



Audit Report



OIG-19-001

RESOURCE MANAGEMENT

Treasury Office of Consumer Policy's Administration of the Financial Empowerment Innovation Fund Complied with Requirements

October 4, 2018

Office of Inspector General
Department of the Treasury

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Contents

Audit Report

Results in Brief 2

Background 3

Audit Results 7

 Finding 1 OCP's Administration of the Innovation Fund Complied With Requirements 7

Appendices

Appendix 1: Objectives, Scope, and Methodology..... 10

Appendix 2: Management Response..... 13

Appendix 3: Major Contributors to This Report 14

Appendix 4: Report Distribution 15

Abbreviations

BAA	Broad Agency Announcement
BCFP	Bureau of Consumer Financial Protection
Council	President’s Advisory Council on Financial Capability
COR	Contracting Officer’s Representative
FAR	Federal Acquisitions Regulation
FLEC	Financial Literacy and Education Commission
GAO	Government Accountability Office
OCP	Office of Consumer Policy
OIG	Office of Inspector General
Innovation Fund	Financial Empowerment Innovation Fund
IRS	Internal Revenue Service
IRS	Internal Revenue Service
Procurement Treasury	Internal Revenue Service Office of Procurement Department of the Treasury

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Audit Report

October 4, 2018

Jovita Carranza
Treasurer of the United States
Department of the Treasury

This report presents the results of our audit of the Department of the Treasury (Treasury) Office of Consumer Policy's (OCP) administration of the Financial Empowerment Innovation Fund (Innovation Fund). The Innovation Fund was created in support of the Federal government's policy to promote and enhance financial capability among the American people. This audit was included in our fiscal year 2018 annual audit plan. Our audit objectives were to (1) assess OCP's processes and controls relating to the administration of the Innovation Fund, and (2) determine whether project awards were issued in accordance with applicable laws, regulations, policies, and procedures. The scope of the audit included all contracts awarded under the Innovation Fund as of September 30, 2017.

To accomplish our objectives, we obtained documentation pertaining to the administration of the contracts awarded under the Innovation Fund. In addition, we conducted interviews with OCP and Internal Revenue Service (IRS) Office of Procurement (IRS Procurement) officials and staff. We reviewed relevant reports and documents—including, but not limited to, contract solicitations, contracts, source selection documents, contract deliverables, and contract payments. We conducted our fieldwork from November 2017 through June 2018 in Washington, DC and New Carrollton, Maryland. Appendix 1 contains a detailed description of our objectives, scope, and methodology.

Results in Brief

OCP was responsible for the administration of the Innovation Fund, a research and development program created to support the development, testing, and evaluation of new products, services, and strategies that make safe and affordable financial services available to more Americans. The Innovation Fund consisted of 11 contracts that were awarded during fiscal year 2014. OCP served as the technical experts and provided a staff member who was responsible for the Contracting Officer Representative (COR) duties during the performance of the contracts. OCP does not have a contracting officer on staff, and therefore, selected IRS Procurement to assist with procuring the needed goods and services.

We concluded that OCP appropriately administered the Innovation Fund and complied with applicable policies, procedures, laws, and regulations. OCP collaboratively worked with IRS Procurement in developing an acquisition plan and drafting the solicitation for the contracts. OCP was involved in the evaluation and selection process for the contracts. In addition, the COR effectively monitored the contracts, reviewed deliverables, and approved invoice payments. To the extent possible in accordance with the contract terms and conditions, OCP also reviewed and provided insights as to the effectiveness of the research and tools made available through the contracts.

In addition, OCP followed the applicable IRS Procurement policies and procedures in the administration of the Innovation Fund. OCP does not have any internal policies and procedures relating to the administration of contracts. However, OCP officials told us that OCP does not anticipate administering any other contracts in the future. Since OCP does not anticipate administering additional contracts, we do not make any recommendations in this report. That said, in the event that OCP issues contracts in the future, we encourage OCP to develop internal policies and procedures relating to the administration of contracts. In a written response, which is included as appendix 2, OCP management stated that it is pleased that our report found that OCP appropriately administered the Innovation Fund in full compliance with

policies, procedures, laws, and regulations; and confirmed that its office followed applicable IRS Procurement policies and procedures.

Background

Financial capability is the capacity to manage financial resources effectively. In order to develop this capacity, individuals must have appropriate access to and understanding of financial products, services, and concepts. Financial capability empowers individuals to make informed choices, avoid pitfalls, know where to go for help, and take other actions to improve their present and long-term financial well-being. Financial literacy, which is the ability to use knowledge and skills to manage financial resources effectively, plays an important role in helping to ensure the financial health and stability of individuals and families. Financial literacy is linked to positive outcomes, like wealth accumulation, stock market participation and effective retirement planning, and to the avoidance of high-cost alternative financial services, like payday lending and auto title loans.¹

The 2008 economic crisis highlighted how essential it is that individuals and families have the information, education, and tools they need to make good financial decisions in an increasingly complex U.S. and global financial system. The financial difficulties of individuals and families can dramatically affect the financial health of local communities and regional markets. The crisis also illustrated that the financial well-being of individuals and families is fundamental to national financial stability, and that a lack of financial literacy is one barrier that can lower standards of living and limit prosperity.² Moreover, financial markets function best when consumers understand how financial service providers and products work and how to choose among them.

¹ Champlain College, Center for Financial Literacy, *2017 National Report Card on State Efforts to Improve Financial Literacy in High Schools* (Dec. 2017).

² Financial Literacy and Education Commission, *Promoting Financial Success in the United States: National Strategy for Financial Literacy* (2011).

OCP's Roles and Responsibilities

Treasury is among several Federal agencies that promote financial literacy through activities including, but not limited to, print and online materials, and policy development. In 2002, Treasury established the Office of Financial Education and tasked it with developing and implementing financial education policy initiatives, as well as overseeing and coordinating Treasury's outreach efforts. Furthermore, in 2012, in light of the establishment of the Bureau of Consumer Financial Protection (BCFP) in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010³, Treasury reorganized the structure of its own financial education efforts, incorporating them into the broader OCP under a Deputy Assistant Secretary for Consumer Policy. Subsequently, during 2017, OCP was moved to report directly to the Treasurer of the United States.

OCP leads Treasury's work to empower more Americans to create financially secure futures for themselves and for their families, with access to safe and affordable financial products and services and the right information and knowledge for making sound financial choices. The office also provides policy leadership, research, and analysis on consumer issues.

Among other responsibilities, OCP is responsible for the Financial Literacy and Education Commission (FLEC), which was established under Title V of the Fair and Accurate Credit Transaction Act of 2003.⁴ FLEC currently consists of the heads of 23 Federal entities⁵ and coordinates among Federal agencies and state, local, nonprofit, and private entities. The Secretary of the Treasury serves as the Chair; and the Director of BCFP serves as the Vice Chair of FLEC.

³ Public Law 111-203 (July 21, 2010).

⁴ Public Law 108-159 (December 4, 2003).

⁵ The Federal agencies include: Treasury; Bureau of Consumer Financial Protection; Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; Federal Emergency Management Agency; National Credit Union Administration; Securities and Exchange Commission; Departments of Education, Agriculture, Defense, Health and Human Services, Housing and Urban Development, Interior, Labor, Veterans Affairs; Federal Trade Commission; General Services Administration; Small Business Administration; Social Security Administration; Commodity Futures Trading Commission; Office of Personnel Management; and White House Domestic Policy Council.

FLEC was tasked to develop a national financial education website and a national strategy for improving financial literacy and proposing means of eliminating overlap and duplication among federal activities. In its National Strategy for Financial Literacy Report published in 2011, FLEC's National Strategy Working Group identified four goals, including to: (1) increase awareness of and access to effective financial education; (2) determine and integrate core financial competencies; (3) improve financial education infrastructure; and (4) identify, enhance, and share effective practices.

In addition, OCP was responsible for the President's Advisory Council on Financial Capability (Council),⁶ which was created by Executive Order 13530 signed on January 29, 2010, to help to keep America competitive and assist the American people in understanding and addressing financial matters to contribute to financial stability. To the extent permitted by law, Treasury provided administrative support for the Council. The Secretary of the Treasury designated the former Deputy Assistant Secretary for OCP as the Executive Director to supervise the administrative support for the Council.

The Council was tasked with advising the President and the Secretary of the Treasury on: financial education efforts, promoting financial products and services that are beneficial to consumers (especially low- and moderate-income consumers), and promoting understanding of effective use of such products and services. On January 29, 2013, the date the Council ended, it issued a final report⁷ discussing 15 recommendations it made to the President and the Secretary of the Treasury. The report, includes recommendations to Treasury due to Treasury's responsibilities related to OCP and as the chair of FLEC. The report also emphasizes the importance of investment in research

⁶ Members of the Council included the Secretary of the Treasury and the Secretary of Education and not more than 22 individuals appointed by the President from among individuals not employed by the Federal government. Members included individuals with relevant backgrounds, such as financial services providers, consumers, access advocates, and educators. The President designated the Chairman, Chief Executive Officer, and Chief Investment Officer of Ariel Investments as the Chair of the Council; and the President and Chief Executive Officer for Network for Teaching Entrepreneurship as the Vice Chair.

⁷ The Council's final report is located at: [https://www.treasury.gov/resource-center/financial-education/Documents/PACFC final report revised 22513 \(8\) R.pdf](https://www.treasury.gov/resource-center/financial-education/Documents/PACFC%20final%20report%20revised%2022513%20(8)%20R.pdf)

and evaluation and urged the President, among other things, to direct Federal investment in research and evaluation in order to identify the most effective ways to help young people build the knowledge, skills, and disposition needed to be financial adults.

The Innovation Fund

In the fiscal year 2014 Treasury Budget-in-Brief, Treasury requested \$5 million and one full-time equivalent employee to administer a financial capability innovation initiative to support development of financial access and financial capability tools targeted to low- and moderate-income persons; as well as to encourage savings and improve their financial management capabilities. Treasury also requested \$1.335 million for OCP to conduct research and evaluation in the areas of financial education and financial access in an effort to identify scalable, effective, evidence-based policy interventions, which were to include testing the efficacy of policy interventions designed to increase the financial readiness and strengthen the financial knowledge of young people. In addition, Treasury would conduct research to identify barriers to financial access and potentially implement pilot demonstrations to test strategies for increasing access to high quality financial products. As stated in Treasury's request, these initiatives and the purpose of this funding were in line with the goals established by FLEC and to address the recommendations made by the Council.

Treasury received a fiscal year 2014 apportionment that included funding for these efforts. Using this funding, OCP launched and was responsible for the administration of the Innovation Fund in April 2014. The goals of the Innovation Fund were to support research to test and evaluate existing and new practices that improve consumer access to low-cost savings or payments products, and to foster a better understanding of financial services. In September 2014, Treasury awarded more than \$6.2 million among 11 Innovation Fund contracts. The awards included multi-year research contracts with nonprofit and for-profit entities, academic institutions, and state and local government agencies. The contracts were awarded to implement pilots and evaluations in the areas of expanding access to financial services among underserved populations;

retirement savings; classroom based financial capability; and making informed higher education decisions.

Audit Results

Finding 1 **OCP's Administration of the Innovation Fund Complied With Requirements**

In September 2014, Treasury awarded more than \$6.2 million among 11 contracts under the Innovation Fund, which OCP was responsible for administering. We concluded that OCP appropriately administered the contracts awarded under the Innovation Fund and complied with applicable policies, procedures, laws, and regulations. While IRS Procurement staff was responsible for the contract awards as the contracting officer, OCP staff performed the roles and responsibilities of the COR to assist with this process. As the technical experts, OCP staff collaboratively worked with IRS Procurement staff in the evaluation and selection of the contracts. In addition, the OCP COR effectively monitored the contracts, reviewed deliverables, and approved invoice payments. Furthermore, to the extent possible in compliance with the contract terms and conditions, OCP reviewed and provided insights as to the effectiveness of the research and tools made available through the contracts.

More specifically, we performed testing on all 11 contracts awarded under the Innovation Fund to assess OCP's administration of the solicitation, award, monitoring and delivery processes. Based on the testing performed, we determined that OCP appropriately carried out its roles and responsibilities including, but not limited to, (1) assisting IRS Procurement in developing an acquisition plan and drafting the Board Agency Announcement (BAA), which is a form of a solicitation used in the acquisition of basic or applied research;⁸ (2) evaluating more

⁸ BAAs may be used by agencies to fulfill their requirements for scientific study and experimentation directed toward advancing the state-of-the-art or increasing knowledge or understanding rather than focusing on a specific system or hardware solution. The BAA technique is used when meaningful proposals with varying technical/scientific approaches can be reasonably anticipated.

than 300 white papers received in response to the BAA to determine which vendors to invite to submit proposals; (3) performing a technical evaluation of the proposals based on the evaluation criteria stated in the BAA; (4) monitoring the timeliness of the deliverables; (5) approving the invoices prior to payments being disbursed; and (6) ensuring that all the contractors' work was performed within the respective period of performance, the contract disbursements did not exceed the approved contract price, and the contractors met the terms and condition of the final contract.

As part of our review, we determined that the objectives and evaluation criteria included in the BAA were consistent with the intent of the Innovation Fund. As discussed above, based on Treasury's request in its budget-in-brief, the intent of the fund was in line with the goals and initiatives of FLEC and addressed the recommendations made by the Council. Based on our testing, we found that OCP staff reviewed the contract proposals to ensure they each met at least one of the objectives and the evaluation criteria included in the BAA.

In addition, we determined that the deliverable products to Treasury consisted of interim and final reports regarding research performed. During the planning and solicitation process of the Innovation Fund, OCP documented its intent for the final products to include an evaluation of the testing and research performed. We determined that the final reports included evaluations of the research and determined the effectiveness as tools for future use in other programs. We noted that OCP regularly shared insights and lessons learned from the projects on the Treasury website⁹ as they became available in the final reports and/or from third party evaluations with federal agencies and other entities in the financial capability field.

Lastly, we determined that the 11 contracts were awarded in accordance with the requirements of the Federal Acquisition Regulation (FAR); specifically FAR 6.102(d)(2) *Use of Competitive Procedures*, and FAR 35.016, *Broad Agency Announcement*. OCP also followed the applicable IRS

⁹ See <https://www.treasury.gov/resource-center/financial-education/Pages/Finemp.aspx>

Procurement policies and procedures during the administration of contracts awarded under the Innovation Fund, but does not have its own internal policies and procedures relating to the administration of contracts. However, an OCP official told us that OCP does not anticipate administering any other contracts in the future. That said, should OCP foresee issuing contracts in the future, we encourage OCP to develop internal policies and procedures relating to the administration of contracts.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-5400; or Susan Barron, Audit Director, at (202) 927-5776. Major contributors to this report are listed in appendix 3, and report distribution is included in appendix 4.

/s/

Deborah L. Harker
Assistant Inspector General for Audit

Appendix 1: Objectives, Scope, and Methodology

The objectives of our audit were to (1) assess the Department of the Treasury (Treasury) Office of Consumer Policy's (OCP) processes and controls relating to the administration of the Financial Empowerment Innovation Fund (Innovation Fund), and (2) determine whether project awards were issued in accordance with applicable laws, regulations, policies, and procedures. The scope of the audit included all contracts awarded under the Innovation Fund as of September 30, 2017.

To accomplish these objectives, we performed the following activities during audit fieldwork conducted in Washington, DC and New Carrollton, Maryland from November 2017 through June 2018:

- reviewed Federal laws, regulations and guidance, policies and procedures, including, but not limited to:
 - Federal Acquisition Regulation (FAR),
 - Treasury Acquisition Procedures (September 14, 2014),
 - Treasury Acquisition Regulations (April 21, 2014), and
 - Internal Revenue Service (IRS) Office of Procurement (IRS Procurement) Policies and Procedures.
- reviewed the following Treasury Office of Inspector General (OIG) reports relating to contract administration:
 - *Bill Manufacturing, Audit of Incurred Costs on BEP's Public Education and Awareness Contract with Burson-Marsteller*, OIG-15-035 (June 10, 2015);
 - *General Management: BEP's Administration of the Burson-Marsteller Public Education and Awareness Contract Was Deficient*, OIG-13-046 (August 13, 2013); and
 - *Awards to OneUnited Bank Were Consistent With Requirements But Certain Aspects of CDFI Fund Program Administration Need to be Revisited*, OIG-11-091 (August 3, 2011).

- reviewed the following Government Accountability Office (GAO) reports:
 - *GAO, Financial Literacy - Overview of Federal Activities, Programs, and Challenges*, GAO-14-556T (April 30, 2014); and
 - *GAO, Financial Literacy - Overlap of Programs Suggests There May Be Opportunities for Consolidation*, GAO-12-588 (July 23, 2012).
- interviewed OCP officials in Washington, DC to gain an understanding of their roles and responsibilities regarding the Innovation Fund;
- interviewed IRS Procurement staff in New Carrollton, Maryland to gain an understanding of their roles and responsibilities regarding the Innovation Fund contracts;
- gained an understanding of the processes and controls utilized by OCP in administering the Innovation Fund;
- performed a walkthrough of the contract award and source selection process;
- reviewed the source of the funding for the Innovation Fund and verified that the Innovation Fund objectives were consistent with the stated purpose of the funding;
- researched the President’s Advisory Council on Financial Capability and the Financial Literacy and Education Commission to develop an understanding of their functions and recommendations as they relate back to the purpose of the funding for the Innovation Fund;
- performed testing of all 11 Innovation Fund contracts to assess the monitoring performed by the OCP Contracting Officer’s Representative (COR) as follows:
 - compared the Innovation Fund contracts to the remaining balance reconciliation reports to determine if all the work was performed within the period of performance and if distributions exceeded the contract cost;
 - compared invoice approval dates to payment dates to determine if OCP approved invoices ahead of payments;

- compared the contract statement of work objectives to the final report provided by the contractors to determine if the terms and conditions of the contract were met;
- reviewed key documentation provided by OCP and IRS Procurement personnel, including:
 - Organizational charts;
 - Acquisition Plan and Broad Agency Announcement (BAA) to gain an understanding of the overall administration of the Innovation Fund;
 - the BAA to determine if BAA was issued and carried out in compliance with the FAR;
 - Innovation Fund contracts and contract modifications to determine if the contracts were awarded timely;
 - Pre/Post Negotiation Memorandum for each contract to determine if a price analysis was performed prior to awarding the contract;
 - Source Selection Decision Document to determine if a reasonable technical evaluation of the contracts was performed;
 - Treasury’s website to determine if the contractors’ final reports were posted for public use; and
 - Final deliverable reports to verify that the final reports were submitted to the COR prior issuing the contractors’ final payments.

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.

Appendix 2: Management Response



TREASURER
OF THE
UNITED STATES

DEPARTMENT OF THE TREASURY
WASHINGTON

September 14, 2018

Deborah L. Harker
Assistant Inspector General for Audit
Office of Inspector General
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Harker:

I am pleased to provide the official response of the Department of the Treasury (Treasury) to the Office of Inspector General's (OIG) draft report entitled, *Treasury Office of Consumer Policy's Administration of the Financial Empowerment Innovation Fund Complied with Requirements* (the Report).

The Report provides the results of the OIG's audit of Treasury's Office of Consumer Policy's (OCP) administration of the Financial Empowerment Innovation Fund (Innovation Fund). We are pleased the Report found that the OCP appropriately administered the Innovation Fund in full compliance with applicable policies, procedures, laws, and regulations. Further, the Report confirms the office correctly followed the applicable Internal Revenue Service procurement policies and procedures in administration of the Innovation Fund contracts.

Thank you for providing us the opportunity to review the Report.

Sincerely,

Jovita Carranza
Treasurer of the United States of America

Appendix 3: Major Contributors to This Report

Susan Barron, Audit Director
Daniel Gerges, Audit Manager
Andrew Berke, Auditor-in-Charge
Hillary Hopper, Auditor
Adrienne Gilbert, Auditor
Kevin Guishard, Referencer

Appendix 4: Report Distribution

Department of the Treasury (Treasury)

Counselor to the Secretary
Treasurer of the United States
Office of Strategic Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group
Office of Consumer Policy Director
Office of Consumer Policy Liaison

Office of Management and Budget

Office of Inspector General Budget Examiner

United States Senate

Chairman and Ranking Member
Committee on Finance

Chairman and Ranking Member
Committee on Appropriations

Chairman and Ranking Member
Committee on the Budget

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U.S. House of Representatives

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