




Office of Inspector General

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

MEMORANDUM

DATE: September 11, 2024

TO: Joshua Galicki
Deputy Assistant Director for Procurement
Consumer Financial Protection Bureau

FROM: Khalid Hasan 
Assistant Inspector General for Information Technology

SUBJECT: *Forensic Evaluation of Overbilled Labor Hours on CFPB Contracts*

Executive Summary

We conducted a forensic evaluation of the Consumer Financial Protection Bureau's procurement process as it relates to labor hours billed to the agency. The results of our evaluation show the process is operating effectively overall. However, we made several observations regarding missing timesheets, potentially incorrect labor rates, unsupported labor hours, and undocumented overtime rates in the labor-rate schedule. As a result, of the \$56.4 million of labor hours we evaluated, \$2.3 million could not be reconciled with supporting documentation. Our observations do not suggest that overbilling occurred in this amount but serve to highlight areas of inconsistent documentation that, if addressed, will help the agency to improve its procurement process.

Background

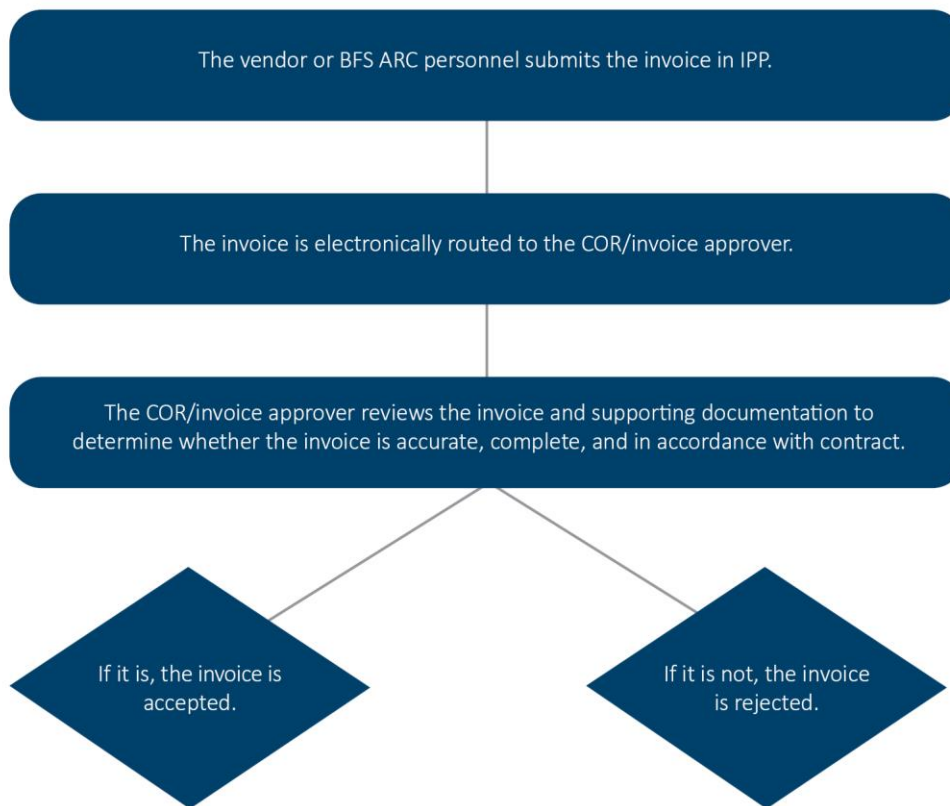
The CFPB's Office of Procurement and the U.S. Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center's (BFS ARC) Division of Procurement Services award contracts for various goods and services on behalf of the CFPB in compliance with federal procurement policies, procedures, and regulations.

Regarding contracts with labor hours charged, *Federal Acquisition Regulation*, part 52.232-7, Payments Under Time-and-Materials and Labor-Hour Contracts, states that the government will pay contractors, on submission of vouchers approved by the contracting officer or the contracting officer's representative (COR), as follows:

- "The amounts shall be computed by multiplying the appropriate hourly rates prescribed in the Schedule by the number of direct labor hours performed."

- “The hourly rates shall include wages, indirect costs, general and administrative expense, and profit. Fractional parts of an hour shall be payable on a prorated basis.”
- “The Contractor shall substantiate vouchers (including any subcontractor hours reimbursed at the hourly rate in the schedule) by evidence of actual payment and by—
 - “(i) Individual daily job timekeeping records;
 - “(ii) Records that verify the employees meet the qualifications for the labor categories specified in the contract; or
 - “(iii) other substantiation approved by the Contracting Officer.”
- “Unless the Schedule prescribes otherwise, the hourly rates in the Schedule shall not be varied by virtue of the Contractor having performed work on an overtime basis. If no overtime rates are provided in the Schedule and overtime work is approved in advance by the Contracting Officer, overtime rates shall be negotiated. Failure to agree upon these overtime rates shall be treated as a dispute under the Disputes clause of this contract. If the Schedule provides rates for overtime, the premium portion of those rates will be reimbursable only to the extent the overtime is approved by the Contracting Officer.”
- “Promptly after receipt of each substantiated voucher, the Government shall, except as otherwise provided in this contract, and subject to the terms of paragraph (e) of this clause, pay the voucher as approved by the Contracting Officer or authorized representative.”
 - Paragraph (e) of this clause states, “The Government will not be obligated to pay the Contractor any amount in excess of the ceiling price in the Schedule, and the Contractor shall not be obligated to continue performance if to do so would exceed the ceiling price set forth in the Schedule, unless and until the Contracting Officer notifies the Contractor in writing that the ceiling price has been increased and specifies in the notice a revised ceiling that shall constitute the ceiling price for performance under this contract.”

The CFPB processes invoices using the Invoice Processing Platform (IPP) system (figure 1). IPP is a web-based electronic invoicing and payment information system hosted by the Federal Reserve Bank of St. Louis.

Figure 1. Invoice Approval Process in IPP

Source: OIG adapted from CFPB processing policies documentation.

For vendor overpayments or duplicate payments, the COR/invoice approver works with BFS ARC and the vendor to determine whether they will issue a credit memorandum; offset future invoices; or, if no future invoices are expected, have BFS ARC's Accounts Payable send a demand letter, which would require creating and recording an account receivable for the vendor.

Objective, Scope, and Methodology

Our objective was to conduct a comprehensive review of vendor and CFPB procurement data to identify any potential instances of overbilling related to labor hours as a result of inconsistent documentation. We thoroughly examined and analyzed invoices submitted by vendors to the CFPB for the contracts included in our scope. We reviewed the total population of contracts funded by the CFPB from October 1, 2017, through February 6, 2023, and selected five. We included these five in our scope because of their active status, high-dollar amount (greater than \$10 million), and labor hours. As of February 6, 2023, these contracts represented about 34 percent of the total dollars obligated for all active contracts with labor hours. Given the high percentage, we determined that the five selected were representative of the total population of contracts with respect to our criteria and were therefore suitable to include in our scope.

To test for potential overbilling related to labor hours, we reconciled data from multiple sources back to the invoices issued by vendors. We analyzed all labor hours billed on invoices dated October 31, 2023, or before. We performed the following steps for each selected contract:

1. requested the blanket purchase agreement, and with the agreement, we
 - a. transformed labor-rate tables into a tabular format
 - b. converted invoices submitted to the CFPB from PDF to tabular format
 - c. extracted invoice data from IPP and reconciled the data to the invoice summary¹
2. requested the timesheet records supporting labor hours billed to the CFPB
3. performed reconciliations to invoices
 - a. applied a series of algorithms to the data collected from both the CFPB and the vendor
 - b. reconciled invoice information to supporting documentation
 - c. investigated any potential overbilling and documented observations

Results of Testing

We found that \$54.1 million of the \$56.4 million in labor hours billed to invoices reconciled to the supporting documentation provided. The CFPB identified three different instances of overpayments that totaled \$25,166 and corrected them through credits or adjustments in accordance with the agency's overpayment policy. However, we observed several instances in which the CFPB could improve documentation. Our four observations relate to missing timesheets, potentially incorrect labor rates, unsupported labor hours, and undocumented overtime rates.

Missing Timesheets

For two of the five contracts, we were unable to reconcile 19,327 of the 201,332.50 labor hours charged to invoices because timesheets were not provided for all hours billed on invoices (table 1). As a result, we were unable to verify about \$2.3 million of the \$23.5 million related to labor hours charged to invoices for these two contracts. Vendor A stated it was unable to provide timesheets for a portion of the contract because it lost information during an accounting system upgrade. Vendor B was unable to provide timesheets for subcontractor work performed despite subcontractor hours having been charged to the invoices.

¹ The *invoice summary* or IPP report is a list of all invoices for each contract included in IPP. We downloaded this information to verify that we pulled all invoices from each contract.

Table 1. Contracts With Unverified Labor Hours

Vendor	Total hours unverified	Total invoice amount
Vendor A	16,338	\$1,979,561.00
Vendor B	2,989	\$329,137.00
Total	19,327	\$2,308,698.00

Source: OIG analysis of contracts.

Potentially Incorrect Labor Rates

For one of the five contracts, we found six instances in which labor categories were used inconsistently across invoices and timesheets (table 2). Although the total hours matched across documentation, the differences in labor categories lead us to question the accuracy of the labor rate used on the invoice. If the incorrect labor category was used, the rate charged would also be incorrect, leading to potential overbilling of \$7,681.

Table 2. Inconsistent Labor Categories

Labor category on invoice	Total invoice amount	Labor category on timesheet	Amount with timesheet category	Potential overpayment
Clearwell administrator	\$10,480.00	FOIA analyst	\$9,901.60	\$578.40
FOIA analyst 2	\$20,623.20	FOIA analyst	\$19,308.12	\$1,315.08
FOIA analyst 2	\$14,806.40	FOIA analyst	\$13,862.24	\$944.16
FOIA analyst 2	\$20,021.69	FOIA analyst	\$18,744.97	\$1,276.72
FOIA analyst 2	\$22,242.65	FOIA analyst	\$21,241.56	\$1,001.09
FOIA analyst	\$19,717.75	eDiscovery analyst	\$17,151.88	\$2,565.88
Total	\$107,891.69		\$100,210.37	\$7,681.33

Source: OIG analysis of contracts.

Unsupported Labor Hours

For two of the five contracts, we found one instance in which hours billed on the invoice exceeded the related timesheet (table 3). The invoice hours exceeded the timesheet hours by 10 hours for Vendor A and by 8 hours for Vendor B, resulting in potential overbilling of \$1,460.

Table 3. Unsupported Labor Hours

Vendor	Labor category	Invoice hours	Timesheet hours	Labor rate	Potential overpayment
Vendor A	Regular guard	3,544	3,534	\$45.55	\$456.00
Vendor B	Enterprise information assurance engineer (EIAE) IV	32	24	\$125.53	\$1,004.00
Total		3,576	3,558		\$1,460.00

Source: OIG analysis of contracts.

Undocumented Overtime Rates

For one of the five contracts, we found that a modification was not created to document overtime rates approved by the COR/invoice approver (table 4). As a result, \$24,451 was charged to the invoice without the rates being documented in the labor rate schedule.

Table 4. Undocumented Overtime Rates

Labor category	Task invoice hours	Overtime rate charged to invoice	Total invoice amount
CC TAS (Credentialing Center)	318	\$76.89	\$24,451.02

Source: OIG analysis of contracts.

Conclusion

The results of this forensic evaluation show that the CFPB's procurement process is operating effectively overall. However, we made several observations regarding missing timesheets, potentially incorrect labor rates, unsupported labor hours, and undocumented overtime rates in the labor-rate schedule. While our results do not definitively show that overbilling occurred in any of the five contracts we evaluated, \$2.3 million of the \$56.4 million of labor hours we evaluated could not be reconciled with supporting documentation.

This report does not include formal recommendations, and a response is not requested. We appreciate the cooperation we received from the Office of the Chief Procurement Officer. Please contact me if you

would like to discuss this report or any related observations. We plan to provide a copy of this report to our Office of Audits and Evaluations for informational purposes.

cc: Jean Chang
Dana James
Marianne Roth
Richard Austin
Ashley Adair