

FEDERAL DEPOSIT INSURANCE CORPORATION

OFFICE OF INSPECTOR GENERAL

Policies and Procedures Manual

PART	III	Audit Policies and Procedures
SECTION	OIG-330	Other Activities
CHAPTER	330.2	Contractor Acquisition and Oversight

1. Purpose. This chapter presents policies and procedures for acquiring and overseeing work performed by external audit organizations and specialists with technical expertise for the Office of Inspector General’s (OIG) Office of Audits (OA).

2. Application. The policies and procedures in this chapter fully apply when the OA organization and staff are the acquirer and oversight manager for contracted services. When another OIG office is responsible for acquisition and/or oversight manager actions, OA staff will serve as technical monitors, support the oversight manager, and apply these policies and procedures to the extent they are applicable.

3. Background

a. The [Inspector General Act of 1978, as amended](#), (IG Act) mandates that in carrying out audit responsibilities, the OIG shall comply with standards prescribed by the Comptroller General; see the *Government Auditing Standards*, and take appropriate steps to assure that any work performed by nonfederal auditors complies with the *Government Auditing Standards*. (5 United States Code App. section 4(b)(1)(C) and GAGAS A1.02)

b. The [Government Auditing Standards](#), commonly referred to as generally accepted government auditing standards (GAGAS), advises that information in external peer review reports and letters of comment may be relevant to decisions on procuring audit or attestation engagements. Therefore, audit organizations seeking to enter into a contract to perform an audit or attestation engagement in accordance with GAGAS should provide the following to the party contracting for such services: the audit organization’s most recent peer review report and any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract. (GAGAS 3.62)

4. Policies

a. All phases of procurement must adhere to the Division of Administration (DOA) Acquisition Services Branch (ASB) *Acquisition Policy Manual (APM)*, any related instructions or guidance, and OIG Manual Chapter OIG-130.1, [Procurement and Invoice Processing](#).

b. Contracted work will be performed in accordance with applicable GAGAS, as required by the IG Act, and the assignment management process outlined in OIG Manual Part III. When acquiring the work of a specialist (versus an external audit organization) to augment an assignment performed by OA staff, the policies and procedures within this chapter will be followed to the extent practicable.

5. Definitions and DOA/OIG Roles

a. An external audit organization is an independent firm that is hired to take responsibility for performing work to conclude on the assignment objectives in accordance with GAGAS.

b. A specialist, or technical expert, is an individual or independent firm hired to augment the competence of the OA team performing the assignment. (Refer to OIG Manual Chapter 330.1, *Working With Specialists*.)

c. The Contracting Officer (CO) is the DOA ASB representative who has the delegated contracting authority to bind the FDIC and the sufficient warrant-level designation to sign the specific contract, given its dollar value.

d. The Oversight Manager (OM) is the OIG individual who has responsibility for monitoring contractor performance. OA personnel authorized to act as OMs include grade 14 staff and above. The CO will provide the appointed OM and the contractor with a “Letter of Oversight Manager Confirmation” that contains a description of the OM’s authority and responsibilities. OMs cannot re-delegate their responsibilities; however, OMs may utilize other personnel to help fulfill their responsibilities.

e. The Technical Monitor (TM) is the individual designated by the OM who assists in carrying out the OM responsibilities. OA personnel authorized to act as TMs can include any grade staff. While the duties of the TM are a subset of the duties of the OM, the responsibility for contractor oversight rests with the OM. TMs are designated by the OM and appointed through a “Letter of Technical Monitor Confirmation” issued by the CO. This letter contains a description of the TM’s authority and responsibilities.

f. Contract administration is the process of ensuring that all aspects of an FDIC contract are fulfilled, beginning after contract award and continuing through contract closeout. The OM and CO function as a team in performing contract administration. Additionally, other organizations have a role, including the Legal Division, Office of Diversity and Equal Opportunity, and Division of Finance. The CO administers the contract, including maintaining the official contract file, until the time of contract closeout. The OM

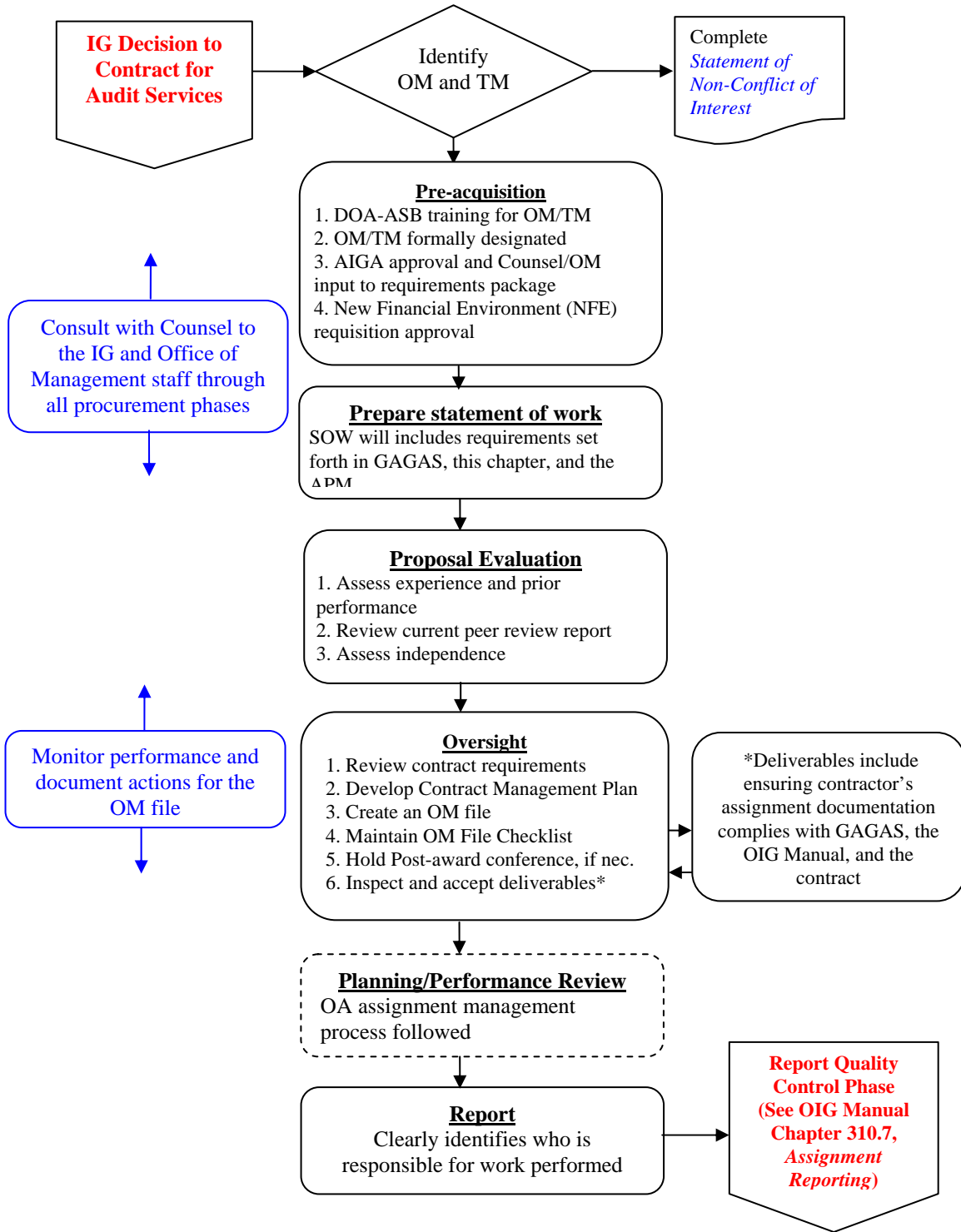
maintains an OM File and ensures that the goods or services are delivered by performing the oversight of the contractor's performance of the technical requirements of the contract.

g. Oversight management consists of all activities and steps performed by the Program Office to ensure the contractor delivers the goods or performs the work required under the contract. For the purpose of this policy, the OIG is the Program Office, and OIG oversight staff consist of the OM and, if used, the TM.

6. Procedures appear in the flowchart and in the narrative below.

OIG-330.2

Contractor Acquisition and Oversight



a. Initiation. The Inspector General, in coordination with the Assistant Inspector General for Audits (AIGA), determines when it shall be appropriate to use contractor assistance. Once decided, the AIGA, in consultation with the Director and Associate Director, identify staff to serve as the OM and TM. Prior to designation, the OM and TM(s) must have successfully completed the ASB on-line training courses on *Pre-Solicitation Planning for Program Offices*, *Preparing Statements of Work - Detailed Specification*, and *Oversight Management Instruction*, which are offered through Corporate University.

b. Pre-Acquisition. The New Financial Environment eProcurement System manages procurements using a paperless requisition process. The requisition work flow originates with the OM and flows through the system for the appropriate expenditure authority approval. After approvals are obtained, the system routes the requisition to DOA's ASB. Prior to initiating the requisition, the OM (a) obtains approval for the requirements package (see APM for specifics) from the AIGA; (b) consults with Counsel to the IG for substantive legal issues; and (c) coordinates, as needed, with the OIG's Office of Management staff.

c. A contract statement of work:

(1) Includes fully defined audit objectives, scope, and methodology.

(2) Requires that work be performed in accordance with applicable GAGAS and OIG Manual Part III requirements, these include, for example, quality control requirements such as the contractor providing an assignment program for review; providing in-process reviews, as necessary; and preparing for and attending periodic meetings with OA management. Also, the various quality control aspects associated with issuing a draft report, such as indexing draft reports to audit documentation, independent referencing, and legal sufficiency reviews are the principal responsibility of the contractor and contractor staff. Nevertheless, the statement of work should indicate that the OIG has the right to access and review any documentation regarding the quality control processes, or the results thereof.

(3) Requires submission of the firm's most recent external peer review report, related letter of comments, the firm's response to those comments, and the status of follow-up actions (GAGAS 3.55, 3.62 a.). Also, includes a stipulation that the firm is to provide any subsequent peer review reports and letters of comment received during the period of performance of the contract. (GAGAS 3.62, b.)

(4) Requires a list of education and experience for proposed staff to assist in rendering judgments of competence to perform the needed services.

(5) Requires representations from the firm and for proposed staff regarding non-conflicts of interest to perform the planned work. This requirement includes a determination whether nonaudit services they have provided or are committed to provide have a significant or material effect on the subject matter of the audits.

(6) Requires a representation that the firm and proposed staff meet the GAGAS continuing professional education (CPE) hour requirements. Specialists assisting in performing a GAGAS assignment should be qualified and should maintain professional competence in their areas of specialization but are not required to meet the CPE hour requirements described in GAGAS 3.46. However, auditors who use the work of specialists should ensure that such specialists are qualified in their areas of specialization and should document such assurance. (GAGAS 3.49)

(7) Requires final reports for audits and attestation engagements to be submitted on the external audit organization's letterhead along with the firm's pen and ink signature.

(8) Involves Counsel's Office

(a) Subject to the monetary thresholds in paragraph 7.b.(2) below, the statement of work should be submitted to Counsel's Office with sufficient time to allow for (i) a meaningful review for substantive, policy, and legal issues that the procurement may pose and (ii) the resolution of any comments that Counsel's Office raises.

(b) The OM shall obtain a written statement, signed by the Counsel to the IG or designee, indicating that all comments have been resolved, before proceeding with the procurement, unless waivers discussed in the next paragraph and paragraph 7.b.(2) have been obtained.

(c) No procurement meeting the threshold amounts stated in paragraph 7.b.(2) shall be entered into without a review by the Counsel's Office, unless the IG, or designee, has waived such review or the resolution of any open comments included in that review.

(d) The statement referred to in item (b) and/or any written waivers per item (c) will be placed in the OM file.

d. Proposal Evaluation Phase. GAGAS A1.08 advises an entity to follow sound procurement practices when contracting for audits and attestation engagements, including ensuring procedures are in place for monitoring contract performance. The objectives and scope of the audit or attestation engagement need to be clear. In addition to price, other factors that may be considered in evaluating bid proposals include the

responsiveness of the bidder to the request for proposal; the prior performance¹ and experience of the bidder; the availability of the bidder's staff who have the appropriate professional qualifications and technical abilities; and the results of the bidder's peer reviews. At a minimum, the evaluation of proposals will include information required in the statement of work.

e. Oversight

(1) Review Contract Requirements. Oversight staff should review the requirements and specific obligations of both the contractor and OIG as detailed in the contract.

(2) A Contract Management Plan (CMP) is required for each contract over \$100,000, for which an OM will be formally appointed. The objective of the CMP is to ensure that the OM and CO have a common understanding of both the contractor's and the FDIC's obligations under the contract. The CMP outlines the level of oversight necessary to ensure that the contractor progresses satisfactorily toward the successful completion of the contract. The CMP must be completed within 30 days following contract award, but prior to the post-award conference, if one is to be held.

(3) Create an OM File. Throughout the contract, the OM (and TM, if there is one) must maintain a complete record of the status and results of the oversight of the contract and retain all pertinent and original documents. OMs may organize and maintain their files in the electronic contractor electronic file system or in hard copy files and in accordance with the *APM Oversight Manager File Checklist*. If maintained in hard copy format, the OM file should be maintained in a single file and location. On closeout, this OM file will be included in the official contract file. Further, the OM file is subject to external peer review and, therefore, should be retained within OA for reports issued in the last 12 months of the current peer review cycle.

OA oversight staff should monitor the contractor's performance to ensure timely and satisfactory performance. Because the OIG's primary contracting objective is to obtain a quality and timely report, monitoring should be performed throughout the performance phase and preparation of the report. Monitoring activities can include providing the contractors with technical guidance, clarification of provisions within the statement of work, and guidance on the applicability of relevant auditing standards. Oversight staff should participate (either in person or by telephone) in the entrance and exit conferences with management, review and approve proposed changes to the assignment program (within the original contract scope), and review and approve the assignment sampling plan.

¹ DOA's ASB maintains information on prior performance of FDIC contractors. Prior performance information may also be available from the General Services Administration.

Monitoring can include periodic site visits, reviews of contractor progress reports against contract timetables, phone conversations, reviews of assignment documentation and completed portions of the assignment program, and draft reports. Oversight staff should be conscious of possible fraudulent or abusive contractor practices, including unauthorized substitution of key personnel, false statements, and false claims, and report any such activities to OA management for further guidance. Oversight staff should include in the OM file notes, correspondence, and any other documentation that provides evidence of monitoring activities.

(4) Determine Need for Post-Award Conference. For complex contracts requiring formal contract administration procedures, oversight staff should consider requesting a post-award conference with the contractor to ensure the contractor and OM fully understand all provisions and requirements of the contract. The CO chairs the post-award conference and supports the OM in the presentation of contract requirements. The OM leads the discussion in technical areas. The conference agenda should include a discussion of the work specifications in the statement of work, required status reports and their content and contractual provisions such as those related to key personnel, invoicing procedures, deliverable acceptance/rejection procedures, and technical instructions. The OM should also provide the contractor with any needed FDIC procedures, policies, etc., needed to perform the assignment.

(5) Inspect and Accept Deliverables

(a) Inspection refers to reviewing, examining, and testing products and services to determine whether they conform to contract requirements. The frequency and extent of examination will vary depending on the type and complexity of the contract or task order and previous experience with the contractor. Generally, the deliverable products for all OIG contracts are the draft and final reports (including indexed and independently-referenced copies of the report) and supporting assignment documentation. OA oversight staff will inspect assignment documentation and draft reports throughout the course of the contract.

(b) Acceptance refers to the passing of ownership of the deliverables from the contractor to the OIG. Before acceptance, oversight staff must ensure that the assignment documentation and draft reports are complete and comply with all standards and requirements in GAGAS and the contract. To avoid an implied acceptance and ensure contractors are paid in a timely manner, the OM should promptly accept or reject deliverables. Therefore, oversight staff should review assignment documentation and draft reports in the following manner:

(i) Assignment Documentation. Oversight staff should ensure the contractor's assignment documentation complies with GAGAS, the OIG Manual, and the requirements of the contract.

(ii) Report. The report should clearly identify whether the OIG, the contractor, or a combination of both was responsible for the work performed. Oversight staff should require the contractor to independently reference the draft report before acceptance.

The OIG will distribute draft and final reports (refer to the draft and final report distribution lists under the “Office of Audits Forms” tab on [OIGNet](#)). The OIG will transmit the contractor’s report as a draft report. OIG staff will then be responsible for evaluating and addressing management’s formal written comments. The OIG will transmit the final report consisting of the OIG’s transmittal memorandum, signed by the AIGA; the contractor’s final report under its letterhead;² the Corporation Comments and OIG Evaluation; management’s scanned comments; and a Management Responses to Recommendations table developed by the OIG.

7. Responsibilities

a. OMs and TMs will possess and apply a working knowledge of the APM; GAGAS; OIG Manual; and OIG Manual chapter OIG-130.1, [Procurement and Invoice Processing](#).

b. The Counsel to the Inspector General is responsible for:

(1) Providing legal advice and counsel on all aspects and during all phases of the procurement.

(2) Reviewing for substantive policy and legal issues that a proposed procurement action may pose and providing related comments. These comments must be resolved before the procurement action may proceed unless the Inspector General or designee waives such review or resolution of open comments from the Counsel’s Office. The requirement for Counsel’s Office reviews applies to all noncompetitive procurement actions exceeding \$5,000 and all other procurement actions exceeding \$10,000. Procurement requirements shall not be segregated into separate procurement actions so as to avoid this requirement. For purposes of this chapter, “procurement actions” means requests for proposal; requests for bids; contracts (including statements of work or requirements statements, etc.); task orders; basic ordering agreements; and/or similar actions, as well as modifications to any of the foregoing.

² External audit organizations conducting examination-level attestation engagements must submit the firm’s final report on their letterhead along with the firm’s pen and ink signature.

(3) Providing a signed statement that all open comments have been resolved, unless the underlying review has been waived as per paragraph (2). (No procurement action shall be entered into without Counsel's Office review, unless the Inspector General, or designee, has waived such review or the resolution of any open comments included in that review.)

c. The Office of Management is responsible for:

(1) Advising the OM if funds are available in the budget prior to the pre-acquisition work;

(2) Assisting the OM during the preparation of the requirements package as to the correct chartfield information and other technical information needed to complete the NFE requisition;

(3) Approving the NFE requisition, to include ensuring the accuracy of coding and funds availability.

(4) Tracking Task Orders, Modifications, and invoices.

(5) Assisting the OM with any NFE issues or funding issues regarding the invoice payments to the contractors;

(6) Monitoring the status of the contracts as to contract payments, expiration dates, and the contract closeout process.

8. Contact. Questions regarding this chapter should be directed to an OA Senior Program Specialist or to our e-mail address at [OIG OA PPM Questions](#).