported.

MEMORANDUM:

Date: December 17, 2024

To: MR. SCOTT NATHAN
CHIEF EXECUTIVE OFFICER

From: Mr. Anthony "Tony" Zakel
Inspector General, Office of Inspector General

Subject: Final Report – DFC Can Improve the Acquisition of Goods and Services (Audit Report DFC-25-002-C)

We contracted with the independent public accounting firm of RMA Associates, LLC (RMA) to audit DFC's acquisition of goods and services. The contract included reporting on whether DFC complied with applicable goods and services contract regulations, policies, and procedures. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards (GAGAS).

In its audit of DFC, RMA concluded that DFC generally complied with applicable goods and services contract regulations, policies, and procedures. However, improvements can be made in the areas of process, strategy, policies and procedures, roles and responsibilities, and data reliability. For example, DFC has not created a formal acquisition strategy, defined what is a major acquisition, or developed a process to affirm best practices as Corporation-wide requirements. DFC also lacks a formal coordination process for effectively acquiring major acquisitions, resulting in $6.6 million in unsupported questioned costs.

In connection with the contract, we reviewed RMA's report and related documentation and inquired of its representatives. Our review, as differentiated from a performance audit of DFC's acquisition of goods and services in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions or conclusions on whether DFC can improve the acquisition of goods and services. RMA is responsible for the attached auditor's report dated December 17, 2024, and the conclusions expressed therein. However, our review disclosed no instances where RMA did not comply, in all material respects, with GAGAS.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact me at 202-336-8703.

Anthony "Tony" Zakel
Inspector General
U.S. International Development Finance Corporation

CC: Scott Nathan (Chief Executive Officer)
Nisha Desai Biswal (Deputy Chief Executive Officer)
Jane Rhee (Chief of Staff)
Frank Esquivel (Senior VP for Operations)
Keron White (VP and Chief Administration Officer)
Tina Donbeck (Chief Information Officer)
All Vice Presidents
Mehrdad Nazari (Director, Office of Accountability)
Ryan Zalaskus (Managing Director, Internal Controls)

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U.S. International Development Finance Corporation (DFC)

DFC Can Improve the Acquisition of Goods and Services

Date: December 17, 2024

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December 17, 2024

Anthony "Tony" Zakel, Inspector General
Office of Inspector General
U.S. International Development Finance Corporation

Dear Mr. Zakel,

RMA Associates, LLC is pleased to submit this performance audit report of the U.S. International Development Finance Corporation's acquisition of goods and services in accordance with the 2018 revision of the generally accepted government auditing standards. Information on our findings and recommendations is included in the accompanying report.

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 very much appreciate the opportunity to serve you and will be pleased to discuss any questions you may have.

Sincerely,

RMA Associates

RMA Associates, LLC
Arlington, VA

Table of Contents

Background

The Better Utilization of Investments Leading to Development (BUILD) Act consolidated, modernized, and reformed the U.S. Government's development finance capabilities, primarily the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority of the U.S. Agency for International Development (USAID) into a new entity: The United States International Development Finance Corporation (DFC).

As America's development finance institution, DFC uses financial tools to promote private investment in economic development with a focus on low and lower middle-income countries. These financial tools include direct loans and loan guarantees, equity investment in specific projects or investment funds, and political risk insurance. Projects DFC invests in must consider factors related to developmental impact, environmental and social impact, workers' rights, and human rights, among other considerations. DFC seeks to complement, and not compete with, the private sector. DFC has a maximum contingent liability of $60 billion, and a total projected exposure of $42 billion as of June 30, 2024. Moreover, pending legislation would raise the contingent liability cap to $120 billion.

DFC-Funded Investments Support Agriculture, Port Infrastructure, and Energy Projects

DFC also acquires goods and services that administratively support achieving the corporation's mission. This includes everything from hardware and software to technical support and legal services. DFC's Office of Administration (OA) Corporate Acquisitions Division (ACQ) is responsible for managing the corporation's procurement of these goods and services for the best possible value while ensuring compliance with legal and regulatory requirements. To accomplish this, ACQ officials need to collaborate closely with DFC stakeholders across the corporation under a process that includes the selection, negotiation, and administration of contracts for goods and services. Key activities under this process include the research and development of contract requirements, marketplace information requests and solicitations, contract drafting, proposal evaluation, award issuance, monitoring, and close out. This process is overseen by an acquisition's Contracting Officer (CO), with the assistance of the Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM). COs are the only individuals with signature authority to enter into contracts and/or business agreements that obligate funds subject to the limit of their warrant. CORs are responsible for the day-to-day managing of the contractor, evaluating contract deliverables, and approving invoices. GTMs are subject matter experts who work with the COR to monitor the quality of the deliverables and determine whether to approve an invoice. As of July 31, 2024, the ACQ office had 26 individuals, including 10 COs, six contractor support staff, one PSC, one government support staffer, and eight contract specialists.

The total number of goods and services contracts was 1,372, for a total obligation amount of $83.8 million for Fiscal Years (FY) 2022 and 2023, and these numbers are anticipated to significantly increase as DFC's portfolio capacity and number of projects continue to grow.

DFC's Goods and Services Contracts – FYs 2022 and 2023

1,372 Goods & Services Contracts	**$83.8 Million**

Source: DFC data on SAM.gov

Given the rapid growth in acquisitions to support DFC's rapid growth in both portfolio capacity and projects, we conducted this audit to determine whether DFC complied with applicable goods and services contract regulations, policies and procedures. This audit selected a judgmental sample of six goods and services contracts including an equipment purchase, a major software system purchase, and various legal, consulting, and technical support services.[7] Key activities involved in contract management include contract drafting and clause negotiation, performance analysis to maximize operational and financial performance, and risk mitigation, both financial and reputational.

The audit applied relevant laws and regulations including the Federal Acquisition Regulation (FAR), the Clinger-Cohen Act of 1996, the Federal Information Technology Acquisition Reform Act (FITARA), and the Office of Management and Budget (OMB) Circular No. A-130, Managing Information as a Strategic Resource.

Summary of Relevant Laws and Regulations

FAR	The FAR is used by executive agencies to acquire supplies and services with appropriated funds. The FAR also contains standard solicitation provisions, contract clauses, and various agencies' FAR supplements.
Clinger-Cohen Act of 1996	The Clinger-Cohen Act of 1996 extensively modified federal Information Technology (IT) acquisition policy and procurement management. Some of the provisions pertain to IT budgeting and include repealing the GSA's centralized role in federal IT procurement and, instead, delegating these responsibilities to agencies; establishing the role of chief information officers (CIO) within agencies to develop and maintain IT systems as well as evaluate, assess, and report on IT improvements; and establishing a new federal IT capital planning and acquisition control process.

[7] The sample focused on the domestic purchases of goods and services acquired for DFC's use and did not include contracts or agreements through which the DFC offers investments or financial products internationally.

FITARA	As part of its effort to reform the government-wide management of IT, in December 2014 Congress enacted FITARA. FITARA included specific requirements related to enhancing CIO authorities, improving the risk management of IT acquisitions, reviewing agencies' portfolios of IT acquisitions, consolidating federal data centers, and purchasing software licenses.
OMB Circular No. A-130	OMB Circular No. A-130 was first issued in December 1985 to meet information resource management requirements that were included in the Paperwork Reduction Act (PRA) of 1980. In July 2016, OMB revised OMB Circular No. A-130 to reflect changes in law and advances in technology, including FITARA. The 2016 update established general policy requirements for IT governance, acquisitions, personnel, and supporting infrastructure, and includes policy requirements on areas outside of FITARA like privacy and information security.

Source: OIG analysis

DFC Can Improve in the Areas of Acquisition Process, Strategy, Policies and Procedures, Roles and Responsibilities, and Data Reliability

Our audit determined that DFC generally complied with applicable goods and services contract policies, and procedures. However, improvements can be made in the areas of process, strategy, policies and procedures, roles and responsibilities, and data reliability. Specifically, DFC lacks a formal coordination process for effectively procuring major acquisitions resulting in $6.6 million in unsupported questioned costs. In addition, a lack of a comprehensive acquisition strategy increases the risk of DFC ineffectively or inefficiently procuring goods and services. Further, DFC can enhance acquisition governance by developing and implementing additional policies and procedures, and clarification of which acquisition laws and regulations apply to DFC. DFC can also enhance acquisition roles and responsibilities by documenting the current CIO reporting structure and improving the use and management of contract monitors. Finally, the new acquisition management system (AMS) is experiencing data migration issues that continue to impact acquisition reporting.

Areas of this Audit's Findings

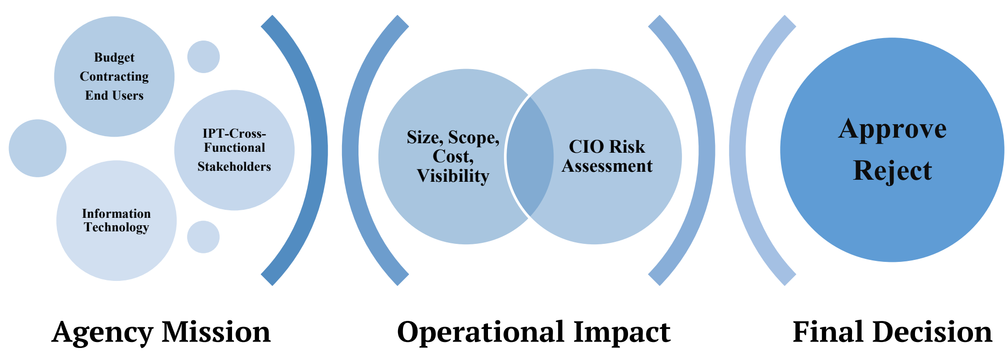
Acquisition Process	Acquisition Strategy	Policies & Procedures	Roles and Responsibilities	Data Reliability

We made 15 recommendations to improve DFC's acquisitions of goods and services. See Appendix I for our methodology addressing the objectives, and for recommendations refer to Summary of Recommendations and Management Comments.

Finding #1: DFC Lacks a Formal Coordination Process for Effectively Procuring Major Acquisitions, Resulting in $6.6 Million in Unsupported Questioned Costs

Agencies can define what constitutes a major acquisition (including IT acquisitions) for their organization and management needs to pay special attention to major acquisitions because of their importance to the agency's mission.[8,9] As a best practice, OMB recommends agencies use an integrated project team (IPT) for planning and managing a major acquisition (including IT acquisitions) through its lifecycle.[10] The IPT should be cross-functional, comprising of project stakeholders such as budget, contracting, IT, and end users. OMB Circular No. A-130 establishes general policy for the planning, budgeting, acquisition, and management of IT resources. The Circular states that regarding IT acquisitions, agencies shall implement processes in line with the acquisition's size, scope, and risk. Specifically, decisions related to major IT acquisitions are supported by business cases with appropriate evidence. Decisions to improve or modernize existing IT acquisitions are made only after conducting an alternative analysis. Factors to consider when analyzing acquisitions include total life cycle cost, interoperability, accessibility, availability of quality support, and IT security.[11] Relevant factors to consider when designating an IT acquisition as a major acquisition include those that require special management attention because of its importance to an agency's mission, operational impact, visibility, cost, or one that the agency's CIO has designated as high-risk.[12]

OMB Best Practice for Major IT Acquisitions



Source: OIG analysis of major IT acquisition guidance

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[8] OMB Circular No. A-130 guidance uses the term "major investment." However, for this report, we have substituted the word "investment" with "acquisition" to differentiate it from DFC's financial tools, that are not part of this audit.
[9] OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget, defines major acquisitions as ones that require "…*special management attention because of their importance to the agency mission; high development, operating, or maintenance costs; high risk; high return; or their significant role in the administration of agency programs, finances, property, or other resources... Agencies should have well documented thresholds clearly disseminated and implemented across the organization."* July 25, 2024, p. 990.
[10] OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," July 25, 2024 p. 994-995.
[11] OMB Circular No. A-130, "Managing Information as a Strategic Resource," July 28, 2016, p. 12-13.
[12] OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," July 25, 2024, p. 195.

In early 2021, DFC's ACQ identified the need for a new AMS to replace the existing system. ACQ wanted a system that would provide a centralized workspace and a single place of record for goods and services contracting, from planning to closeout. This would include acquisition steps such as preliminary planning and purchase requests, marketplace requests for information and solicitations, internal evaluations of quotes received, and contract creation, as well as additional actions including contract modifications and closeouts. According to ACQ officials, the old AMS did not provide such features. In May 2021 ACQ internally announced their decision to procure a new AMS and conducted market research on available options. ACQ officials determined that one specific AMS best met their division's needs. In their $3.4 million budget request and limited source justification for the newly identified system, ACQ stated it was the best value for the following reasons:

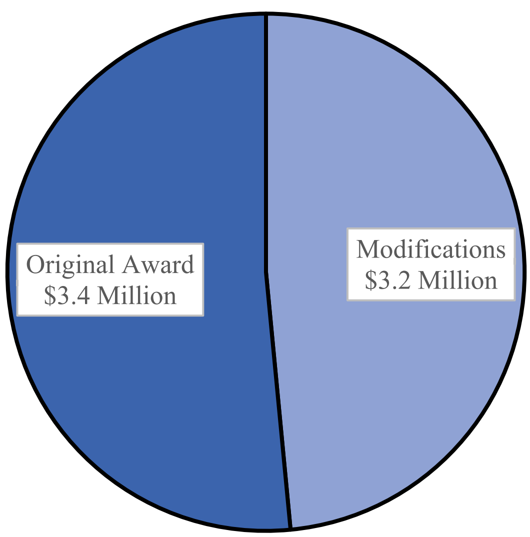
DFC's ACQ Team's Justification for Purchasing the New AMS

Single place for contract lifecycle – planning to closeout	3-Year Package – No Additional Funds Required (FYs 2022 – 2023)	No on-site System Support Required	Reduced administrative time for CORs – can focus on job-related work	Can purchase 10 or fewer licenses for CORs	Automation of certain functions such as new vendor and FAR clauses
Initial Contract Award: $3.4 Million					

Source: OIG analysis of data provided by DFC

ACQ awarded the $3.4 million contract for the new AMS on October 1, 2021. However, since that time, DFC expended an additional $3.2 million to integrate and stand up the new system. As of February 2024, DFC executed contract modifications and new contracts almost doubling the original budget, bringing the system's total current costs to $6.6 million.

Cost of the New AMS Comparing the Original Award and the Total Cost of Modifications



Source: OIG analysis of data provided by DFC

While the new system did provide ACQ with a centralized workspace and a single place of record for contracting, from planning to closeout, key assumptions identified in their initial budget and justification request were either missing or incorrect. By August 2022 ACQ requested additional funds from DFC management to integrate the AMS with DFC's financial system of record and the government's Invoice Payment Platform (IPP).[13] Because of these unplanned integration needs and the AMS being a subscription-based application where upgrades are automatically delivered, it increased the risk of data inconsistencies. To properly mitigate this risk, additional permanent staff were required in DFC's Financial Management and Office of Information Technology (OIT) divisions as well as additional AMS support contractors. A total of eight additional licenses for COs previously unplanned for were needed because ACQ did not account for its staffing growth. And finally, since the system's roll-out, many of DFC's CORs have struggled to use the new system. The CORs we spoke with stated the transition to the new AMS was difficult, and most CORs continue to struggle with the new system because it is more complex and not intuitive when compared to the old system. Because of this, CORs now spend additional time reviewing and approving invoices for payment than they did under the old AMS system, directly contradicting one of the potential benefits of acquiring the new AMS in ACQ's budget request and limited source justification. The table below summarizes the challenges encountered during the implementation of the new system.

Challenges with the New AMS

No integration with DFC's Financial System & Invoice Payment Platform	Data Inconsistencies due to unplanned system integration	Additional Permanent Staff Needed in Financial Management and Information Technology	Additional AMS support contractors	Eight unplanned licenses needed	Difficult for CORs to use and requires additional time
Contract Modifications: $3.2 Million					

Source: OIG analysis of data provided by DFC

The unplanned system integration, the need for more staffing, additional user licenses, and the incorrect assumption of decreased administrative time for CORs were due to several reasons. First, DFC had not defined what was considered a major acquisition or major IT acquisition. Second, for all major acquisitions, DFC had not formalized an integrated acquisitions review process, like an IPT as recommended by OMB, for planning and managing such important acquisitions. At a minimum, this process would identify the key stakeholders involved and define when those stakeholders needed to come to an agreement before moving forward in the acquisition process. As outlined by OMB, general phases in this process include planning and budgeting, acquisition, and management.[14]

[13] IPP is a secure, Web-based service that manages government invoicing from purchase order through payment notification.
[14] OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," p. 993-1040.

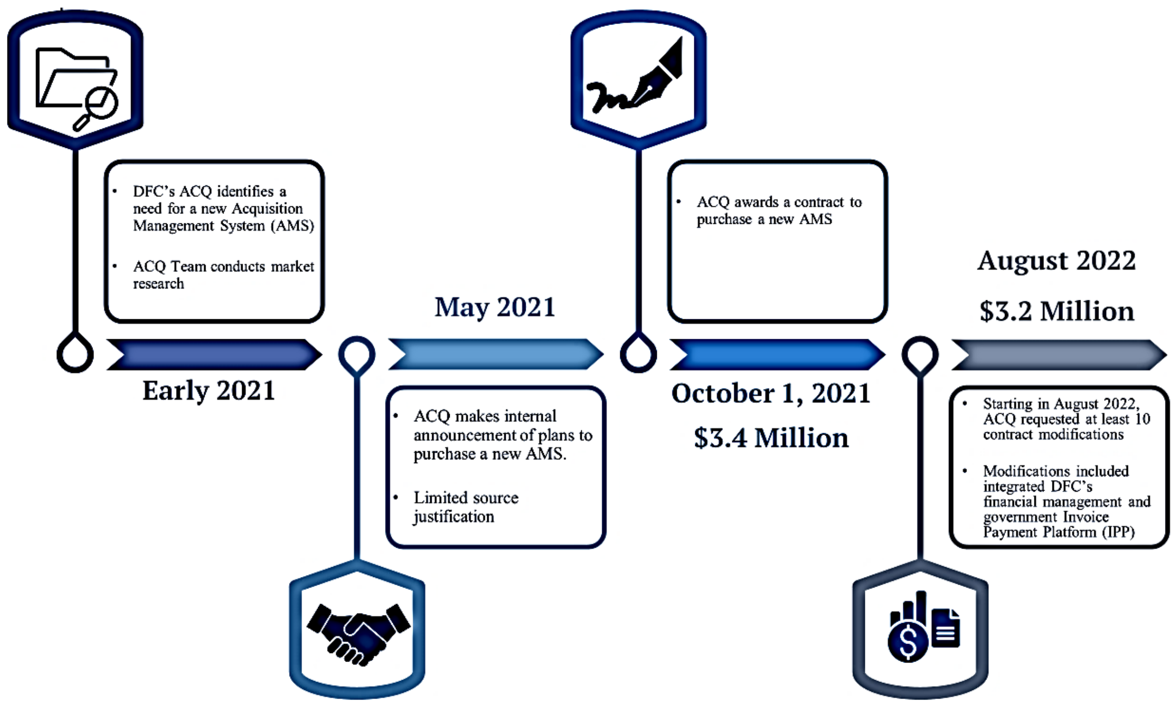
- **Planning and Budgeting**: Stakeholders determine the functional requirements. They analyze current asset capabilities against what is desired, identify the gaps, and evaluate acquisition options. Stakeholders develop and justify a proposed budget to management.
- **Acquisition**: Stakeholders analyze contractor proposals against solicitation criteria and prepare recommendations to management. While all acquisitions involve risk, OMB guidance suggests agencies should seek to award contracts that have a high probability of achieving at least 90 percent of the cost, schedule, and performance goals established during the planning phase.[15]
- **Management**: Stakeholders ensure the acquisition is delivering the expected value and meeting agency needs throughout its use.

The integrated acquisitions review process should be helpful for planning and acquiring a major acquisition, or a major IT acquisition. It can be tailored to DFC's current resources. However, since there was no such process at the time of the new AMS acquisition, ACQ did not anticipate the effect of informal planning and coordination.

We found that DFC's purchase of the new AMS was not adequately planned and coordinated. While ACQ did communicate with other DFC divisions regarding the new AMS, this was not supported with effective input and coordination of key stakeholders in OIT and Financial Management. In the planning phase, the AMS acquisition did not have any supporting documentation analyzing the current system's capabilities against what was desired, identifying those gaps, and evaluating acquisition options with all key stakeholders. One option could have been considering upgrading or improving the old AMS system or outlining what was not possible for the old system. Secondly, ACQ did not document formal approval by OIT for purchasing the new system. Given the new system's required integration with DFC's financial system of record and IPP, this approval was critical. For these reasons, we are identifying all of DFC's $6.6 million in expenditures, as of February 2024, on the new AMS as unsupported questioned costs.

[15] OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," p. 1013.

1ACQ's Timeline to Purchase the New AMS



Source: OIG analysis of data provided for the AMS acquisition

In addition to the AMS purchase, another sampled contract (Contractor 4) was also not adequately coordinated. The contract was for consulting services to use and analyze proprietary DFC data and present the results to the DFC's Chief Executive Officer (CEO). The DFC official independently put together an informal integrated acquisitions review team to obtain input from all stakeholders to develop the best statement of work for the contract solicitation. However, the official was never advised by ACQ to involve OIT, even though the contract stated DFC portfolio data would be analyzed and used to "develop a dynamic tool in Excel or another easily replicable software." The contract also stated the final product was to be presented to DFC's CEO and other members of senior leadership. However, this presentation could not take place at that time due to the OIT firewall blocking the product for IT security reasons. Had OIT been included during the planning and acquisition of this award, this issue would have been prevented. While this contract was not for a high dollar value, it is another example of the importance of DFC having an integrated acquisitions review process.

DFC's rapid growth caused challenges for the organization as it has transitioned from a small government entity to a medium-sized entity. For example, in early 2021, at the time of the AMS acquisition, DFC's ACQ had nine individuals, including the Head of the Contracting Activity, and one support contractor. As of July 31, 2024, the ACQ office had 26 individuals, including 10 COs six contractor support staff, one PSC, one government support staffer, and eight contract specialists. These challenges may continue, as the U.S. Congress is currently considering increasing the corporation's maximum contingent liability from $60 billion to $120 billion.

To help ensure future major acquisitions, including major IT acquisitions, are successful, we made the following recommendations to the CEO:

- **<u>Recommendation 1</u>**: Determine and document what constitutes a major acquisition and major IT acquisition for the corporation.
- **<u>Recommendation 2</u>**: Develop and formalize an integrated acquisitions review process to ensure effective collaboration between key stakeholders on major acquisitions and major IT acquisitions. The process should identify key stakeholders and define the phases when stakeholders must coordinate approvals before moving forward with the acquisition.

Finding #2: DFC Has Not Developed a Formal Acquisition Strategy Supporting DFC's Mission and Strategic Plan

DFC Administrative Efforts Support the Corporation's Mission to Invest in Healthcare, Energy, and Infrastructure



Federal agencies are required to develop a strategic plan that presents the mission, long-term objectives, and results the agency hopes to accomplish.[16] The U.S. Government Accountability Office (GAO) found that leading federal agencies also implement an acquisition strategy that helps to support the agency's mission and strategic plan.[17] Effective acquisition strategies are developed with the engagement of all stakeholders, including contracting, finance, legal, and other appropriate participants in order to address entity-wide needs. For example, the USAID acquisition and assistance strategy outlines specific steps to reduce bureaucratic burdens, both for their partners and internally, workforce capacity building, and increased staffing.[18] USAID pairs this with an implementation plan that describes the actions undertaken to execute the acquisition strategy.[19] The implementation plan also includes specific metrics linked to the objectives to monitor and track success.

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[16] Government Performance and Results Act (GPRA) Modernization Act of 2010, Public Law (P.L.) 111-352, § 306 (a) (1), (2).
[17] Framework for Assessing the Acquisition Function at Federal Agencies, GAO-05-218G, p. 14.
[18] Acquisition and Assistance Strategy, USAID, Issued March 7, 2023, Letter from Administrator Power.
[19] Acquisition and Assistance Strategy Implementation Plan, USAID, Public draft undated but updated on a rolling basis, p. 3.

DFC has not developed a formal acquisition strategy. This is because ACQ officials believe the current process in place is adequate, so an acquisition strategy is not necessary. Under the current process, acquisitions are planned at the department level, with Vice Presidents (VP) determining the needs of their department and placing acquisition requests to the Budget office as part of the annual budget formulation process. The budget team analyzes the acquisition requests from across the corporation and makes recommendations to the Office of the Chief Executive (OCE) for approval or disapproval. This analysis can include whether the request has already been met by another department, if the department could use reprogrammed funds, or if the amount requested for the acquisition is considered high based on an inappropriate estimate. OCE assesses the budget team's recommendations and makes a final determination on the acquisition requests. Once approved by OCE, the Budget office establishes a requisition for the item in DFC's accounting system. At that point, the individual departments work with ACQ to initiate the acquisitions process. While we acknowledge that can be considered a budget and acquisition process, it is not an acquisition strategy as defined and recommended by GAO.

> A recent example of a federal agency's acquisition strategy is the 2023 Acquisition and Assistance Strategy developed by USAID. This strategy addressed both acquisitions through contracting and assistance through grant-making. The acquisition strategy is explicitly tied to the USAID vision, which is part of the USAID strategic plan. Specifically, USAID developed three acquisition and assistance objectives that support the agency's vision. While the USAID strategy is not an exact template for DFC's acquisition strategy, the USAID strategy contains components that would be valuable for the DFC to consider. Among these is the objective of assessing and rightsizing workforce capacity for effective acquisitions. The USAID strategy would be a valuable source to consider as DFC builds its own acquisition strategy.

Further, DFC lacks a formal acquisition strategy that articulates a roadmap to address challenges and help ensure the acquisitions function is effectively supporting DFC's overall mission and strategy. This report already highlights areas DFC can improve, including a more inclusive procurement process with relevant stakeholders, ensuring policies and procedures are in place, a more effective utilization of CORs, ensuring the appropriate CIO reporting structure, and correcting data integrity issues. These issues will be exacerbated as DFC continues to grow. Between FYs 2022 and 2023, DFC executed goods and services contracts totaling $83.8 million. In the coming years, the number of goods and services contracts will likely grow significantly. Congress is considering doubling DFC's maximum contingent liability to $120 billion, and DFC staffing and goods and services contracts would need to grow to meet this demand.

DFC routinely acquires certain IT products, personnel services, legal services, and third-party consultants. These are important acquisitions for DFC's operations and a formal acquisition strategy articulating how these routine acquisitions help to effectively address agency challenges, overall mission, and strategy should be developed. A formal acquisition strategy should not only include routine acquisitions, but also uncommon acquisitions as well. For example, consulting services for DFC's realignment was not a routine acquisition, but a crucial one that restructured the agency to further DFC's aim for global development through its financial products.

Developing a formal acquisition strategy will require the expertise and collaboration of staff across the corporation, including at a minimum key staff from ACQ, the Budget office, the Office of

General Counsel (OGC), and OIT. However, coordinating the development of a formal strategy will require leadership from senior staff with responsibility across the organization to ensure collaboration and a far-sighted strategic vision. Consequently, the OCE is the most appropriate Office to lead the development of a formal acquisition strategy.

We made the following recommendation to the CEO:

- **Recommendation 3**: Engage relevant stakeholders to develop a formal acquisition strategy that supports the corporation's mission and strategic plan.

Finding #3: DFC Can Enhance Acquisition Governance by Developing and Implementing Additional Policies and Procedures, and Clarification of Which Acquisition Laws and Regulations Apply to DFC



Policies and procedures, laws, and regulations contain the basic principles that govern the way an entity performs acquisitions. They govern the planning, award, administration, and oversight of acquisition efforts. Effective policies and procedures are accompanied by controls to ensure activities are translated into practice to achieve intended results.[20] While ACQ has worked to develop some policies and procedures, improvement is needed in its overall use of policies and procedures. Specifically, additional policies and procedures need to be completed and more accessible to applicable individuals in a central location. In addition, DFC should clarify and document the entity-wide process for developing or updating policies and procedures. Finally, DFC should resolve conflicting positions on which sections of federal acquisition laws and regulations apply to the corporation.

DFC's Acquisitions Division's Policies and Procedures Need Improvement

The DFC OA's function is outlined in an operational directive requiring ACQ to develop and implement procurement policies and procedures. A follow-on ACQ policy states that this will include the preparation and issuance of an acquisition handbook, acquisition notes, and templates. Policies in the handbook will "ensure the business practices are consistent throughout DFC" and contain critical acquisition areas such as planning, contract methods, competition, special contracting categories, oversight, and approval. Acquisition notes, which are used to communicate

[20]Framework for Assessing the Acquisition Function at Federal Agencies, GAO-05-218G, September 2005, p. viii and 13.

policy and other updates, are issued by either the Senior Procurement Executive and/or Head of Contracting Activity, will be integrated into this document.[21]

While ACQ has implemented some policies and procedures in the form of acquisition notes and templates, additional policies or procedures are needed. For example, ACQ does not have a policy or procedure stating what documents should be included in the contracting file for different contract types. COs determine what documents are required by reviewing the FAR, but the FAR is a highly technical regulation that is not written specifically for DFC's environment.[22] ACQ has also not developed guidance for the roles and responsibilities of a GTM.[23] ACQ identified several areas for which policies and procedures did not exist. These areas are shown below:

Missing Policies and Procedures

	Documents to include in the contracting file based on contract type	Outlining roles and responsibilities for a GTM	Procedures for how the COR conducts contractor oversight	Justifications and approvals – sole source acquisitions	Guidelines for interacting with industry – solicitation, evaluation, or notifications

Source: OIG analysis and discussions with DFC Acquisitions officials

In addition, the policies and procedures ACQ has developed are not centrally located, difficult to locate, and some are accessible only to ACQ staff. For example, DFC's OA intranet site has a link titled "OA Policies, Forms, and Procedures." When you select that link, it states it is the "centralized repository" for all OA-related policies, including ACQ. However, no ACQ policies are provided at this location. It only includes links to template forms for actions such as the nomination of a COR, a contractor's progress report, or certifying a contract's closeout.

Furthermore, policies in the form of acquisition notes are only accessible to acquisition staff and CORs on a separate Microsoft Teams site. This is because ACQ officials determined such information was only useful to those individuals. However, even for those employees with access to the guidance documents, the documents are dispersed on different internal ACQ shared drives and require navigating through several links to access. Therefore, employees must not only know where to begin their search but also navigate through multiple levels of links to find the acquisition notes. Hence, it is currently challenging for employees to find specific acquisition policies and

[21] DFC Acquisition Policy & Procedures SharePoint, DFC-OA-ACQ-002-2021, effective February 8, 2021.
[22] FAR 4.802 Contents of a Contract File.
[23] A GTM's role, as defined in 48 CFR § 642.271, is to assist the COR in monitoring a contractor's performance. The contracting officer may appoint a GTM because of physical proximity to the contractor's work site, or because of special skills or knowledge necessary for monitoring the contractor's work. The contracting officer may also appoint a GTM to represent the interests of another requirements office or post concerned with the contractor's work. A GTM shall be a direct-hire U.S. Government employee.

procedures. In conducting this audit, we found that this issue was not isolated to OA, and is systemic across the corporation, as discussed in the next section.

We recommend the DFC's CEO direct the VP of Administration and Chief Administrative Officer to:

- **Recommendation 4**: Review current acquisition policies to ensure they are up to date, consistent, and identify gaps that need to be addressed.
- **Recommendation 5**: Create ACQ policies and procedures to address gaps identified during the audit and in subsequent ACQ reviews pursuant to Recommendation 4.
- **Recommendation 6**: Ensure the OA Policies, Forms, and Procedures are centrally located and accessible to all DFC staff.

DFC's Office of the Chief Executive Needs to Standardize the Policy and Procedure Process

In 2022 DFC assessed the corporation's enterprise-level risks and opportunities. One major risk identified was policy and procedure documentation.[24] The report stated the corporation needed to better document and streamline policies and procedures, and standardize decision-making frameworks, to support future growth. DFC issued an updated report in August 2024, that reiterated DFC's policies and procedures as a risk because, in some cases, they can be inefficient, overlapping, or unclear. The report also listed the communication of new and updated policies and procedures to the corporation as an opportunity for improvement.[25]

DFC's OCE has not implemented a standardized process for the development, review, approval, and communication of the corporation's policies and procedures. Instead, the responsibility of developing and maintaining policies and procedures is delegated to the VP or manager of each office in the corporation.[26] This has led to policies being fragmented, inconsistent, and difficult to find.

DFC's OCE has also assigned the responsibility for identifying which policies and procedures require CEO approval to the VP or manager of each office. We found that OCE, in some cases, is not involved in the approval of critical policies and procedures, and instead has left the review and vetting up to the OGC.

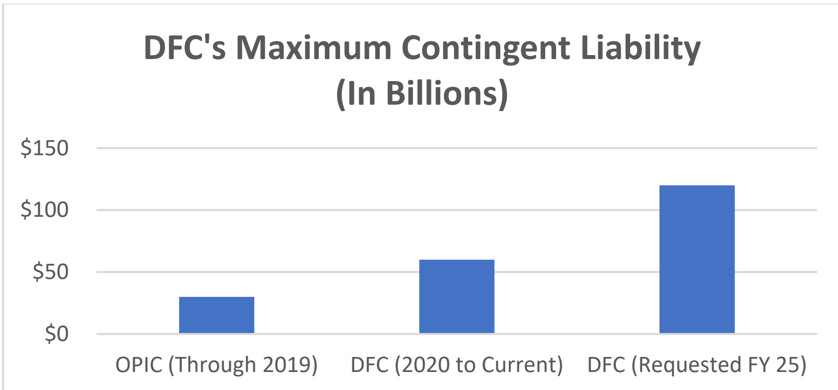
We spoke with acquisition officials and others across the corporation about how their office identifies, develops, documents, approves, and communicates their division's policies and procedures, and found this process was ad-hoc. OIT is the only office with a documented policy and procedure development process.

DFC has grown significantly and quickly since it officially began operations in January 2020. At that time, the corporation had 300 full-time government employees and 114 contractors, and its

[24] DFC FY 2022 Risk and Opportunity Profile, September 30, 2022, p. 7.
[25] DFC 2024 Risk and Opportunity Profile Report, August 2024, p. 15-16.
[26] DFC, "CEO Directives and Corporation Policy and Procedures", Directive AD-001, effective January 1, 2020, p. 1-3.

maximum contingent liability doubled from $30 billion (under the predecessor entity OPIC) to $60 billion.[27] As of July 2024, DFC had 667 full-time government employees and 274 contractors.[28] This rapid growth has caused challenges for the organization as it moves from a small government entity to a medium-sized entity. The U.S. Congress is currently considering increasing the corporation's maximum contingent liability to $120 billion in the coming years.

The Corporation's Maximum Contingent Liability Over Time Including OPIC, Current, and the Proposed Increase



Source: Data from DFC management

Thus, DFC's challenges with handling growth and change management are unlikely to subside. Therefore, it is critical that DFC develops and organizes its policies now to help ensure future success.

We recommend the DFC's CEO:

- **Recommendation 7**: Develop and implement an agency-wide process for the development, review, and approval of the corporation's policies and procedures.

Conflicting Positions on Which Sections of Critical Federal Acquisition Laws and Regulations Apply to DFC

When acquiring goods and services, most federal agencies are required to follow the FAR. When those goods and services involve IT, they must also comply with federal laws and regulations such as the Chief Financial Officers Act of 1990 (CFO Act),[29] FITARA,[30] and the OMB Circular No. A-130 on Managing Information as a Strategic Resource.[31] However, the BUILD Act established DFC as a wholly owned government corporation.[32] As a result, certain laws and regulations do not apply to DFC depending on the statute. For example, DFC is not subject to the CFO Act because

[27] The number of contractors is composed of nine PSCs and 105 contractors.
[28] This number of contractors is composed of 25 PSCs and 249 contractors.
[29] P.L. 101-576, codified at 31 U.S.C. § 901 et seq.
[30] P.L. 113-291 (Title VIII, Subtitle D of the NDAA for FY 2015).
[31] OMB Circular No. A-130, "Managing Information as a Strategic Resource."
[32] 22 U.S.C. § 9612(a).

it is not currently listed as one of the federal agencies that must comply with the Act.[33] Additionally, the BUILD Act also gave DFC certain corporate powers and flexibilities in its acquisitions.[34]

FAR Applicability

There is a lack of clarity among DFC officials as to the extent and applicability of FAR exemptions in the BUILD Act, and OGC has not come to a consensus on the topic. However, DFC acquisition officials stated that they follow the FAR for all goods and services contracts. While it is OGC's responsibility to advise OCE on compliance with laws and regulations, OCE has not developed a policy regarding what laws and regulations apply, or those that will be implemented as a best practice.

The lack of an official policy regarding FAR applicability has led to situations in which acquisition officials have been repeatedly asked by other operational units to acquire goods or services by circumventing the FAR to obtain items quickly. This may be, in part, because some DFC officials believe the process is not as fast or efficient as is warranted and needed for a government corporation. Acquisition officials told us they have consistently declined such requests. Acquisition's position is that before a non-FAR procurement could take place, DFC would need to have specific policies and procedures that clearly outline this authority, justification, and the circumstances in which such procurements would occur.

DFC's OCE has not issued a policy regarding appropriate FAR exemptions. This has caused -- and continues to create -- ambiguity, disagreement, and confusion among staff. DFC has requested that Congress expand its authority to exempt the corporation's procurement contracts from government contracting rules as part of DFC's reauthorization. In addition to its current authority to exempt procurement contracts from the FAR, DFC has requested the authority to exempt such contracts from all provisions of Title 41, United States Code (U.S.C).

The FAR applies to "all Executive agencies,"[35] which are defined in the FAR to include "any wholly owned Government corporation."[36] DFC is a wholly owned government corporation. Thus, DFC is generally subject to the FAR. The FAR defines the term acquisition as "the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease."[37] This would include not only DFC's domestic contracts for supplies or services, but also any other contracts through which DFC acquires supplies or services for its use. However, Section 1432(a)(2) of the BUILD Act, states that DFC "*may make and perform such contracts, including no-cost contracts (as defined by the Corporation), grants, and other agreements notwithstanding division C of subtitle I of title 41, United States Code, with any person or government however designated and wherever situated, as may be necessary for carrying out the functions of the Corporation*."[38] In DFC's proposed

[33] 31 U.S.C. § 901.
[34] 22 U.S.C. § 9632(a).
[35] 48 C.F.R. § 1.101.
[36] 48 C.F.R. § 2.101.
[37] 48 C.F.R. § 2.101.
[38] 22 U.S.C. § 9632(a)(2) (emphasis added).

legislation changes to Congress under its reauthorization, DFC asks for the removal of "division C of subtitle I of".[39] By striking this verbiage, it would effectively allow the corporation to exempt itself from following not only the FAR, but all other contracting provisions under Title 41.[40]

Agencies that have exemptions or acquisition independence from the FAR, such as the Federal Aviation Administration and U.S. Postal Service, have their own extensive acquisitions policies and procedures. As this audit found, DFC does not have a formal acquisition strategy with corresponding acquisition policies and procedures for officials to adhere to should the corporation receive further authority to exempt itself from contracting rules.

Applicability of Laws and Regulations Related to IT Acquisition and Management

FITARA, which reformed and modernized the way covered federal agencies plan, acquire, and manage IT acquisitions, applies only to agencies covered by the CFO Act. As previously stated, DFC is not subject to the CFO Act.

Since FITARA's enactment, OMB published guidance to ensure FITARA's consistent and effective application across the federal government. This includes OMB Circular No. A-130, which establishes general policy for the planning, budgeting, governance, acquisition, and management of IT resources, supporting infrastructure, and services. It effectively incorporates most, if not all, of FITARA. Circular A-130 states that its requirements "*apply to the information resources management activities of all agencies of the Executive Branch of the Federal Government*," including Federal Government corporations.[41]

DFC officials have questioned the extent to which Circular A-130 applies to DFC. In June 2024, during the course of our audit, OGC issued a memo stating:

- FITARA does not apply to DFC as a matter of law, because DFC is not listed in the CFO Act and therefore does not fall under FITARA's definition of covered agency.
- A-130 applies to all agencies of the executive branch including government corporations, and DFC is a government corporation; therefore, DFC is subject to A-130.
- A-130, section 5(a)(3) is to be implemented "in accordance with FITARA and OMB policy;" hence, the requirements of 5(a)(3) will apply to DFC if/when it meets the definition of covered agency under FITARA.
- In the FITARA implementing policy (M-15-14), OMB encourages, but doesn't require, non-covered agencies to apply the principles of FITARA. As a matter of good practice DFC may choose to apply select FITARA policies (and their implementing guidance in

[39] DFC Reauthorization Proposal July 26, 2024, Section 9, Technical Corrections. DFC states that the proposed removal of this clause would "clarif[y] the scope of the Corporation's exemption from the Federal Acquisition Regulations in contracting to carry out its functions." However, the effect of such a change appears broader than a mere clarification.
[40] Title 41 contains other laws regulating contracts, including service contract labor standards, contract disputes, drug-free workplace, Buy American, purchase from the blind and disabled, and the Anti-Kickback Act.
[41] OMB Circular No. A-130, p. 3, section 3 and footnote 2.

M-15-14), including the policies described in Section 5(a)(3) of A-130, taking into account DFC's size, resources, maturity, nature of operations and risk profile.

OIT officials stated they believe FITARA is applicable under Circular A-130, and this position is reflected in their OIT Office Function Directive (issued January 2020) and the IT procurement policy (issued November 2023). OIT officials further stated that FITARA provides many best practices for planning, acquiring, and managing IT acquisitions.

DFC's OCE has not addressed these concerns by pronouncing the corporation's position on these laws and OMB guidance in the corporation's Office Function Directives for OIT and OA. This has caused ambiguity and differing opinions between DFC officials across the corporation. These differing opinions led to a critical IT procurement policy being held up for approval and issuance for almost a year.

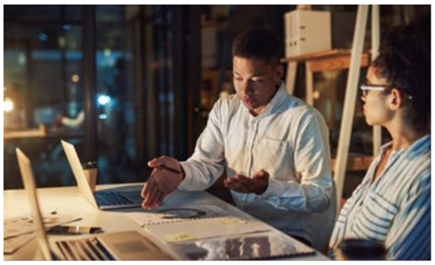
The Office of Inspector General's legal interpretation is that FITARA does not apply to DFC **statutorily** because DFC is not subject to the CFO Act. However, Circular A-130 fully applies to DFC, effectively making the requirements of FITARA applicable to DFC. As stated above, Circular A-130 plainly states: "*The requirements of this Circular apply to the information resources management activities of <u>all agencies of the Executive Branch</u> of the Federal Government.*"[42] The circular further defines "agencies" to include Federal Government corporations.[43] The only exemption provided in the circular is for national security systems. Thus, absent an explicit exception, the requirements of Circular A-130 apply in full to DFC. OGC's analysis and conclusion about the applicability of FITARA through Circular A-130 should be reassessed prior to OCE adopting the corporation's position. It is important for DFC to follow OMB Circular No. A-130, and by extension FITARA, because it gives the CIO certain authorities to effectively manage and oversee the corporation's information resources and IT acquisitions in alignment with the corporation's goals and federal requirements. This will enable the corporation to be more effective, transparent, and well-functioning, both now and as it grows.

We made the following recommendations to DFC's CEO:

- **<u>Recommendation 8</u>**: Reassess the corporation's position on adherence to OMB Circular No. A-130 and update the OIT Directive accordingly.
- **<u>Recommendation 9</u>**: Update the OA Directive to reflect the corporation's position on adherence to the FAR.

[42] OMB Circular No. A-130, p. 3, section 3 (<u>emphasis added</u>).
[43] OMB Circular No. A-130, p. 3, footnote 2.

Finding #4: DFC Can Enhance Acquisition Roles and Responsibilities by Documenting the Current Chief Information Officer Reporting Structure and Improving the Use and Management of Contract Monitors



DFC can strengthen acquisition roles and responsibilities by documenting the current CIO reporting structure and improving the use and management of contract monitors. Specifically, while DFC has corrected the improper CIO reporting structure, this correction has not been made permanent through policy. In addition, ACQ needs to improve the use and management of CORs and GTMs.

Although Improper Chief Information Officer Reporting Structure Has Been Corrected, This Has Not Been Made Permanent Through Policy

IT is at the core of nearly everything an entity does. The importance of IT and IT acquisitions in government entities is demonstrated through the extensive laws, regulations, and guidance provided to government officials. This includes the Clinger-Cohen Act, passed in 1996 to reform acquisition laws and IT management of the Federal Government.[44] The Act established agency CIO positions, their reporting structure, roles, and responsibilities within an agency, and streamlined the Federal IT procurement process. FITARA, OMB Circular No. A-130 on Managing Information as a Strategic Resource, and OMB Memorandum M-15-14 on Management and Oversight of Federal Information Technology, all build and expand upon the Clinger-Cohen Act.

The Clinger-Cohen Act (and carried forward in FITARA and OMB guidance) requires federal agency heads to designate a CIO "*who shall report directly to such agency head to carry out the responsibilities of the agency.*"[45] This has been interpreted and implemented by some agencies to have the CIO report to, if not the agency head, an individual within leadership at a high enough level to adequately communicate IT concerns and promote IT decision-making without interference. Since DFC began operations in January 2020 through March 2023, the CIO reporting structure did not consistently comply with this Clinger-Cohen requirement. Specifically, from April through September 2023, DFC's CIO reporting structure was not in compliance with these laws and guidance as the CIO did not report to a corporation head or an individual within leadership at a high enough level to adequately communicate IT concerns and promote IT decision making without interference. Instead, the CIO was reporting to a non-career, Senior VP of

[44] P.L. 104-106, codified 40 U.S.C. § 11315(b).
[45] 44 U.S.C. § 3506, Federal Agency Responsibilities, Clinger-Cohen Act.

Administration, who in turn reported to DFC's Chief of Staff, who then reported to DFC's CEO and/or Deputy CEO. Furthermore, over the prior two years, the CIO had five different formal supervisors and one informal supervisor.

It is important for the CIO to report to the appropriate individual in leadership so they can voice concerns regarding current and proposed IT acquisitions, and have those concerns adequately addressed. This helps DFC leadership conduct effective governance over IT resources, and for the CIO to effectively manage those resources. As noted in this report, the Acquisitions division purchased an acquisition software system without the full review and approval of the CIO. An appropriate CIO reporting structure, combined with a proper acquisition process, could have mitigated the problematic roll-out of the new system and its cost overruns.

When the issue of the CIO's non-compliant reporting structure was brought to the attention of DFC's Deputy CEO, immediate action was taken. Since October 2023, DFC's CIO has reported directly to the Deputy CEO, in compliance with Clinger-Cohen, FITARA, and OMB guidance. Although this is currently being followed, it has not been made permanent through official DFC policy. DFC's OCE has not implemented a policy clarifying which sections of Clinger-Cohen apply to the corporation, and how these sections, such as the CIO's reporting structure, will be followed. This is due to differing opinions amongst OGC and OIT regarding the applicability of Clinger-Cohen. OGC officials believe Clinger-Cohen partially applies to DFC "depending on which sections of the U.S. Code it amends," whereas OIT officials believe Clinger-Cohen fully applies to DFC. Furthermore, the recently issued IT Procurement Policy developed by OIT states it is "*in accordance with federal mandates and requirements in Clinger-Cohen.*"[46]

We agree with OGC that Clinger-Cohen is only partially applicable to DFC. Our legal interpretation is that the "general responsibilities"[47] of a government CIO <u>do apply</u> [<u>emphasis added</u>] because DFC is an "executive agency"[48] meaning the CIO should be reporting to, if not the corporation head, an individual within leadership at a high enough level to adequately communicate IT concerns and promote IT decision making without interference. Regardless of what DFC is legally required to follow, OCE should also consider what the corporation should follow as best practice.

We made the following recommendation to the DFC's CEO:

- **<u>Recommendation 10</u>**: Approve a policy that clearly defines how the Clinger-Cohen Act applies to DFC, particularly the CIO's reporting structure.

DFC's Acquisitions Division Needs to Improve Use and Management of Contracting Officer's Representatives and Government Technical Monitors

COs are responsible for ensuring the performance of all necessary actions for effective contracting and safeguarding the interests of the United States in its contractual relationships. COs designate, in writing and in accordance with corporation procedures, the COR on a contract, as appropriate.

[46] Office of Information Technology, IT Procurement Policy, initial draft dated November 7, 2023.
[47] 40 U.S.C. § 11315(b).
[48] 40 U.S.C. § 11101(2).

CORs assist in the technical monitoring of the contract, ensuring contractors meet their commitments. CORs must be certified and maintain their certification in accordance with the OMB memorandum on the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR).[49] OMB currently has three levels (I, II, and III) of COR certification with varying requirements for training, experience, and continuous learning, depending on the types of contracts monitored. ACQ policy supplements this requirement by including a contract's complexity and monetary value in determining the appropriate COR level. OMB training guidance and DFC ACQ policy, as of 2024, are summarized below.

Summary of Training and Learning Requirements for Each COR Level

COR Level	Training Requirement	Experience Requirement	Continuous Learning Requirements	Contract Monetary Threshold	Contract Complexity Threshold
COR Level I	8-hours	No prior experience	8-hours every two years	Below $250,000	None
COR Level II	40-hours	1-year prior COR experience	40-hours every two years	Between $250,000-$25,000,000	Moderate to high contract complexity
COR Level III	60-hours	2-years of prior COR experience	40-hours every two years	Above $25,000,000	Highly complex mission-critical contracts

Source: OIG analysis of data provided by DFC

DFC had a total of 669 full-time government employees and 95 designated CORs as of July 2024. This included 55 Level I, 35 Level II, and 5 Level III CORs. Therefore, the 95 CORs are required to complete a total of 2,040 hours every two years in COR continuous learning coursework alone. Furthermore, all of DFC's designated CORs are performing this role in addition to their primary job responsibilities. DFC's large number of designated CORs is because DFC has not developed a strategy for the designation and use of CORs, rather CORs are appointed by VPs as individual contracts are awarded.

For three of the six contracts reviewed, the assigned CORs oversaw contracts valued above the ACQ policy threshold for their COR level. The three CORs had Level I certification but oversaw contracts valued at $492,000 (Contractor 4), $4.3 million (Contractor 3), and $6.6 million (Contractor 1), above the ACQ policy of $250,000. Additionally, COR appointment letters could not be provided for three of the six contracts reviewed (Contractor 3, Contractor 4, and Contractor 5), as required by the FAR..[50] This resulted in $4.97 million of invoices for the three contracts that were approved without the required documentation (COR appointment letters) authorizing their approval of invoices. ACQ management has not developed a process to periodically analyze DFC's contract files to more effectively oversee COR's appointments and authorizations. Managing this large number of CORs, tracking, and ensuring everyone meets the required training and annual

[49] FAR 1.602-2 Responsibilities and 1.604 Contracting Officer's Representative.
[50] FAR 1.604 (a) Contracting Officer's Representative.

certification is extremely time-consuming for ACQ staff. One solution might be to hire or appoint individuals in departments whose full-time job is that of a COR.[51]

Analysis of Contract COR Threshold and Appointment Letters

Contractor	Good or Service	Amount	COR Exceeded Monetary Threshold	COR Appointment Letter
Contractor 1	AMS	$6.6 Million	Yes	Yes
Contractor 2	IT Consulting Services	$4.5 Million	No	Yes
Contractor 3	Consulting Services	$4.3 Million	Yes	No
Contractor 4	Consulting Services	$492,000	Yes	No
Contractor 5	Hardware	$202,903	No	N/A
Contractor 6	Legal Services	$83,004	No	Yes

Source: OIG analysis of data provided by DFC

We also noted that DFC relies on GTMs for many contracts. Three of the six contracts we reviewed used GTMs. These GTMs were effectively doing the job of a COR, conducting the day-to-day monitoring and oversight of the contract. The "COR" relied on the GTM, as the subject matter expert, to perform oversight, while the "COR" approved invoices for payment. This puts ACQ in the position of not only managing a large number of CORs, but also having GTMs effectively doing the job of a COR. This occurred because, like CORs, DFC has not developed a strategy for using GTMs. Additionally, ACQ has not clearly defined the roles and responsibilities of GTMs in their acquisitions policies and procedures. The FAR is silent on the use of GTMs, their roles, and responsibilities. However, an example can be found in the Department of State's Acquisition Regulation, as follows:

> "*The contracting officer may appoint a Government Technical Monitor (GTM) to assist the Contracting Officer's Representative (COR) in monitoring a contractor's performance. The contracting officer may appoint a GTM because of physical proximity to the contractor's work site, or because of special skills or knowledge necessary for monitoring the contractor's work. The contracting officer may also appoint a GTM to represent the interests of another requirements office or post concerned with the contractor's work. A GTM shall be a direct-hire U.S. Government employee.*"[52]

[51] This includes individuals hired under the 1102 job series referred to as Contract Specialists or Contract Administrators.
[52] Department of State Acquisition Regulation, Section 642.271 – Government Technical Monitor (GTM), June 12, 2024.

Therefore, while this division of labor between a COR and GTM is not prohibited under FAR, a clear policy defining a GTM's role and responsibility should be developed and implemented.

We also found that ACQ did not use a separate COR for the procurement and implementation of the new AMS, a product that could be defined as a major acquisition due to its impact across all DFC divisions and high dollar value. Instead, the CO, who was also the Head of Contracting, performed dual roles of the CO and COR for this acquisition.

We also noted the CO did not provide evidence of completing required contractor oversight. Specifically, the CO was required per the AMS contract to complete government quality assurance by preparing monthly written reports for the AMS contractors' performance. This occurred because ACQ did not have an established policy in place regarding which acquisitions should or must use a COR, which acquisitions do not require a COR, and how CORs should conduct contract quality assurance. The FAR provides COs broad latitude over how to best effectively manage a contract, including acting as both the CO and COR.[53] However, given the number of issues encountered with the acquisition planning, coordination, and implementation of the AMS system, having a COR may have mitigated some of these challenges.

We recommend the DFC CEO direct the DFC's VP and Chief Administrative Officer to:

- **Recommendation 11**: Develop a strategy for effectively and efficiently using CORs and GTMs.
- **Recommendation 12**: Define the roles and responsibilities of a GTM in acquisition policies and procedures.
- **Recommendation 13**: Define in the acquisition policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.
- **Recommendation 14**: Develop a process to periodically analyze DFC's contract files to determine the completeness and accuracy of COR levels and appointment letters.

Finding #5: Data Migration Issues Continue to Impact Acquisition Reporting

Management needs to process data into quality information to make informed decisions and evaluate performance towards achieving objectives and managing risks. Quality information should be appropriate, current, complete, accurate, accessible, and provided on a timely basis.[54] The Acquisitions division, using the new AMS, could not provide us with a comprehensive, accurate report of all DFC acquisitions between October 1, 2021, through September 30, 2023 (FY 2022 – FY 2023). Instead, we had to merge separate reports containing the information needed, including vendor name, award numbers, modifications, period of performance, and obligation amounts. Furthermore, these reports included inaccurate data for 'period of performance' and 'obligation' amounts.

[53] FAR 1.602-2 Responsibilities.
[54] Federal Internal Controls, 13.05 – Data Processed into Quality Information, GAO-14-704G, p. 59-60.

Out of a total of 1,372 contracts provided at the beginning of the audit in October 2023, 1,110 (or 81 percent) showed the improper period of performance start date of January 1, 1900. Additionally, five contracts showed unusually high award obligation amounts of $4.8 billion, $1.1 billion, $383.8 million, $35 million, and $19.7 million. This was caused by both improper data migration issues from the legacy system into the new AMS, and data pulled from the new system into an Excel report.[55] For example, the $4.8 billion obligation figure shown was for the purchase of three items totaling $40,000 each. Instead of multiplying $40,000 by three ($40,000 x 3) for a total obligation of $120,000, the system multiplied $40,000 by $40,000 by three ($40,000 x $40,000 x 3), leading to the $4.8 billion obligation amount shown in the report. These inaccurate obligation amounts were restricted to the new AMS only and had no impact on DFC's financial system of record or its financial statements.

Results of Improper Data Migration into the New AMS

1,372 Contracts $83.8 Million	1,110 contracts (81 Percent) with an improper period of performance of "1/1/1900"	Five contracts with unusually high award obligations, totaling more than $6.33 billion, which is more than all of the contracts combined.

Source: OIG analysis of data provided by DFC

Acquisition officials were aware of these data issues and worked on solutions during the course of this audit. The inaccurate obligation figures were corrected but the incorrect period of performance data is still being addressed. Without quality information on the goods and services being acquired, DFC management is unable to efficiently manage these acquisitions and make effective decisions as the corporation grows.

We make the following recommendation to the DFC's CEO:

- **Recommendation 15**: Resolve the remaining AMS data migration issues and verify that data can be reliably exported.

[55] Specifically, certain data fields between the legacy system and the new system were incompatible or absent, creating errors in the new system such as the incorrect default date of "1/1/1900" in the period of performance.

Conclusion

The audit determined that DFC generally complied with applicable goods and services contract regulations, policies, and procedures. However, improvements can be made with their process, strategy, policies and procedures, roles and responsibilities, and data reliability. Specifically, DFC lacks a formal coordination process for effectively acquiring major acquisitions, resulting in $6.6 million in unsupported questioned costs. DFC does not have a formal acquisition strategy and their acquisition policies and procedures can be strengthened. Further, DFC has not standardized its process for developing, reviewing, approving, and communicating goods and services' contract policies and procedures. Additionally, DFC has not issued policies regarding its position and adherence to specific laws, regulations, and guidance impacting acquisitions. Finally, DFC could more effectively use CORs and GTMs, and existing errors in data should be corrected.

DFC Lacks a Formal Coordination Process for Effectively Procuring Major Acquisitions, Resulting in $6.6 Million in Unsupported Questioned Costs:

ACQ awarded a $3.4 million contract for the new AMS on October 1, 2021. However, since that time, ACQ has had to request several million dollars in additional funding to integrate and implement the new system. As of February 2024, DFC has executed modifications and new contracts almost doubling the original budget, bringing the system's total current costs to $6.6 million. While the new system did provide ACQ with a centralized workspace and a single place of record for contracting, from planning to closeout, key assumptions identified in their initial budget and justification request were either missing or incorrect, including an unplanned system integration, the need for more staffing, additional user licenses, and the incorrect assumption of decreased administrative time for CORs. These were due to multiple reasons. First, DFC had not defined what was considered a major acquisition or major IT acquisition. Second, for all major acquisitions, DFC had not formalized an integrated acquisitions review process, like an IPT as recommended by OMB, for planning and managing such important acquisitions. Finally, we found that DFC's purchase of the new AMS was not adequately planned and coordinated. While ACQ did communicate with other DFC divisions regarding the new AMS, this acquisition was not supported with effective input and coordination of key stakeholders in OIT and Financial Management.

DFC has not Developed a Formal Acquisition Strategy Supporting DFC's Mission and Strategic Plan:

DFC lacks a formal acquisition strategy that articulates a roadmap to address challenges and help ensure the acquisitions function is effectively supporting DFC's overall mission and strategy. The GAO found that leading federal agencies implement an acquisition strategy that helps to support the agency's mission and strategic plan.[56] Developing a formal acquisition strategy will require the expertise and collaboration of staff across the corporation, including at minimum key staff from ACQ, the Budget Office, OGC, and OIT. However, coordinating the development of a formal strategy will require leadership from senior staff with responsibility across the organization to help

[56] Framework for Assessing the Acquisition Function at Federal Agencies, GAO-05-218G, p. 14.

ensure full collaboration and a far-sighted strategic vision. Consequently, the OCE is the most appropriate Office to lead the development of a formal acquisition strategy.

DFC Can Enhance Acquisition Governance by Additional Development of Policies and Procedures and Clarification of Which Acquisition Laws and Regulations Apply to DFC:

Policies and procedures, laws, and regulations contain the basic principles that govern the way an entity performs acquisitions. They govern the planning, award, administration, and oversight of acquisition efforts. Effective policies and procedures are accompanied by controls to ensure activities are translated into practice to achieve intended results. While ACQ has worked to develop some policies and procedures, improvement is needed in its overall use of policies and procedures. DFC issued an updated report in August 2024, that reiterated DFC's policies and procedures as a risk because, in some cases, they can be inefficient, overlapping, or unclear. The report also listed the means of communicating new and updated policies and procedures to the corporations as an opportunity for improvement.[57] Moreover, additional policies and procedures need to be completed and more accessible to applicable individuals from a central location. DFC also would benefit from clarifying and documenting the entity-wide process for developing or updating policies and procedures. Finally, DFC ought to resolve conflicting positions on which sections of critical federal acquisition laws and regulations apply to the corporation.

DFC Can Enhance Acquisition Roles and Responsibilities by Documenting the Current Chief Information Officer Reporting Structure and Improving the Use and Management of Contract Monitors:

DFC can strengthen acquisition roles and responsibilities by documenting the current CIO reporting structure and improving the use and management of contract monitors. When the issue of the CIO's non-compliant reporting structure was brought to the attention of DFC's Deputy CEO, immediate action was taken. Since October 2023, DFC's CIO has reported directly to the Deputy CEO, in compliance with Clinger-Cohen, FITARA, and OMB guidance. Although this is currently being followed, it has not been made permanent through official DFC policy. In addition, ACQ needs to improve the use and management of CORs and GTMs, specifically by developing a strategy for effectively and efficiently using CORs and GTMs. The FAR provides broad guidance for the use of CORs, and some agency-level acquisition regulations further expound on the purpose of GTMs. ACQ's acquisition policies and procedures would be enhanced by defining the roles and responsibilities of the GTMs, as well as stating when a COR ought to be utilized for an acquisition.

Data Migration Issues Continue to Impact Acquisition Reporting:

Quality information should be appropriate, current, complete, accurate, accessible, and provided on a timely basis.[58] The Acquisitions division, using the new AMS, could not provide us with a comprehensive, accurate report of all DFC acquisitions between October 1, 2021, through September 30, 2023 (FY 2022 – FY 2023). Instead, we had to merge separate reports containing the information needed, including vendor name, award numbers, modifications, period of performance, and obligation amounts. Furthermore, these reports included inaccurate data for

[57] DFC 2024 Risk and Opportunity Profile Report, August 2024, p. 15-16.
[58] Federal Internal Controls, 13.05 – Data Processed into Quality Information, GAO-14-704G, p. 59-60.

'period of performance' and 'obligation' amounts. Out of a total of 1,372 contracts provided at the beginning of the audit in October 2023, 1,110 (or 81 percent) showed an improper period of performance start date of January 1, 1900. Additionally, five contracts showed unusually high award obligation amounts of $4.8 billion, $1.1 billion, $383.8 million, $35 million, and $19.7 million. This was caused by both improper data migration issues from the legacy system into the new AMS, and data pulled from the new system into an Excel report.

We made 15 recommendations to improve DFC's strategic approach to advancing its mission and to strengthen its internal control system. See **Summary of Recommendations and Management Comments** for additional details.

Summary of Recommendations and Management Comments

Recommendations for Finding #1:

We recommend that DFC's CEO:

1. Determine and document what constitutes a major acquisition and major IT acquisition for the corporation.

   Management Response: DFC concurs with this recommendation and will define and document these definitions.

   Target Resolution Date: 2nd Quarter of FY 2025

2. Develop and formalize an integrated acquisitions review process to ensure effective collaboration between key stakeholders on acquisitions, including major acquisitions and major IT acquisitions. The process should identify key stakeholders and define the phases when stakeholders must coordinate approvals before moving forward with the acquisition.

   Management Response: DFC concurs with this recommendation and will amend its procurement policies and procedures to address these matters.

   Target Resolution Date: 2nd Quarter of FY 2025

Recommendation for Finding #2:

We recommend that DFC's CEO:

3. Engage relevant stakeholders to develop a formal acquisition strategy that supports the corporation's mission and strategic plan.

   Management Response: DFC concurred with this recommendation and documented an acquisition strategy.

   Target Resolution Date: N/A – Completed

Recommendations for Finding #3:

We recommend that DFC's CEO direct the VP of Administration and Chief Administrative Officer to:

4. Review current acquisition policies to ensure they are up to date, consistent, and identify gaps that need to be addressed.

Management Response: DFC concurred with this recommendation, conducted a thorough review of its acquisitions policies, identified policy gaps, and updated the policies as needed.

Target Resolution Date: N/A – Completed

5. Create ACQ policies and procedures to address gaps identified during the audit and in subsequent ACQ reviews pursuant to Recommendation 4.

   Management Response: DFC concurred with this recommendation and created new acquisition policies and procedures to address the gaps identified in the analysis performed to address recommendation no. 4.

   Target Resolution Date: N/A – Completed

6. Ensure the OA Policies, Forms, and Procedures are centrally located and accessible to applicable DFC staff.

   Management Response: DFC addressed this recommendation by verifying that all acquisition policies, forms, and procedures are centrally located on the DFC intranet and accessible to relevant users.

   Target Resolution Date: N/A – Completed

We recommend that DFC's CEO:

7. Develop and implement an agency-wide process for the development, review, and approval of the corporation's policies and procedures.

   Management Response: DFC concurs with this recommendation and is already in the process of implementing a corporation-wide policy to address this matter.

   Target Resolution Date: 2nd Quarter of FY 2025

8. Reassess the corporation's position on adherence to OMB Circular No. A-130 and update the OIT Directive accordingly.

   Management Response: DFC concurs with this recommendation in so far as it relates to management determining what portions of Section 5(a)(3) of OMB Circular A-130 DFC will apply as a matter of good practice considering DFC's size, resources, maturity, nature of operations, and risk profile (which DFC is already doing to a large extent) and will update the OIT Directive based on accordingly taking into account the recommendations of its Chief Information Officer (CIO) and based on the legal advice from its Office of General Counsel (OGC).

   Target Resolution Date: 3rd Quarter of FY 2025

9. Update the OA Directive to reflect the corporation's position and adherence to the FAR.

   Management Response: DFC concurred with this recommendation and updated the OA Directive taking into account the recommendations of its Chief Acquisitions Officer (CAO) and based on the legal advice from its OGC.

   Target Resolution Date: N/A – Completed

Recommendations for Finding #4:

We recommend that DFC's CEO:

10. Approve a policy that clearly defines how The Clinger-Cohen Act applies to DFC, particularly the CIO's reporting structure.

    Management Response: DFC concurred with this recommendation and updated the OA Directive taking into account the recommendations of its Chief Acquisitions Officer (CAO) and based on the legal advice from its OGC.

    Target Resolution Date: 2nd Quarter of FY 2025

We recommend that DFC's CEO direct the VP of Administration and Chief Administrative Officer to:

11. Develop a strategy for effectively and efficiently using CORs and GTMs.

    Management Response: DFC documented a strategy for effectively and efficiently using CORs and GTMs.

    Target Resolution Date: N/A – Completed

12. Define the roles and responsibilities of a GTM in the acquisition policies and procedures.

    Management Response: DFC defined the roles and responsibilities of a GTM in acquisition policies and procedures.

    Target Resolution Date: N/A – Completed

13. Define in the acquisition policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.

    Management Response: DFC defined in the acquisitions policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.

Target Resolution Date: N/A – Completed

14. Develop a process to periodically analyze DFC's contract files to determine the completeness and accuracy of COR levels and appointment letters.

    Management Response: DFC concurred with this recommendation and developed and implemented a monitoring procedure to address this matter.

    Target Resolution Date: N/A – Completed

Recommendation for Finding #5:

15. We recommend that DFC's CEO direct ACQ and OIT to resolve the remaining AMS data migration issues and verify that data can be reliably exported.

    Management Response: DFC concurred with this recommendation and resolved the remaining data migration issues.

    Target Resolution Date: N/A – Completed

Appendix I: Objectives, Scope, and Methodology

The objective of this audit was to determine whether DFC complied with applicable Goods and Services contract regulations, policies, and procedures.

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. Additional guidance used include:

- FAR,
- Clinger-Cohen Act,
- FITARA,
- OMB Circular No. A-130,
- OMB Circular No. A-11, *Preparing, Submitting, and Executing the Budget*,
- GAO (Green Book), *Standards for Internal Control in the Federal Government*,
- GAO, "Framework for Assessing the Acquisition Function at Federal Agencies" GAO-05-218G, and
- DFC's internal policies and procedures related to acquisitions.

The scope of the audit was DFC goods and services contracts covering FYs 2022 through 2023. The project involved the review of relevant policies and procedures, the review of contract files and other relevant documentation, and interviews with relevant DFC officials.

This audit was conducted from October 2023 to October 2024 in Washington, DC. Using the entire universe of 1,372 goods and services contracts, valued at $83.8 million for FYs 2022 and 2023, the audit team judgmentally selected a sample of six contracts based on the dollar value, impact, and type of contract. The sample selection included both goods and service contracts including an equipment purchase, a major software system purchase, and various legal, consulting, and technical support services.

Each of the contracts and the associated documentation were reviewed from the pre-award phase through contract closeout. Reviews also included interviews with relevant personnel, both administrative and mission-specific. Fieldwork interviews included 39 DFC officials from seven offices including OA, OGC, OIT, the Office of the Chief Operating Officer, the Office of Financial and Portfolio Management, the Office of Development Policy, and the Office of the Chief Risk Officer.

The audit team also assessed whether DFC's acquisition management practices were planned strategically, effectively managed, and promoted the successful outcomes of major projects. In addition, the auditors also assessed various internal controls related to contract management including data reliability and invoice processing.

Appendix II: Summary of Sampled Contracts

Table 1 provides a list of the six sampled contracts selected for this audit.

Table 1: Project Summaries

Contractor Name	Brief Contract Description	Obligated Amount and Contract Type (Goods of Services)
Contractor 1	New AMS – Software System Purchase and Support Services	$6,619,371.00 Services
Contractor 2	DevOps – Technical Support Services	$4,545,251.10 Services
Contractor 3	Strategic Clarity and Org Improvement. DFC realignment planning – Consulting Services	$6,625,000.00 Services
Contractor 4	PI^2 Portfolio Evaluation – Consulting Services	$491,792.00 Services
Contractor 5	Purchase of 50 laptops – Hardware Purchase	$202,903.69 Goods
Contractor 6	Legal Counsel for a loan to be made to a private company in Kenya – Legal Services	$83,004.88 Services
Total Obligation Amount		**$18,567,322.67**

Source: OIG analysis of acquisition data provided by DFC

Appendix III: Glossary of Acronyms and Abbreviations

Table 2 contains definitions of all acronyms and abbreviations used in this report.

Table 2: Acronyms and Abbreviations

Acronym	Definition
ACQ	Corporate Acquisitions Divisions
AMS	Acquisition Management System
BUILD Act	Better Utilization of Investments Leading to Development Act of 2018
CEO	Chief Executive Officer
CFO Act	Chief Financial Officers Act of 1990
CIO	Chief Information Officer
CO	Contracting Officer
COR	Contracting Officer's Representative
DFC	U.S. International Development Finance Corporation
FAR	Federal Acquisition Regulation
FITARA	Federal Information Technology Acquisition Reform Act
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
GTM	Government Technical Monitor
IT	Information Technology
IPP	Invoice Payment Platform
IPT	Integrated Project Team
OA	Office of Administration
OCE	Office of the Chief Executive Officer
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
P.L.	Public Law
PSC	Personal Services Contractor
RMA	RMA Associates, LLC
USAID	United States Agency for International Development
U.S.C.	United States Code
VP	Vice President

Appendix IV: Management Comments and Evaluation of Management Comments

DFC concurred with our findings and all 15 of our recommendations. After reviewing DFC's response, we consider them to be responsive to our recommendations and the actions taken and planned should resolve the issues identified in the report. Further, after we issued our draft report, DFC management implemented ten of the fifteen recommendations. Therefore, these recommendations will be closed upon issuance of the report. The remaining five recommendations will remain open until DFC provides documentation to verify appropriate actions have been taken.[59]

[59] These five recommendations are Recommendations 1,2, 7, 8, and 10.

MEMORANDUM December 11, 2024

TO: Anthony Zakel
Inspector General
DFC – Office of the Inspector General

FROM: Scott Nathan
Chief Executive Officer

SUBJECT: DFC's Management Comments to "DFC Can Improve the Acquisition of Goods and Services"

The U.S. International Development Finance Corporation (DFC) thanks its Office of Inspector General (OIG) for the opportunity to respond to its report entitled "DFC Can Improve the Acquisition of Goods and Services." DFC concurs with the OIG's 15 recommendations and has implemented corrective actions (or in five instances, is still in the implementation process) to address each matter.

OIG Recommendation No. 1: Determine and document what constitutes a major acquisition and major Information Technology (IT) acquisition for the corporation.

> **Management Response**: DFC concurs with this recommendation and will define and document these definitions.
>
> **Target Resolution Date**: 2nd Quarter of FY 2025

OIG Recommendation No. 2: Develop and formalize an integrated acquisitions review process to ensure effective collaboration between key stakeholders on acquisitions, including major acquisitions and major IT acquisitions. The process should identify key stakeholders and define the phases when stakeholders must coordinate approvals before moving forward with the acquisition.

> **Management Response**: DFC concurs with this recommendation and will amend its procurement policies and procedures to address these matters.
>
> **Target Resolution Date**: 2nd Quarter of FY 2025

OIG Recommendation No. 3: Engage relevant stakeholders to develop a formal acquisition strategy that supports the corporation's mission and strategic plan.

> **Management Response**: DFC concurred with this recommendation and documented an acquisition strategy.

Target Resolution Date: N/A – Completed.

OIG Recommendation No. 4: Review current acquisition policies to ensure they are up to date, consistent, and identify gaps that need to be addressed.

Management Response: DFC concurred with this recommendation, conducted a thorough review of its acquisitions policies, identified policy gaps, and updated the policies as needed.

Target Resolution Date: N/A – Completed.

OIG Recommendation No. 5: Create ACQ policies and procedures to address gaps identified during the audit and in subsequent ACQ reviews pursuant to Recommendation 4.

Management Response: DFC concurred with this recommendation and created new acquisition policies and procedures to address the gaps identified in the analysis performed to address recommendation no. 4.

Target Resolution Date: N/A – Completed.

OIG Recommendation No. 6: Ensure the Office of Administration's (OA) Policies, Forms, and Procedures are centrally located and accessible to applicable DFC staff.

Management Response: DFC addressed this recommendation by verifying that all acquisition policies, forms, and procedures are centrally located on the DFC intranet and accessible to relevant users.

Target Resolution Date: N/A – Completed

OIG Recommendation No. 7: Develop and implement an agency-wide process for the development, review, and approval of the corporation's policies and procedures.

Management Response: DFC concurs with this recommendation and is already in the process of implementing a corporation-wide policy to address this matter.

Responsible Parties: Office of the Chief Executive

Target Resolution Date: 2nd Quarter of FY 2025

OIG Recommendation No. 8: Reassess the corporation's position on adherence to OMB Circular No. A-130 and update the Office of Information Technology (OIT) Directive accordingly.

Management Response: DFC concurs with this recommendation in so far as it relates to management determining what portions of Section 5(a)(3) of OMB Circular

A-130 DFC will apply as a matter of good practice considering DFC's size, resources, maturity, nature of operations, and risk profile (which DFC is already doing to a large extent) and will update the OIT Directive based on accordingly taking into account the recommendations of its Chief Information Officer (CIO) and based on the legal advice from its Office of General Counsel (OGC).

Responsible Parties: Office of the Chief Executive

Target Resolution Date: 3rd Quarter of FY 2025

OIG Recommendation No. 9: Update the OA Directive to reflect the corporation's position on adherence to the FAR.

Management Response: DFC concurred with this recommendation and updated the OA Directive taking into account the recommendations of its Chief Acquisitions Officer (CAO) and based on the legal advice from its OGC.

Target Resolution Date: N/A – Completed.

OIG Recommendation No. 10: Approve a policy that clearly defines how the Clinger-Cohen Act applies to DFC, particularly the Chief Information Officer's reporting structure.

Management Response: DFC concurs with this recommendation and will update the OIT Directive taking into account the recommendations of its CIO and based on the legal advice from its OGC.

Responsible Party: Office of the Chief Executive

Target Resolution Date: 2nd Quarter of FY 2025

OIG Recommendation No. 11: Develop a strategy for effectively and efficiently using CORs and Government Technical Monitors (GTM).

Management Response: DFC documented a strategy for effectively and efficiently using CORs and GTMs.

Target Resolution Date: N/A – Completed

OIG Recommendation No. 12: Define the roles and responsibilities of a GTM in acquisition policies and procedures.

Management Response: DFC defined the roles and responsibilities of a GTM in acquisition policies and procedures.

Target Resolution Date: N/A - Completed

OIG Recommendation No. 13: Define in the acquisitions policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.

Management Response: DFC defined in the acquisitions policies and procedures which acquisitions a COR should or must be utilized, which acquisitions do not require a COR, the reason for those decisions, and how the COR conducts contract quality assurance.

Target Resolution Date: N/A – Completed

OIG Recommendation No. 14: Develop a process to periodically analyze DFC's contract files to determine the completeness and accuracy of COR levels and appointment letters.

Management Response: DFC concurred with this recommendation and developed and implemented a monitoring procedure to address this matter.

Target Resolution Date: N/A – Completed.

OIG Recommendation No. 15: Resolve the remaining AMS data migration issues and verify that data can be reliably exported.

Management Response: DFC concurred with this recommendation and resolved the remaining data migration issues.

Target Resolution Date: N/A – Completed.

With respect to the OIG's identification of monetary impact related to one individual procurement, DFC concurs with the OIG's position that "unsupported questioned costs," or costs not supported by adequate documentation, were present in one of the sampled procurements. While DFC disagrees with some of the underlying assumptions that were made in the report regarding this matter, the Corporation recognizes the importance of complete documentation being available during an audit and that the procurement in question could have benefitted from more robust documentation on certain actions related to the procurement process.

DFC also wishes to note that the procurement in question by the OIG pertains to a system used in numerous federal agencies, with over 70,000 active users across the US Government - more users than all other major acquisition system users combined. This system has been awarded 95% of the time in all full and open acquisition system competitions for federal acquisition management systems as the best value option to the government for over 25 years. Nonetheless, DFC's corrective actions in response to the OIG's recommendations will help to improve the documentation of our acquisitions.