FDIC Office of Inspector General

The FDIC's Procurement of Resolution and Receivership Services

Final Audit Report

June 2025 | No. AUD-25-01

Office of Inspector General

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NOTICE

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

Executive Summary

The FDIC's Procurement of Resolution and Receivership Services (AUD-25-01) **June 10, 2025**

What We Did

Our objective was to determine whether the FDIC awarded certain resolution and receivership contracts in accordance with best practices for government contracting and FDIC requirements. We focused on identifying industry best practices for emergency acquisitions by reviewing other Federal agencies' acquisition policies. We also reviewed FDIC policies, procedures, contracts, and supporting documentation, and we interviewed key FDIC personnel.

Impact on the FDIC

Emergency preparedness to procure the services needed to resolve unexpected financial institution failures and systemic financial risks is key to the FDIC's mission of maintaining stability and public confidence in the U.S. financial system. Improving the FDIC's emergency acquisition procedures will enhance the FDIC's ability to procure critical services during an emergency and to facilitate resolutions in the most effective manner.

What We Found

According to the FDIC, its response to the Spring 2023 financial institution failures mitigated a potential systemic financial crisis in the U.S. financial system. While the FDIC had established emergency acquisition procedures with a focus on allowing "maximum flexibility," we identified seven best practices that would continue to permit flexibility while also enhancing the FDIC's control environment and emergency acquisition preparedness. Enhancing the FDIC's preparedness could improve the FDIC's ability to ensure an adequate supply of contractors, obtain fair and reasonable pricing, oversee contractor performance, protect and ensure the FDIC's contractual rights, and retain key sources of data and analysis.

We also found that FDIC personnel did not adhere to some emergency acquisition procedures while awarding two resolution and receivership contract actions. FDIC management did not ensure that all aspects of the FDIC's emergency acquisition process were followed because they perceived the need to employ "maximum flexibility" due to the historic nature of the potential crisis and the need to facilitate procurement actions that met the FDIC's immediate need. The FDIC's lack of compliance with some of its acquisition policies and procedures hindered its ability to ensure proper contract oversight management.

What We Recommended

We made 10 recommendations to improve the FDIC's emergency contracting procedures and internal control environment. We recommended that the FDIC establish, and periodically review, an adequate supply of financial advisory and consulting services Receivership Basic Ordering Agreements (RBOA); establish an upfront pricing framework within financial advisory and consulting services RBOAs; establish an emergency response acquisition team; develop and implement periodic testing exercises for key FDIC employees; document key analysis, decisions, and commitments; establish documented deliverables; perform retrospective reviews of the FDIC's implementation of emergency acquisition procedures; review the work performed and information used by four non-U.S. citizens and take appropriate action; and provide training and guidance to Division of Complex Institution Supervision and Resolution Executive Management and employees.

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OBJECTIVE

The objective of our audit was to determine whether the Federal Deposit Insurance Corporation (FDIC) awarded certain resolution and receivership contracts in accordance with best practices for government contracting and FDIC requirements. We selected two specific resolution and receivership contract actions due to reported concerns about potential noncompliance with the FDIC's acquisition policies and procedures.

We conducted this performance audit from April 2024 through April 2025 in accordance with the Government Accountability Office's (GAO) *Generally Accepted Government Auditing Standards*. These 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Appendix 1 of this report includes additional details about our objective, scope, and methodology.

BACKGROUND

According to the World Bank Group, a systemic financial or banking crisis occurs when many banks in a country experience serious solvency or liquidity problems at the same time – either because they are all hit by the same outside shock or because failure in one bank or a group of banks spreads to other banks in the system.

In Spring 2023, over a 3-month span, the FDIC was appointed receiver for three of the largest bank failures in FDIC history:

- **Silicon Valley Bank.** On March 10, 2023, the California Department of Financial Protection and Innovation closed Silicon Valley Bank of Santa Clara, California. The closure occurred two days after Silicon Valley Bank announced that it had sold securities at a loss to meet deposit withdrawals and planned to raise capital, which prompted a run on the bank's uninsured deposit accounts. Because Silicon Valley Bank was 90 percent reliant on uninsured deposit accounts, over a period of less than 24 hours, depositors withdrew or sought to withdraw nearly all the deposits at the bank.[1]

- **Signature Bank.** On March 12, 2023, the New York State Department of Financial Services closed Signature Bank of New York, New York. According to the FDIC, the effects from Silicon Valley Bank's failure spread to Signature Bank because of the bank's similar risk characteristics, including a heavy reliance on uninsured deposits. Ultimately, deposit outflows evolved into a deposit run that exposed other weaknesses that the bank could not overcome, leading to the bank's failure.[2]

- **First Republic Bank.** On May 1, 2023, the California Department of Financial Protection and Innovation closed First Republic Bank of San Francisco, California. According to the FDIC, similar to Signature Bank, First Republic Bank was subject to the contagion effects from Silicon Valley Bank's failure. First Republic Bank experienced a run on deposits, which exposed other weaknesses leading to the bank's failure.[3]

According to the World Bank Group, "[i]n some cases, [a banking crisis] is triggered by depositor runs on banks, though in most cases it is a general realization that systemically important financial institutions are in distress." According to the Congressional Research Service report, *Bank Failures: The FDIC's Systemic Risk Exception* (April 2024), in the case of Silicon Valley Bank and Signature Bank, policymakers were concerned that a run by uninsured depositors would spread to other banks, causing a broader financial crisis detrimental to the real economy.

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[1] According to the Board of Governors of the Federal Reserve System OIG report, *Material Loss Review of Silicon Valley Bank* (2023-SR-B-013) (September 25, 2023), Silicon Valley Bank failed due to several factors. The bank's business model contributed to concentrations in its customer base (primarily in the technology and venture capital industries) and in uninsured deposits. Its management emphasized growth and failed to implement the controls necessary to effectively mitigate the risks associated with significant growth and concentrations. In addition, the bank exhibited weaknesses in corporate governance and risk management.

[2] According to the FDIC OIG report, *Material Loss Review of Signature Bank of New York* (EVAL-24-02) (October 2023), Signature Bank failed due to insufficient liquidity and contingency funding mechanisms and inadequate risk management practices by bank management.

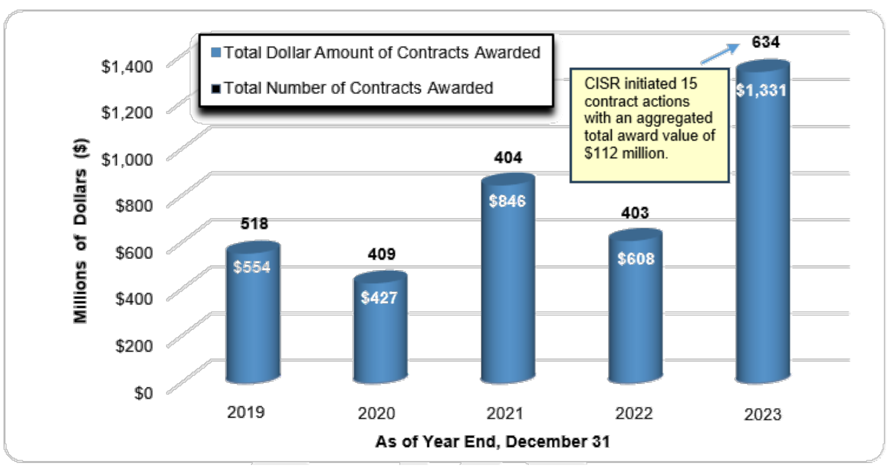
[3] According to the FDIC OIG Report, *Material Loss Review of First Republic Bank* (EVAL-24-03) (November 2023), First Republic Bank failed due to insufficient liquidity and vulnerabilities in the bank's business strategy. Specifically, the bank's strategy of attracting high net-worth customers with competitive loan terms, and funding growth through low-cost deposits, resulted in a concentration of uninsured deposits while increasing the bank's sensitivity to interest rate risk in a rising rate environment.

The FDIC's Acquisition Process

The Federal Deposit Insurance Act authorizes the FDIC to acquire goods and services from contractors to achieve its mission and operations.[4] The FDIC is not required to follow the Federal Acquisition Regulation. It has established acquisition policies and procedures in the FDIC's *Acquisition Policy Manual* (August 2008) (APM) and *Acquisition Procedures, Guidance, and Information* (January 2023) (PGI).[5] The FDIC's acquisition process is divided into four phases: (1) procurement planning, (2) solicitation and award, (3) contract management, and (4) contract closeout.

In carrying out the FDIC's procurement needs, the FDIC awarded 2,368 contracts valued at $3.77 billion over the 5-year period between 2019 through 2023, averaging $753 million annually. Figure 1 shows the amount and number of FDIC contract awards for goods and services for each year from 2019 to 2023.[6]

Figure 1: FDIC Contract Amounts by Year (2019-2023)



Source: OIG analysis of FDIC Annual Reports and 2023 CISR Contracts Listing (2019-2023).

[4] 12 United States Code (U.S.C.) § 1819(a). The Federal Deposit Insurance Act authorizes the FDIC "[t]o make contracts", "[t]o appoint … such officers and employees … to define their duties", and "[t]o prescribe, by its Board of Directors, bylaws… regulating the manner in which its general business may be conducted…."
[5] In November 2023, the FDIC consolidated its acquisition policies and procedures into the Acquisition Procedures and Guidance Manual.
[6] The award value is the contract ceiling amount and is not the actual amount spent or paid to the contractors.

The FDIC Divisions and Offices in the acquisition process related to the two contract actions that were the subject of this audit include the following:

- **Division of Complex Institution Supervision and Resolution.** The Division of Complex Institution Supervision and Resolution (CISR) is responsible for protecting and maintaining stability in the U.S. financial system by avoiding, and if necessary, managing the failure of large complex financial institutions. CISR acted as the Program Office to acquire the services of two contractors to facilitate the receivership and resolution of three large bank failures in Spring 2023.[7] This report focuses on the activities related to two of CISR's branches:
  - **Operations Branch.** The Operations Branch oversees all aspects of CISR operations, including engaging in procurement and contract oversight. The Branch nominates an Oversight Manager (OM) who is responsible for acting as a technical liaison and monitoring contractor performance by inspecting and accepting goods and services and reviewing and approving invoices.[8] The Operations Branch also manages activities associated with the award and administration of contracts.
  - **Resolution Readiness Branch.** The Resolution Readiness Branch is responsible for formulating and, in the event of failure, leading the execution of strategies and plans for resolving large complex financial institutions. The Branch is responsible for identifying any procurement need; engaging in procurement planning activities; and if required, nominating Technical Monitors (TM) (i.e., subject matter experts) to assist the OM, as needed. The Resolution Readiness Branch is also responsible for franchise marketing efforts to enable CISR to actively market and sell a failing insured depository institution.
- **Division of Administration.** The Division of Administration's (DOA) Acquisition Services Branch (ASB) is responsible for the overall management of the FDIC's acquisition activities. The ASB assigns Contracting Officers (CO) to work closely with the

[7] A Program Office is any FDIC Division or Office that is responsible for identifying contracting requirements, conducting market research, and working closely with the ASB Contracting Officer to initiate the acquisition process. A Program Office is also responsible for authorizing funds for contract awards, nominating an OM and TM, and managing and overseeing the contract.
[8] The OM monitors the contractor's performance under the contract, acts as a technical liaison between the FDIC and the contractor, and ensures technical compliance with the contract by all parties.

Program Office on each acquisition.[9] The CO is the authorized agent to engage contractors and has sole authority to solicit proposals and negotiate, award, administer, modify, or terminate contracts on behalf of the FDIC. In addition, based on the Program Office's nomination, the CO appoints the OM and TM.[10]

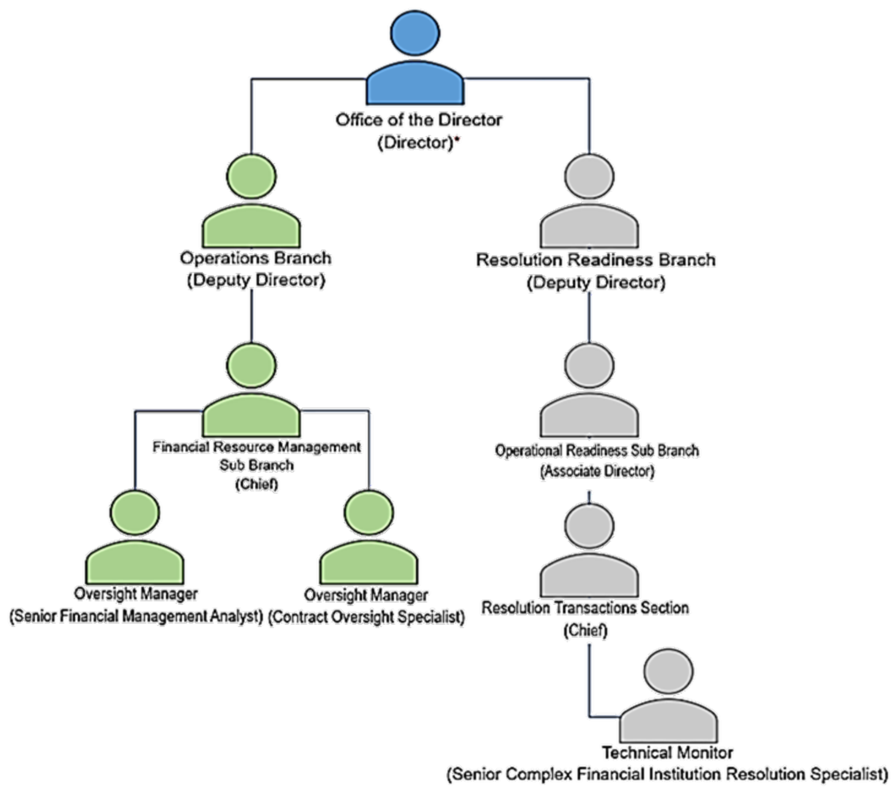
- **Division of Finance.** The Division of Finance's Disbursement Operations Section is responsible for overseeing the proper processing of invoices. This Division is responsible for overseeing the FDIC's New Financial Environment application, which facilitates the FDIC's financial management and reporting and processes vendor payments.

- **Legal Division.** The FDIC's Legal Division is responsible for interpreting laws and regulations, providing legal advice and guidance to FDIC Divisions and Offices, identifying and assessing legal risks to the FDIC, and representing the FDIC in legal matters. The Legal Division provides legal guidance to FDIC personnel concerning FDIC's acquisition policies and procedures.

Figure 2 below presents a simplified CISR organizational chart with key branches and positions as of February 2023. These key Executive Managers and personnel were involved in coordinating, authorizing, and approving key contract documents during the three large regional bank failures in Spring 2023.

[9] The CO ensures the performance of all actions necessary for efficient and effective contracting, ensuring compliance with the terms of contracts, and protecting the interests of the FDIC in all of its contractual relationships.
[10] The TM assists the OM in monitoring and evaluating contractor performance under an FDIC contract.

Figure 2: Simplified CISR Organizational Chart



Note: * Former FDIC employee; retired June 2023.
Note: Figure 2 includes the key employees involved in the two procurements and does not reflect all managers and supervisors within the official organizational chart.

Source: OIG analysis of CISR organizational structure and key employees (February 2023).

Expedited and Emergency Acquisition Procedures

According to FDIC policy, when insufficient time is available to follow the established acquisition process, the FDIC may implement either expedited or emergency contracting procedures. These procedures allow the FDIC to conduct a streamlined acquisition process. Specifically, the CO, in consultation with the Program Office, selects which acquisition procedures to use based on "the urgency of the financial institution failure."

Expedited contracting procedures are used when the FDIC anticipates that a financial institution failure may require goods and services to be delivered quickly. These procedures allow the FDIC to conduct streamlined acquisition and competitive contracting processes.

The FDIC uses emergency contracting procedures when time constraints associated with a resolution, or potential closing, do not allow for expedited or normal contracting procedures. Emergency contracting procedures allow for "maximum flexibility" to immediately make critical awards in support of FDIC efforts. Under these procedures, the ASB has the authority to suspend any contracting procedures, and documentation requirements, that hinder a rapid and effective response to a financial crisis. Emergency procedures differ from expedited procedures in that (1) competition is not required; (2) Justification for Non-Competitive Procurement (JNCP) requirements are suspended; and (3) quotes and technical proposals may be provided orally but should be followed up in writing for subsequent filing.

Best Practices in Emergency Acquisition Procedures

Our review identified best practices for government contracting under emergency conditions. Best practices consider new approaches by comparing existing organizational functions with organizations that are performing those functions differently. According to the GAO, best management practices refer to:

> The processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency.[11]

To identify best practices, we reviewed policies and procedures established by the following agencies that either had some similar roles and responsibilities to the FDIC or had a heightened emergency response risk profile:

- Office of the Comptroller of the Currency,[12]
- National Credit Union Association,

[11] GAO Report, *Best Practices Methodology, A New Approach for Improving Government Operations* (GAO/NSIAD-95-154) (May 1995).
[12] The OIG included the Office of the Comptroller of the Currency as a source for best practices based on an FDIC suggestion.

- U.S. Nuclear Regulatory Commission, and
- Federal Emergency Management Agency.

In addition, we reviewed Office of Management and Budget, Office of Federal Procurement Policy guidance; Government Accountability Office's *Standards for Internal Control in the Federal Government;* and the FDIC's internal studies and reviews to identify best practices.[13]

As a result, we identified seven best practices (summarized in Figure 4 in the Results section) intended to enhance the FDIC's emergency acquisition process.

Procurement of Financial Advisory and Consulting Services

In March 2021, the FDIC established agreements with six service providers for financial advisory and consulting services. These agreements were called Receivership Basic Ordering Agreements (RBOA). RBOAs are used by FDIC divisions with RBOA authority to expedite the acquisition of goods and/or services in support of failing or failed financial institutions and their subsidiaries. The RBOA structure provides a general understanding of an indefinite quantity of supplies or services to be furnished without a ceiling amount over a fixed period. The FDIC may also award contracts outside of an RBOA process.

Under these RBOAs, the contractors would potentially assist the FDIC with preparing for and formulating resolution strategies for failed financial institutions.[14] The FDIC reserved the right to issue a task order directly to a contractor or the FDIC could compete the award of a particular task order to all contractors in that RBOA suite.[15]

In March 2023, the FDIC awarded a $32 million contract to *Contractor A* (facilitated through an existing RBOA) for financial advisory and consulting services related to the failures of Silicon Valley Bank and Signature Bank.[16] Under this contract, *Contractor A* provided advice and support to the FDIC on resolving these failed banks and the franchise marketing process. The

[13] The FDIC is not subject to the Federal Procurement Policy guidance.
[14] The project areas include, but are not limited to, business line divestiture, securities issuance, governance, continuity of operations, asset and enterprise valuation, and claims distribution. In addition, the contractor services would include financial advisory services, merger and acquisition expertise, restructuring knowledge and expertise, operational continuity, asset valuation and disposition strategy and support, project leadership, and financial advisory expertise.
[15] A Task Order is considered a contract and an order for the acquisition of goods or services issued under an RBOA.
[16] Task Order RECVR-20-G-0575-0003.

contract had a base period of 3 months, with three 1-month option periods – the FDIC did not exercise the option periods, resulting in $21.5 million being spent.

In May 2023, the FDIC awarded a $27 million contract to *Contractor B* (outside of the RBOA process) for global strategic advisory services related to the failures of Silicon Valley Bank and First Republic Bank.[17] Under this contract, *Contractor B* provided advice on the evaluation, resolution, and marketing of the failed banks. The contract had a base period of 3 months, with three 1-month option periods – the FDIC did not exercise the option periods, resulting in $22.5 million being spent.

According to the FDIC, both contracts were needed to facilitate the resolution of failed and failing banks and to mitigate a potential systemic financial crisis. Although both contracts performed similar services, the FDIC asserted that each contract provided unique benefits, increased competition, and achieved operational efficiency.

RESULTS

According to the FDIC and the Congressional Research Service, the Spring 2023 financial institution failures presented a potential systemic financial crisis in the U.S. financial system. The FDIC's efforts during this time significantly mitigated that potential crisis.

While the FDIC established emergency acquisition procedures for failing and failed institutions, with a focus on allowing "maximum flexibility," we identified seven best practices that would allow for flexibility while also enhancing the control environment and emergency acquisition preparedness. Going forward, these enhancements would improve the FDIC's ability to ensure an adequate supply of contractors, obtain fair and reasonable pricing, oversee contractor performance, protect and ensure the FDIC's contractual rights, and retain key sources of data and analysis. Also, these enhancements would help the FDIC retain a basis for decisions made during the award and performance of the contracts. If the FDIC does not maintain a complete record of its efforts and actions, such as information considered, discussions held, and decisions made, then the lack of documentation increases the risk that not all relevant information was considered nor maintained for future use.

[17] While the contractor started work in March 2023, the contract was not finalized until May 2023, after the work was substantially completed.

While not required by FDIC policies and procedures, these best practices are intended to enhance the FDIC's emergency acquisition processes. A number of these best practices would specifically enhance the FDIC's planning and preparation for future procurements and assist in maintaining an effective forward-looking position toward emergency acquisition.

In addition, we found that the FDIC did not adhere to some of its emergency acquisition procedures while awarding the two resolution and receivership contract actions. Specifically, the FDIC did not ensure that certain contract documents were prepared and processed timely and/or accurately, such as Price Evaluation Memoranda and JNCPs. According to an FDIC senior official, the FDIC did not adhere to all emergency acquisition processes because the FDIC focused on the many tasks associated with the three failures and potential cascading effects.

Also, the FDIC did not ensure that all emergency acquisition processes were followed because they perceived the need to employ "maximum flexibility" due to the historic nature of the potential crisis and the need to facilitate procurement actions that met the FDIC's immediate need. Since some of the FDIC's key employees involved in the acquisition had not previously implemented emergency acquisition procedures, they did not have experience to draw upon during this time.

Figure 3 presents a timeline of significant events and related procurement actions associated with the failures of Signature Bank, Silicon Valley Bank, and First Republic Bank.

Figure 3: Timeline of Significant Events

		Bank Failed and FDIC Appointed Receiver	Service Provider Began Work to Resolve Failed Institution	FDIC Sold the Failed Institution, and Service Provider Completed Work	FDIC and Service Provider Finalize Contractual Agreement	Supporting Paperwork Justifying Decisions and Actions Taken Prepared
Contractor A	SVB	March 10, 2023	March 11, 2023	March 26, 2023	March 25, 2023	Through March 22, 2024
Contractor A	Signature	March 12, 2023	March 11, 2023	March 20, 2023	March 25, 2023	Through March 22, 2024
Contractor B	SVB	March 10, 2023	March 14, 2023	March 26, 2023	May 30, 2023	Through March 22, 2024
Contractor B	First Republic	May 1, 2023	March 14, 2023	May 1, 2023	May 30, 2023	Through March 22, 2024

The 2023 Financial Institution failures happened very quickly. As a result, the FDIC did not have time to implement its normal acquisition process.

The FDIC initiated its emergency acquisition procedures and engaged two service providers to resolve three failed banks.

The FDIC finalized the formal contract and supporting documentation after the service providers substantially completed their work.

Source: OIG analysis of key FDIC contract documents and press releases.

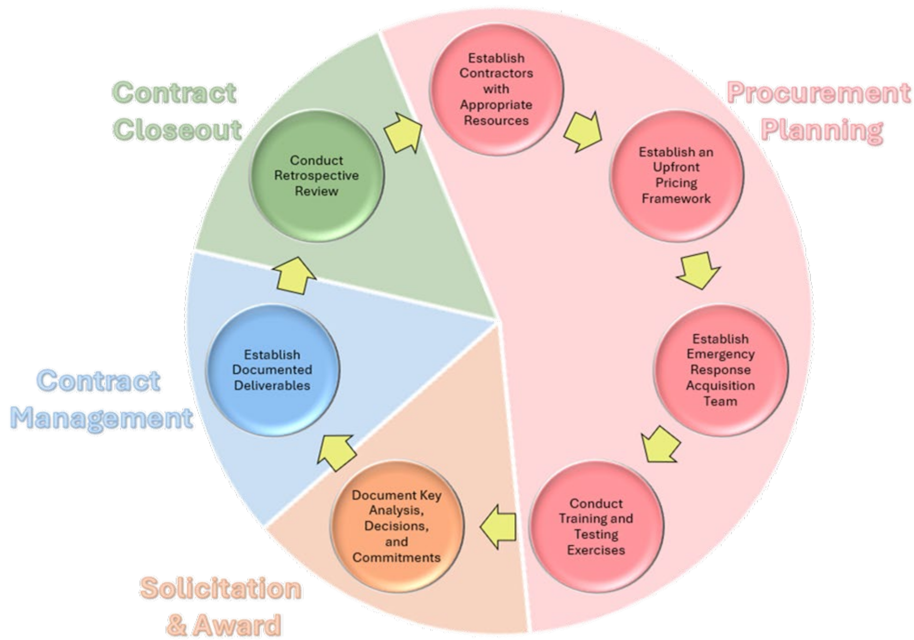
Finding 1

Implementing Best Practices Would Enhance the FDIC's Emergency Acquisition Process

According to the FDIC, it mitigated the potential cascading impacts from the three large bank failures in Spring 2023; however, we identified some best practices that would benefit the FDIC in the event it confronts future large bank failures.[18] As presented in Figure 4, we identified seven best practices that would enhance the FDIC's emergency acquisition process.

[18] During our review, we shared the various sources of best practices with the FDIC, and the FDIC concurred with the identified sources.

Figure 4: Best Practices for the FDIC's Emergency Acquisition Process



Source: OIG identified best practices.[19]

Best Practice 1: Establish a Greater Supply of Contractors to Enhance Available Services

The DOA ASB produced a Briefing Book, *Effectively Managing Acquisition Services Branch Procurement Policies and Resources - Meeting the Challenges of the Financial Crisis, 2008-2011*. The book discussed the challenges the FDIC faced in resolving failing or failed financial institutions during the 2007 financial crisis and reviewed the procurement policies and strategies the ASB developed and implemented in response to the crisis. While not FDIC policy or procedure, the book stated that, in preparing for an emergency, the FDIC should establish an adequate supply of contractors with the knowledge, skills, and abilities to carry out desired services. In addition, the Federal Emergency Management Agency's (FEMA) policy, *FEMA Directive: Advance Contract Strategy* (May 2021) states that, when preparing for an emergency,

[19] Federal Emergency Management Agency, Nuclear Regulatory Commission, National Credit Union Administration, Office of Management and Budget, Government Accountability Office, and the FDIC's online resources.

an organization should periodically review contracting vehicles to ensure scope requirements and facilitate modifications as necessary.

In March 2021, the FDIC established RBOAs with six service providers for financial advisory and consulting services. However, only one service provider on the RBOAs met the FDIC's procurement needs for an unexpected financial institution failure. The FDIC contracted with this service provider on March 11, 2023 to facilitate the resolution and receivership of Silicon Valley Bank and Signature Bank. According to contract documentation, only this service provider had regional merger and acquisition experience. The other five service providers had international expertise that the FDIC considered too "niche" to be pertinent for the two bank failures.

According to the CISR Operations Branch's Deputy Director, in retrospect, the RBOA portfolio did not adequately cover the scope of services that the FDIC needed during the Spring 2023 failures. In addition, the CISR Resolution Readiness Branch's Deputy Director stated that the FDIC should have had a "wider group of contractors to call on that had more active financial advisory services…."

The FDIC had not reviewed the RBOAs' sufficiency until March 2023, when contracting actions were needed in response to the three failures. Periodically reviewing the RBOAs' effectiveness to meet the FDIC's needs would help the FDIC identify and adjust for changes in contractor resources and availability. At the time of the failures, the FDIC did not have a policy in place to periodically review RBOAs. In April 2024, DOA established standard operating procedures, *ASB Bank Failure Action Plan Version 1.0*, to reassess the RBOAs at least annually.

ASB Bank Failure Action Plan

In April 2024, DOA ASB issued standard operating procedures that it would use in the event expedited or emergency contracting procedures were needed to support failing or failed financial institutions, including to periodically reassess RBOAs. This guidance applied to DOA ASB, which had the primary responsibility of supporting bank failure activities. Specifically, the guidance details various FDIC Divisions' and Offices' roles and responsibilities, available resources, channels of communication and points of contact, and DOA ASB procedures.

Recommendation 1:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, review existing financial advisory and consulting services Receivership Basic Ordering Agreements and take appropriate steps to establish an adequate supply of contractors with appropriate resources to address the FDIC's future procurement needs in the event of financial institution failures and financial crises.

Recommendation 2:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish a process to periodically review financial advisory and consulting services Receivership Basic Ordering Agreements to ensure sufficient contractor resources are available to meet the FDIC's mission-critical needs.

Best Practice 2: Establish an Upfront Pricing Framework to Minimize Pricing Risks

FEMA's policy, *FEMA Directive: Advance Contract Strategy* (May 2021), establishes advance contracts (similar to RBOAs) that allow pre-negotiated agreements to facilitate the emergency acquisition process. Advance contracts give agencies the ability to obtain procurement needs in an efficient and cost-effective manner with upfront pricing.

In addition, according to the U.S. Nuclear Regulatory Commission's (NRC) *Acquisition Guidebook for Contracting Officer's Representatives* (June 2013), statements of work must: (1) be definitive enough to protect the Government's interests; (2) serve as a basis for contractor responses, evaluation of proposals, and source selection; and (3) provide a meaningful measure of performance so both the Government and the contractor will know when the work is satisfactorily completed. The NRC guidebook also states that the statement of work will be read and interpreted by a variety of people from diverse disciplines. Therefore, it is imperative that the contract language is clear, easily understood, and has only one interpretation.

The FDIC did not establish an upfront pricing framework, or advanced pricing, within the financial advisory and consulting services RBOAs to forecast costs. According to the FDIC, it believed it would be too difficult to forecast the precise need and associated costs. Instead, the FDIC relied on the service providers' pricing sheets and the TM's unsupported statement of comparable fees to support its conclusions on the fairness and reasonableness of cost.

Due to the lack of an upfront pricing framework, the FDIC's contractual arrangement with *Contractor A* resulted in the FDIC negotiating the cost of services after the work was substantially complete. If the FDIC establishes an upfront pricing framework within the financial advisory and consulting services RBOAs, it would have greater assurance that the costs incurred for those services are fair and reasonable and meet the FDIC's expectations when entering into the contract.

The lack of a common understanding of how contractor costs would be calculated also contributed to a discrepancy between the FDIC and *Contractor B* regarding the transaction fee for the sale of First Republic Bank. The FDIC and *Contractor B* agreed that the transaction fee would be based on the "sales price," but "sales price" was not clearly defined in detail in the contract, and there was not a common understanding of how the "sales price" would be calculated. As a result, the FDIC initially estimated that the transaction fee would be $5.5 million based on the FDIC's calculation of the sales price. After further review, the FDIC accepted the contractor's interpretation of how the "sales price" should be calculated under the contract, which resulted in the FDIC paying $13.5 million, a difference of $8 million – 145 percent higher than the FDIC's initial calculation and expectation.

Had the FDIC established an upfront pricing framework and clearly defined terms that were understood and agreed to by both the FDIC and the contractors, the FDIC would have had greater assurance that the costs were fair and reasonable. DOA's issuance of the *ASB Bank Failure Action Plan Version 1.0*, encourages the FDIC to consider a standardized pricing framework, or advanced pricing, within RBOAs.

Recommendation 3:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish an upfront pricing framework or advanced pricing within all financial advisory and consulting service Receivership Basic Ordering Agreements.

Best Practice 3: Establish an Emergency Response Acquisition Team to Enhance Preparation and Oversight

According to the Office of Management and Budget (OMB), Office of Federal Procurement Policy's *Emergency Acquisition Guide* (January 2011) (OMB Guide), in preparing for an emergency, an organization should establish an emergency response acquisition team. Establishing a team in advance would ensure that key employees with the appropriate knowledge, skills, and abilities are available to rapidly deploy.

For the three large bank failures of 2023, the FDIC did not formally establish an emergency response acquisition team. While FDIC employees completed multiple tasks and overcame many challenges, some of the employees involved in procuring goods and services for the

Spring 2023 bank failures had not previously implemented emergency acquisition procedures for the FDIC. These key employees had limited knowledge and experience to implement the emergency acquisition procedures. Further, the CISR Resolution Readiness Branch's Resolution Transactions Section only had one employee that had completed the required training to serve as a TM. While the FDIC assigned this individual to provide oversight of one of the contracts, the Resolution Transactions Section did not have the resources to assign, or time to qualify, a TM for the second contract.

As reported within its December 2024 Risk Profile, the FDIC needs to ensure that it strategically positions staff with the necessary skills in the best positions to achieve the FDIC mission. Due to the lack of a dedicated emergency response acquisition team, key FDIC employees did not ensure that some emergency acquisition policies and procedures were followed. This resulted in delays and inaccuracies in supporting contract documentation or the documentation not being completed.

Recommendation 4:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish an emergency response acquisition team with appropriate FDIC personnel and ensure that a dedicated team of key individuals (including Technical Monitors) is available to carry out emergency procurement procedures.

Best Practice 4: Perform Training and Testing Exercises for Emergency Procurements to Increase Knowledge

According to the OMB Guide and FDIC Directive 1500.07, *Crisis Readiness and Response Program* (July 2021), in preparing for an emergency, the FDIC should conduct emergency training and testing exercises. These exercises should be designed to increase employees' knowledge, awareness, and understanding of emergency acquisition procedures, roles and responsibilities, and channels of communication. According to the OMB guide, agencies should develop emergency contracting exercises to test processes and familiarize personnel with all phases of an emergency or contingency plan.

The FDIC did not conduct training and testing exercises specifically for emergency procurements. Although the FDIC had a Crisis Readiness and Response Program, that program focused on ensuring that the FDIC remains prepared to perform the programmatic aspects of its mission. The program did not consider the corresponding procurement needs in scenarios and plans involving an unexpected financial institution failure or a systemic financial crisis.[20]

The FDIC may benefit from implementing several aspects, or program elements, of the FDIC's Crisis Readiness and Response Program for its emergency procurement needs. These aspects include: (1) identifying and planning for potential crisis scenarios, (2) training key personnel on those plans, (3) initiating exercises to test the FDIC's capabilities and planning efforts, (4) evaluating and documenting lessons learned, and (5) integrating those lessons learned to improve future performance.

According to some FDIC employees involved with the two contract actions, they did not receive crisis readiness training. The FDIC offered crisis readiness training; however, the training did not incorporate the acquisition process. Employees also stated that they were not involved in planning procurement needs for a potential crisis event or conducting crisis readiness testing exercises. While the CISR Resolution Readiness Branch's Deputy Director emphasized that CISR considered crisis readiness on an ongoing basis and as a key area of responsibility, they had not participated in the FDIC's Crisis Readiness and Response Program or received crisis readiness training specific to identifying and obtaining procurement needs.

Providing emergency-procurement training and testing exercises would ensure that FDIC employees have the knowledge, awareness, and understanding of emergency acquisition procedures, roles and responsibilities, and channels of communication.

Recommendation 5:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, develop and implement periodic emergency procurement testing exercises for appropriate FDIC employees.

[20] According to FDIC Directive 1500.07, *Crisis Readiness and Response Program (July 2021)*, the FDIC must ensure its ability to respond quickly and effectively to risks faced by independent depository institutions, financial institutions, and the financial system as a whole. The FDIC's Crisis Readiness and Response Program involves: (1) Integrated planning, (2) Training of key personnel, (3) Exercise programs testing the FDIC's capabilities and plans, (4) Documentation of lessons learned, and (5) Integration of lessons learned into ongoing activities.

Best Practice 5: Document Contract Actions to Improve Knowledge Retention

According to the OMB Guide and National Credit Union Administration guidance, when soliciting and awarding an emergency contract, an organization should document and maintain key analysis, decisions, and commitments within emergency contract files on a timely basis. In addition, the GAO's *Standards for Internal Control in the Federal Government* (September 2014) advises that transactions are promptly recorded to ensure their relevance and value for management in controlling operations and making decisions.

The FDIC did not adequately document some key analysis, decisions, and commitments on a timely basis. Although the FDIC's emergency acquisition procedures allow for the delayed completion of some contract documents, the FDIC did not ensure that certain contract actions carried out through informal analysis and communications (e.g., emails, meetings, etc.) were properly recorded. During our review, FDIC personnel were not able to recall essential facts or explain the rationale and provide support for several actions. Specifically, the FDIC was not able to provide documented support for the following:

- The FDIC's rationale for using *Contractor B* to facilitate the resolutions of Silicon Valley Bank and First Republic Bank.
- The FDIC's expansion and procurement of *Contractor B's* services.
- The FDIC's market analysis and conclusion on price fairness and reasonableness for the services obtained from both contractors.
- The service providers' division of labor in advising and resolving Silicon Valley Bank.
- The FDIC's justification for not preparing a requirements package and Price Evaluation Memorandum for *Contractor B's* services.
- The FDIC's failure to enforce and obtain appropriate approvals for the JNCP for *Contractor A's* services.
- The FDIC's documentation and resolution for identified employee and organizational conflicts of interest, and assignment of foreign nationals to *Contractor B*.

As a result, the FDIC became reliant on CISR Resolution Readiness Branch's Deputy Director to serve as the repository of actions taken and institutional knowledge. The FDIC's reliance on the Deputy Director weakened the FDIC's internal controls and corresponding segregation of duties. The absence of this individual could limit the FDIC's ability to provide information for future inquiries, analyses, and decisions; potentially limiting the FDIC's ability to identify, plan for, and respond to future crises. Also, the CISR's Operations Branch did not have a process in place to identify, request, collect, or store relevant documents and materials. Further, maintaining relevant documents and material pertaining to these contract actions would help the

FDIC retain a basis for decisions made during the award and performance of the contracts. If the FDIC does not maintain a complete record of its efforts and actions, such as information considered, discussions held, and decisions made, then the lack of documentation increases the risk that not all relevant information was considered nor maintained for future use.

Recommendation 6:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution** establish a process for emergency procurements to document and maintain analysis, decisions, and commitments, to include, at a minimum, those identified in this report.

Best Practice 6: Document Deliverables to Improve Contract Oversight Management

According to the GAO Green Book, an organization should establish control activities, including but not limited to, appropriate documentation of transactions. In addition, according to the FDIC's PGI, the OM is responsible for inspecting and accepting goods and services and evaluating contractor performance.

Based on our analysis, *Contractor B* had the option to provide written or verbal deliverables on its services. According to the OM, the FDIC did not receive any deliverables and deferred to the CISR Resolution Readiness Branch's Deputy Director as the accepting agent. *Contractor B* chose to only provide verbal updates to the FDIC. According to the Resolution Readiness Branch's Deputy Director, they were in communication with *Contractor B* throughout the performance of services. However, the CISR Deputy Director was not an authorized TM. Further, the FDIC did not document these meetings and updates.

As a result, the OM did not receive documented deliverables and could not inspect and accept the services provided. Ultimately, the FDIC had limited insight into the contractor's performance. An OM's receipt and review of documented deliverables provide transparency into the work performed and its quality. Documented deliverables should be retained to address future inquiries and enhance decisions and institutional knowledge in the event of future bank failures.

Recommendation 7:

We recommend the **Director, Division of Administration**, develop and implement a process to analyze and determine when documented deliverables should be required on emergency service contracts to ensure contract personnel have the ability and resources to oversee contractor performance.

Best Practice 7: Perform a Retrospective Review to Identify Improvements

According to the OMB Guide, agencies should conduct retrospective reviews of their emergency acquisitions. A retrospective review may include elements addressing requirements identification, acquisition execution, and contract management.

The FDIC performed a lessons learned review of the resolution and receivership process. However, that review did not include a retrospective assessment of the emergency acquisition process or the corresponding contracts and contract files. A lessons learned review including such elements would assist the FDIC in identifying potential performance weaknesses, internal control weaknesses, or potential improvements to the FDIC's emergency acquisition process. The *ASB Bank Failure Action Plan Version 1.0* (April 2024) now requires the FDIC to perform and document a lessons learned or retrospective review to identify opportunities to improve the overall efficiency and effectiveness of the emergency procurement process.

Recommendation 8:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, perform retrospective reviews when the FDIC conducts or tests emergency acquisition procedures.

Finding 2

The FDIC Generally Complied with Its Emergency Acquisition Process but Improvements Are Needed

In responding to the Spring 2023 financial institution failures, the FDIC generally complied with its emergency acquisition process. However, the FDIC could improve how it demonstrates and documents adherence to its established processes. Specifically, the FDIC did not prepare requirements packages, resolve contract employee restrictions, prepare Price Evaluation Memoranda, or provide accurate statements and/or complete JNCPs. These lapses occurred because some CISR and DOA ASB personnel did not have experience with previous bank failures or implementing expedited and emergency procurement procedures. When the FDIC does not adhere to acquisition policies and procedures, it can increase the FDIC's legal, reputational, and operational risks and hinder the FDIC's ability to properly oversee its contracts. Also, noncompliance exposes the FDIC to increased risk that not all relevant information is considered for procurement decisions. Further, when the FDIC does not properly document certain steps within its emergency acquisition policies and procedures, the lapses hinder third-party review of agency decisions and contractor performance.

Preparing Requirements Packages

According to the PGI, for emergency procedures, in lieu of a formal requirements package, the CO may accept an email or brief memorandum from the Program Office describing the contract need.[21] Further, the Program Office "must submit a final requirements package to ASB, including an amended purchase request if required, a detailed statement of work and final FDIC cost estimate. The CO uses the final requirements package to draft a formal contract and negotiate with the contractor to finalize the terms, conditions, and prices."

According to CISR Directive, *Contract Management* (August 2022), "[t]he Director may determine a Term Sheet (or other brief written description of the contracting need), without a Requirements Package and Case Memorandum, is sufficient for the procurement to proceed to ASB."[22]

When procuring services from *Contractor A*, CISR did not provide a final requirements package to DOA ASB documenting the contracting need. On March 11, 2023, CISR submitted an initial requirements package to DOA ASB with a "rough" estimated cost of $12 million.[23] On March 12, 2023, *Contractor A* and the FDIC (DOA ASB, in consultation with CISR) began price negotiations. On March 16, 2023, the CO notified *Contractor A* that they reached a tentative agreement for $21.5 million (an increase of $9.5 million or 79 percent). The increase in price was due to the FDIC and the contractor having more information regarding the level of effort necessary to address the failures.

The CO then sought the Program Office's formal approval for the revised cost estimate and requested CISR submit a revised requirements package; however, CISR did not submit an

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[21] According to the PGI document, a requirements package includes, in part, the following documents: (1) approved new financial environment requisition, (2) statement of work, (3) independent FDIC cost estimate, (4) contractor risk level determination, and (5) checklist for information security and privacy provisions/clauses.
[22] A Term Sheet is a high-level document that describes the goods or services required, explains how the goods or services fit within CISR's strategy, describes why the goods or services need to be contracted out, and presents the estimated cost. The Term Sheet serves, in part, to inform and gain the initial support of senior management.
[23] According to the initial Term Sheet, the estimated cost of $12 million was comprised of $2 million per month for 6 months.

updated requirements package. Ultimately, according to a DOA ASB internal communication, DOA ASB had obtained approval from CISR to move forward with the procurement. Thereafter, DOA ASB carried out the procurement without a final requirements package.

When procuring *Contractor B's* services to assist with resolving Silicon Valley Bank, the FDIC did not prepare or submit a requirements package. Initially, the FDIC established a contract with *Contractor B* for advisory services related to resolving a systemic financial crisis based on direction from the former FDIC Chairman. However, when preparing the scope of work for the contract, CISR expanded that scope to include the marketing of failed institutions in addition to the approved advisory services. The expanded scope of work resulted in *Contractor B* participating in the resolution of Silicon Valley Bank, as well as First Republic Bank. When negotiating and finalizing *Contractor B's* services for this second contract, CISR did not prepare or submit a requirements package despite expanding and directing the scope of services.

Resolving Contract Restrictions

According to the PGI, as stated within its emergency procedures, the CO is responsible for obtaining, reviewing, and submitting contractor certifications and background investigation forms for key contract employees.[24] The PGI also states that personnel performing functional responsibilities designated at the "high risk" level must be U.S. citizens.

According to the FDIC's *Contractor Risk Level Record* (March 2023) form, all of the labor categories for *Contractor B* were designated as "high risk." Between March and May 2023, the CO requested and obtained contractor certifications and background investigation forms. On May 15, 2023, after *Contractor B* had substantially completed work, it submitted a waiver request to allow four non-U.S. citizens to perform services on the contract. However, CISR's Operations Branch advised DOA ASB to deny the request in order to comply with the FDIC's restrictions on foreign nationals participating in high-risk contracts.

[24] According to FDIC Directive 1610.2, *Personnel Security and Suitability Program for Contractors and Contractor Personnel* (February 2021), key personnel are defined as contractor personnel deemed essential and critical to the performance of the contract, and who are contractually required to perform by the Key Personnel contract clause.

In response, DOA ASB removed the names of the four non-U.S. citizens from *Contractor B's* list of key contract personnel and advised *Contractor B* to update its list accordingly. On May 23, 2023, *Contractor B* withdrew its waiver request and updated its list of key contract employees to no longer include the four non-U.S. citizens. According to a DOA Contract Specialist, the FDIC did not analyze what work was performed, what data was accessed by these four non-U.S. citizens, and over what period of time. The FDIC also did not determine whether these individuals' access to information represented a potential security incident.[25]

Employee and Organizational Conflicts of Interests.

During our audit, we noted that a former FDIC CISR employee did not adhere to senior employee post-employment restrictions. This former employee contacted current FDIC CISR employees despite a one-year restriction on working on any matter in any capacity related to the FDIC. The FDIC identified the potential conflict of interest, took appropriate corrective action, and restricted the former FDIC employee from further involvement in the FDIC's activities.

In addition, we noted that one service provider shared confidential financial information with its own customers – who were potentially interested in bidding on one of the failed institutions. The FDIC promptly identified the potential organizational conflict of interest, took appropriate corrective action, and requested the service provider to share the financial information with all potential bidders.

Recommendation 9:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution** review the work performed and information used by the four non-U.S. citizens and take appropriate action.

Price Evaluation Memorandum

According to the PGI, when implementing expedited or emergency acquisition procedures, the CO must prepare a Price Evaluation Memorandum documenting any price/performance negotiations within 60 calendar days from the issuance of the Advance Authorization Letter.[26] The Price Evaluation Memorandum must include an analysis and conclusion on the price of

[25] According to FDIC Directive 1360.12, *Reporting Information Security Incidents* (August 2023), an incident is "an occurrence that actually or imminently jeopardizes, without lawful authority, the confidentiality, integrity, or availability of information or an information system."
[26] According to the *Price Evaluation Memorandum Template* (September 2023), a Price Evaluation Memorandum should, in part, provide a price analysis of the procurement and the Contracting Officer's conclusion on the fairness and reasonableness of the price.

services. Specifically, "[t]he Contracting Officer must make a determination of price reasonableness, using information regarding price realism provided by the Program Office and other information gained during analysis of the offeror's price proposal." The Price Evaluation Memorandum must be approved in accordance with established authorization levels.

When procuring *Contractor A's* services, the CO did not prepare a Price Evaluation Memorandum. According to the CO, they forgot to prepare the document because the FDIC had no tracking system in place, they had limited time, and they were responsible for multiple contracts and contract actions. In response to an OIG audit request in March 2024, the CO prepared a Memorandum to File that recognized the required documentation was not prepared and concluded the price for *Contractor A's* services was fair and reasonable.

The Memorandum to File did not identify the data source or provide accurate supporting analysis. The supporting analysis stated that the range of comparable mergers and acquisition transaction fees were 2 to 6 basis points of the purchase price. However, the analysis did not reflect that this range in fees was based on only 16 percent of an entity's total assets and the Program Office stated that the data may not be comparable. Further, the Memorandum to File did not document approval of the DOA ASB Deputy Director for the Price Evaluation Memorandum, as required.

When procuring *Contractor B* services, the CO did not prepare a Price Evaluation Memorandum. In response to an OIG audit request in March 2024, the CO prepared a Memorandum to File recognizing that they did not prepare the required documentation. The memorandum stated that it served to document that the price for *Contractor B's* services related to Silicon Valley Bank was fair and reasonable. However, the conclusion on the fairness and reasonableness of the cost of services did not identify the data source or provide accurate supporting analysis.

The Memorandum to File stated that the price for services was reasonable based on the "historical pricing structure from the previous agreement as well as a cursory review of other contracts and RBOAs for similar services." However, the Memorandum to File did not identify the prior agreement or the other contracts and RBOAs used for comparison nor any corresponding data. In addition, the financial advisory and consulting services RBOAs, which are the subject of this review, did not include a pricing structure or pricing data. The Memorandum to File did not contain approval from the DOA ASB Deputy Director, as required for a Price Evaluation Memorandum.

Additionally, the Memorandum to File did not address *Contractor B's* services related to the failure of First Republic Bank. As a result, the FDIC did not prepare a Price Evaluation

Memorandum or obtain appropriate approvals for *Contractor B's* services related to the failure of First Republic Bank, as required by the FDIC's acquisition policies and procedures.

<u>Justification for Non-Competitive Procurement</u>

According to the PGI, when implementing emergency acquisition procedures, the preparation of the JNCP may be suspended until after the immediate crisis is past. The JNCP must include the estimated dollar value of the procurement as well as the basis for the estimate and address a description of any market research conducted and its results. In addition, the guidance states that all contract documentation should be fully completed no more than 60 calendar days from the issuance of the Advance Authorization Letter. The JNCP must be approved in accordance with established authorization levels.

When procuring *Contractor A's* services, the OM and CO prepared a JNCP. However, the JNCP inaccurately stated that the basis for the estimated dollar value was addressed in a Price Evaluation Memorandum. As previously noted, the CO did not complete a Price Evaluation Memorandum.

When procuring *Contractor B's* services, the OM and CO prepared a JNCP. However, the JNCP inaccurately stated that the basis for the estimated dollar value was addressed in a Price Evaluation Memorandum. As previously noted, the CO did not complete a Price Evaluation Memorandum.

Further, the OM did not provide a description of the market research conducted and its corresponding results. According to the JNCP, the OM only stated that market research was "minimal" based on the limited amount of time that the FDIC had to respond to the Silicon Valley Bank failure and the procurement being a priority of the former Chairman.

Although the FDIC generally complied with its Emergency Acquisition Process, opportunities for improvement exist. FDIC Executive Management and the FDIC's acquisition policies and procedures focused on allowing the FDIC maximum flexibility without establishing or ensuring sufficient mitigating controls. Also, some CISR Executive Managers did not perceive the FDIC's acquisition process as their responsibility, did not understand or follow the acquisition process, and did not ensure that employees adhered to the FDIC's acquisition policies and procedures.

Additional factors inhibiting the FDIC's compliance were the relative newness of CISR as a Division, having been established in 2019, and the inexperience of some DOA ASB staff. CISR was a relatively new Division, and some personnel had not dealt with previous bank failures. DOA ASB employees stated that they had not dealt with previous bank failures or implemented expedited and emergency procurement procedures, which had a steep learning curve. Similar to OIG conclusions in prior reports, the FDIC had not focused on maturing CISR's operations nor the corresponding procurement activities and roles and responsibilities.[27]

When FDIC employees do not adhere to acquisition policies and procedures, it can increase the FDIC's legal, reputational, and operational risks and hinder the FDIC's ability to ensure proper contract oversight management. Also, noncompliance exposes the FDIC to increased risk that not all relevant information was taken into account for procurement decisions. In addition, the FDIC's lack of documentation hinders any third-party review of agency decisions and contractor performance.

Further, according to the FDIC, as reported within its December 2024 Risk Profile, "[i]f FDIC does not effectively plan, procure, and manage its contracts, then FDIC (1) may not have access to the products, systems, and services it depends on; (2) may not structure, award, or manage contracts in a manner that provides the most value; (3) may pay for goods and services not provided, or provided in a manner inconsistent with contract terms; and (4) may face legal and other risks because of poor contract administration practices." To improve compliance with the FDIC's emergency acquisition procedures, we recommend the following:

Recommendation 10:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, provide training and guidance to its Executive Management and personnel reinforcing their roles and responsibilities in carrying out and overseeing the FDIC's emergency acquisition procedures. This training and guidance should include, at a minimum, the following:

- understanding roles and responsibilities;
- initiating and performing emergency and expedited procedures; and
- initiating, modifying, approving, and submitting requirements packages.

[27] FDIC OIG reports, *The FDIC's Orderly Liquidation Authority* (EVAL-23-004) (September 2023), and *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).

FDIC COMMENTS AND OIG EVALUATION

On June 2, 2025, the FDIC Acting Director, Division of Complex Institution Supervision and Resolution, and the Director, Division of Administration, provided a written response to a draft of this report, which is presented in its entirety in Appendix 2.

In its response, the FDIC emphasized that the three bank failures discussed in our report represented three of the largest bank failures in FDIC history and occurred with unprecedented speed. The FDIC also stated that the FDIC deployed its emergency acquisition procedures and awarded 212 contract actions valued at $450 million to facilitate the resolution and receivership of these failures and minimize risks to the U.S. financial system.

The FDIC acknowledged there are opportunities to further strengthen its emergency acquisition procedures and internal control environment. Specifically, the FDIC agreed that upfront pricing is desirable and ensures that all parties have a clear understanding of the services required and the associated cost. The FDIC also agreed that improvements can be made around documentation and formalizing certain emergency acquisition processes and response teams. The FDIC stated that CISR has undertaken several initiatives to enhance its program and begin addressing the OIG's recommendations. The FDIC also plans to continue using competitive procedures to the maximum extent that are best suited to the circumstances and needs of the FDIC. The FDIC also plans to continue to pursue actions that increase contractor engagement and help ensure the availability of contractor resources, where appropriate.

The FDIC concurred with all 10 recommendations. The FDIC plans to complete corrective actions for these recommendations by June 30, 2026.

We consider all 10 recommendations to be resolved. The recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in Appendix 3.

APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the FDIC awarded certain resolution and receivership contracts in accordance with best practices for government contracting and FDIC requirements.

We conducted this performance audit from April 2024 through April 2025 in accordance with the GAO's *Generally Accepted Government Auditing Standards*. These 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Scope and Methodology

We focused on identifying industry best practices for emergency acquisitions and assessing those best practices against the FDIC's procedures to identify potential process improvements. We also focused on assessing the FDIC's implementation of its emergency acquisition procedures in awarding and overseeing certain contracts used to facilitate the receivership and resolution of three large bank failures that occurred in Spring 2023.[28]

To accomplish our objective, we conducted the following procedures:

- Reviewed key agreements, contracts, and supporting documentation to understand pre- and post-contractual arrangements and contract terms and conditions, including documentation relating to the costs incurred under the contracts.[29]

- Reviewed contract files and additional supporting documentation, as well as contractor invoices.

[28] The two contract actions selected for this audit are not representative of all the actions awarded during the time of the 2023 failures.
[29] While we reviewed documentation related to the costs incurred under the contracts, as noted earlier in our report, there was insufficient documentation to determine whether or not the price paid for either contract was fair and reasonable. We did not make a determination in this report regarding price reasonableness; however, we include findings and corresponding recommendations related to the contract pricing and the evaluation of such.

- Reviewed the FDIC's acquisition policies and procedures, including:
    - *FDIC Acquisition Policy Manual* (August 2008);
    - *Acquisition Procedures, Guidance, and Information* (January 2023);
    - *Contract Management* (August 2022); and
    - *ASB Bank Failure Action Plan Version 1.0* (April 2024).

- Reviewed GAO Report, *Best Practices Methodology, A New Approach for Improving Government Operations* (GAO/NSIAD-95-154) (May 1995).

- Reviewed other Federal agencies' emergency acquisition policies and procedures for best practices, including:
    - Office of the Comptroller of the Currency,
    - National Credit Union Association,
    - U.S. Nuclear Regulatory Commission, and
    - Federal Emergency Management Agency.

- Reviewed Internal and External studies and guides for emergency acquisition best practices, including:
    - The FDIC's briefing book, *Effectively Managing Acquisition Services Branch Procurement Policies and Resources - Meeting the Challenges of the Financial Crisis, 2008-2011*; and
    - The Executive Office of the President, Office of Management and Budget, Office of Federal Procurement Policy's Emergency Acquisition Guide (January 2011).

- Reviewed GAO's *Standards for Internal Control in the Federal Government*, GAO-14-740G (September 2014).[30]

- Conducted interviews and assessed statements of key FDIC personnel.

- Obtained and assessed email communications of key FDIC personnel.

- Assessed key FDIC personnel's training on Contract Oversight Management and Crisis Readiness from January 2019 through June 2024.

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[30] The federal standards for internal control include five components: control environment, risk assessment, control activities, information and communication, and monitoring, along with 17 related principles.

- Reviewed FDIC performance goals from 2019 through 2024 to identify key actions taken preparing for emergency acquisitions.

- Reviewed the FDIC Office of Risk Management and Internal Control December 2024 Enterprise Risk Management's *Risk Profile* and *Inventory* reports.

- Reviewed GAO Report*, Bank Regulation: Preliminary Review of Agency Actions Related to March 2023 Bank Failures* (GAO-23-106736) (April 2023).

Internal Controls

Internal controls were significant to the audit objective. We reviewed the FDIC acquisition policies and procedures to obtain an understanding of the FDIC's established internal controls for awarding and overseeing emergency and expedited procurements. We tested the FDIC's compliance with its emergency acquisition procedures by reviewing key acquisition source documents (for two contract actions) and assessing the FDIC's performance against its policies and procedures. We also reviewed emergency and expedited acquisition policies and procedures established by four Federal agencies (Office of the Comptroller of the Currency, National Credit Union Association, U.S. Nuclear Regulatory Commission, and Federal Emergency Management Agency) to determine whether those policies and procedures contained best practices that would enhance the FDIC's control environment. The results of our review were summarized and presented within this report.

In conducting this audit, we obtained an understanding of internal controls necessary to meet our audit objective. We assessed the components of internal control and identified the key components and underlying principles that were significant to achieving the audit objectives as described in Table 1.

Table 1: Internal Control Components and Principles Identified as Significant

Components	Principles
Control Environment	Demonstrate commitment to integrity and ethical values
	Exercise oversight responsibility
	Establish structure, responsibility, and authority
	Demonstrate commitment to competence
	Enforce accountability

Risk Assessment	Define objective and risk tolerances Identify, analyze, and respond to risk
Control Activities	Design control activities Implement control activities
Information and Communication	Use quality information Communicate internally Communicate externally
Monitoring	Perform monitoring activities Remediate deficiencies

Source: OIG analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

Internal control deficiencies identified during the audit that are significant within the context of the audit objectives are presented in this report. Because our review was limited to the principles presented above, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

Computer Processed Data/Data Reliability

We relied on computer processed information to identify significant email communications. We performed email vault searches on key personnel involved in reviewing, approving, and managing procurement actions. These email search results were corroborated by, and used to corroborate, key personnel interview statements and the established timeline of events. As a result, we determined that the information was sufficiently reliable for the purposes of our analysis.

We also relied on computer-processed information that generated total contract award amounts. These amounts were generated for and presented within the FDIC’s annual reports, which were audited by the GAO during its annual audit of the FDIC’s financial statements, and corresponding reviews of the FDIC’s Deposit Insurance Fund and Federal Savings and Loan Insurance Corporation Resolution Fund.

Additionally, we obtained a data set of the 2023 universe of Division of Resolutions and Receiverships and CISR agreements and contracts. Our findings and conclusions were not reliant on this data, and we only used this data for background information. As a result, we did not test the controls over the systems that generated this data.

Prior Office of Inspector General Reports

We reviewed the following FDIC OIG reports related to contract management:

- *Contract Oversight Management* (Report No. EVAL-20-001) (October 2019), assessed the FDIC's contract oversight management processes. We focused on the FDIC's oversight and monitoring of contracts using its contracting management information systems and Oversight Manager training and certifications. We concluded that the FDIC needed to strengthen its contract oversight management by improving its contracting management information system, contract documentation, and Oversight Manager training and certification.
- *Critical Functions in FDIC Contracts* (Report No. EVAL-21-002) (March 2021), assessed whether a contractor performed Critical Functions and whether the FDIC retained sufficient management oversight of the contractor to maintain control of its mission and operations. We found that the FDIC did not implement heightened contract monitoring activities, such as conducting periodic reviews and providing formal reports to the FDIC Board of Directors on an individual and aggregate basis. As a result, the FDIC could not be assured that it provided sufficient management oversight of contractors performing critical functions.
- *FDIC Oversight of a Telecommunications Contract* (Report No. REV-23-002) (March 2023), assessed whether the FDIC authorized and paid a contractor for services in accordance with its policies and procedures and its existing contractual agreement. We found that the FDIC did not establish an accountable organizational culture for compliance with FDIC acquisition policies and procedures. As a result, the FDIC was subject to an unauthorized contractual commitment that cost the FDIC $4.2 million and a prolonged increase in operational, monetary, legal, and reputational risks. We recommended that the FDIC develop and provide training for the FDIC Chief Information Officer Organization Executive Managers to ensure compliance with FDIC acquisition policies and procedures.
- *The FDIC's Purchase and Deployment of the FDIC Acquisition Management System* (Report No. EVAL-24-004) (January 2024), assessed the primary factors that led to the FDIC's unsuccessful deployment of its Acquisition Management System and identified improvements for implementing future significant organizational changes. We found that the primary reason for the unsuccessful systems acquisition procurement was that the FDIC did not employ an effective change management process. In addition, FDIC managers lacked awareness and training on when and how to implement a change management process.

- *FDIC OIG Top Management and Performance Challenges* reports issued in February 2018, February 2019, February 2020, February 2021, February 2022, February 2023, and February 2024 identified contract management as a Top Management and Performance Challenge facing the FDIC.

APPENDIX 2: FDIC COMMENTS

MEMO

TO: Jason Yovich
Acting Assistant Inspector General for Audits, Evaluations, and Cyber

FROM: Jenny Traille JENNY TRAILLE Digitally signed by JENNY TRAILLE Date: 2025.06.02 10:51:47 -07'00'
Acting Director
Division of Complex Institution Supervision and Resolution (CISR)

Jennifer Schoen JENNIFER SCHOEN Digitally signed by JENNIFER SCHOEN Date: 2025.06.02 09:04:23 -04'00'
Director
Division of Administration (DOA)

CC: Krista Hughes
Deputy Director, Operations Branch, CISR

Shanna Webbers
Deputy Director, DOA, Acquisition Services Branch

Ryan Tetrick
Deputy Director, Resolution Readiness Branch, CISR

DATE: June 2, 2025

RE: Management Response to the Draft Report Entitled, *The FDIC's Procurement of Resolution and Receivership Services* (2024-010)

Thank you for the opportunity to review and comment on the subject draft audit report (Procurement of Resolution and Receivership Services) issued by the Office of Inspector General (OIG) on April 30, 2025. The audit objective was to determine whether the FDIC awarded certain resolution and receivership contract actions in accordance with best practices for government contracting and FDIC requirements. To achieve this objective, the OIG reviewed two contract actions awarded during the time of the Spring 2023 failures.

We would like to emphasize that these failures represented three of the largest bank failures in FDIC history and occurred with unprecedented speed. As part of the emergency response, the FDIC, including CISR's Operations team, its program office, and other FDIC Divisions and Offices, including DOA's Acquisition Services Branch (ASB), the Division of Resolutions and Receiverships, and the Legal Division, worked closely, communicated daily, and effectively

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synchronized efforts to execute the FDIC's statutory responsibilities. Within a 90-day timeframe, the FDIC successfully deployed its emergency acquisition procedures and awarded 212 contract actions valued at $450 million to facilitate the resolution and receivership of these failures and minimize risks to the U.S. financial system.

The FDIC acknowledges there are opportunities to further strengthen its emergency acquisition procedures and internal control environment. Specifically, the FDIC agrees that upfront pricing is desirable and ensures that all parties have a clear understanding of the services required and the associated cost. The FDIC obtained fair pricing on the two contract actions under review despite the absence of upfront pricing for both contract actions. Both Contractor A and Contractor B were paid transaction fees of less than 1 percent of the subject institution's asset value. To ensure that we can continue to secure fair pricing, CISR has been working to develop a repeatable upfront pricing framework and is currently modifying its existing Financial Advisory and Consulting Services Receivership Basic Ordering Agreement (FA RBOA) to include a pricing framework.

Additionally, while the FDIC agrees improvements can be made around documentation and formalizing certain emergency acquisition processes and response teams, the FDIC collectively maintained appropriate contract management oversight and made informed risk-based decisions while employing appropriate levels of flexibility which are allowed under its policy. CISR has undertaken several initiatives to enhance the program and begin addressing the OIG's recommendations, including establishing annual training requirements for those engaged in the procurement process, working with its program office to build a cadre of technical monitors, and updating our Contract Management Directive.

The FDIC will continue to use competitive procedures to the maximum extent that are best suited to the circumstances and needs of the FDIC. However, the FDIC cannot anticipate how many contractors will respond to active solicitations through the competitive process. Responding to the resolution and receivership work that FDIC carries out represents a niche market for many contractors and one that not all contractors pursue as business opportunities.

Despite these limitations, and building on past efforts, the FDIC will continue to pursue actions that increase contractor engagement and help ensure the availability of contractor resources, where appropriate. Additionally, and as mentioned in the OIG's report, DOA's ASB established standard operating procedures (SOPs) for consistency when supporting bank failures. These procedures include an annual review and assessment of RBOAs to ensure sufficient contractor resources are available to meet the FDIC's mission-critical needs based on current economic conditions. As a part of this effort, CISR is currently reviewing its FA

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RBOA suite and considering a re-competition to increase the number of bidders.

The draft report contains 10 recommendations designed to strengthen the FDIC's emergency contracting procedures and internal control environment. The FDIC concurs with the draft recommendations and has identified actions to implement improvements in the areas identified by OIG.

Recommendation 1:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, review existing financial advisory and consulting services Receivership Basic Ordering Agreements and take appropriate steps to establish an adequate supply of contractors with appropriate resources to address the FDIC's future procurement needs in the event of financial institution failures and financial crises.

Management Decision: Concur

Corrective Action: CISR, in coordination with DOA, is in the process of conducting a review of current financial advisory and consulting services RBOAs to determine if existing contractors are adequate for future needs in the event of financial institution failures or financial crises. Upon completion of that review, we will initiate procurement action(s), if needed.

Estimated Completion Date: March 31, 2026

Recommendation 2:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish a process to periodically review financial advisory and consulting services Receivership Basic Ordering Agreements to ensure sufficient contractor resources are available to meet the FDIC's mission-critical needs.

Management Decision: Concur

Corrective Action: CISR will update its Contract Management Directive, with input from DOA, to require periodic reviews of financial advisory RBOAs.

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Estimated Completion Date: June 30, 2026

Recommendation 3:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish an upfront pricing framework or advanced pricing within all financial advisory and consulting service Receivership Basic Ordering Agreements.

Management Decision: Concur

Corrective Action: CISR and DOA have developed an upfront pricing framework for CISR's current financial advisory and consulting service Receivership Basic Ordering Agreements. The finalized pricing framework will be issued by DOA to all the financial advisory and consulting service Receivership Basic Ordering Agreement contractors to request pricing proposals.

Estimated Completion Date: December 31, 2025

Recommendation 4:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, establish an emergency response acquisition team with appropriate FDIC personnel and ensure that a dedicated team of key individuals (including Technical Monitors) is available to carry out emergency procurement procedures.

Management Decision: Concur

Corrective Action: CISR and DOA will use the ASB Financial Crisis SOP V2.0 to formally establish the FDIC's emergency response acquisition team.

Estimated Completion Date: June 30, 2026

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Recommendation 5:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, develop and implement periodic emergency procurement testing exercises for appropriate FDIC employees.

Management Decision: Concur

Corrective Action: CISR will coordinate with DOA to develop and provide periodic emergency-procurement testing exercises to appropriate CISR employees. Testing exercises will include procurement planning during a crisis, documenting decisions, authorized communications, and contract file maintenance.

Estimated Completion Date: June 30, 2026

Recommendation 6:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution** establish a process for emergency procurements to document and maintain analysis, decisions, and commitments, to include, at a minimum, those identified in this report.

Management Decision: Concur

Corrective Action: CISR will develop an emergency contracting procedures checklist to detail the process and provide guidance on appropriate documentation for contract actions.

Estimated Completion Date: December 31, 2025

Recommendation 7:

We recommend the **Director, Division of Administration**, develop and implement a process to analyze and determine when documented deliverables should be required on emergency service contracts to ensure contract personnel have the ability and resources to oversee contractor performance.

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Management Decision: Concur

Corrective Action: The FDIC will continue to use the established Advance Authorization Letter - Notice to Proceed process for emergency service contracts, as appropriate. It will be updated to document when deliverables should be required for existing RBOAs.

Estimated Completion Date: December 31, 2025

Recommendation 8:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, in coordination with the Director, Division of Administration, perform retrospective reviews when the FDIC conducts or tests emergency acquisition procedures.

Management Decision: Concur

Corrective Action: CISR will coordinate with DOA to perform retrospective reviews when the FDIC conducts or tests emergency acquisition procedures as stated in our response to recommendation 5.

Estimated Completion Date: June 30, 2026

Recommendation 9:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution** review the work performed and information used by the four non-U.S. citizens and take appropriate action.

Management Decision: Concur

Corrective Action: The FDIC will review any available information related to the work performed and information used by these individuals and, if necessary, take appropriate action.

Estimated Completion Date: December 31, 2025

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Recommendation 10:
We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, provide training and guidance to its Executive Management and personnel reinforcing their roles and responsibilities in carrying out and overseeing the FDIC's emergency acquisition procedures. This training and guidance should include, at a minimum, the following:

- understanding roles and responsibilities;
- initiating and performing emergency and expedited procedures; and
- initiating, modifying, approving, and submitting requirements packages.

Management Decision: Concur

Corrective Action: CISR will provide training and guidance to appropriate CISR employees that outlines roles and responsibilities in carrying out emergency and expedited contract procedures, including:

- initiating and performing emergency and expedited procedures; and
- initiating, modifying, approving, and submitting requirements packages.

CISR will also review and update, if applicable, its Contract Management Directive.

Estimated Completion Date: June 30, 2026

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APPENDIX 3: SUMMARY OF THE FDIC'S CORRECTIVE ACTIONS

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	CISR, in coordination with DOA, is in the process of conducting a review of current financial advisory and consulting services RBOAs to determine if existing contractors are adequate for future needs in the event of financial institution failures or financial crises. Upon completion of that review, the FDIC would initiate procurement action(s), if needed.	March 31, 2026	$0	Yes	Open
2	CISR plans to update its Contract Management Directive, with input from DOA, to require periodic reviews of financial advisory RBOAs.	June 30, 2026	$0	Yes	Open
3	CISR and DOA have developed an upfront pricing framework for CISR's current financial advisory and consulting service Receivership Basic Ordering Agreements. The finalized pricing framework would be issued by DOA to all the financial advisory and consulting service Receivership Basic Ordering Agreement contractors to request pricing proposals.	December 31, 2025	$0	Yes	Open
4	CISR and DOA plan to use the ASB Financial Crisis SOP V2.0 to formally establish the FDIC's emergency response acquisition team.	June 30, 2026	$0	Yes	Open

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
5	CISR plans to coordinate with DOA to develop and provide periodic emergency-procurement testing exercises to appropriate CISR employees. Testing exercises would include procurement planning during a crisis, documenting decisions, authorized communications, and contract file maintenance.	June 30, 2026	$0	Yes	Open
6	CISR plans to develop an emergency contracting procedures checklist to detail the process and provide guidance on appropriate documentation for contract actions.	December 31, 2025	$0	Yes	Open
7	The FDIC plans to continue to use the established Advance Authorization Letter - Notice to Proceed process for emergency service contracts, as appropriate. It would be updated to document when deliverables should be required for existing RBOAs.	December 31, 2025	$0	Yes	Open
8	CISR plans to coordinate with DOA to perform retrospective reviews when the FDIC conducts or tests emergency acquisition procedures as stated in the response to recommendation 5.	June 30, 2026	$0	Yes	Open
9	The FDIC plans to review any available information related to the work performed and information used by the individuals and, if necessary, take appropriate action.	December 31, 2025	$0	Yes	Open

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
10	CISR plans to provide training and guidance to appropriate CISR employees that outlines roles and responsibilities in carrying out emergency and expedited contract procedures, including: • initiating and performing emergency and expedited procedures; and • initiating, modifying, approving, and submitting requirements packages. CISR also plans to review and update, if applicable, its Contract Management Directive.	June 30, 2026	$0	Yes	Open

[a] Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.
2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.
3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount and the OIG agrees with that amount.

[b] Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.

APPENDIX 4: ACRONYMS AND ABBREVIATIONS

APM	Acquisition Policy Manual
ASB	Acquisition Services Branch
CISR	Division of Complex Institution Supervision and Resolution
CO	Contracting Officer
DOA	Division of Administration
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
JNCP	Justification for Non-competitive Procurement
NRC	U.S. Nuclear Regulatory Commission
OIG	Office of Inspector General
OM	Oversight Manager
PGI	Acquisition Procedures, Guidance, and Information
RBOA	Receivership Basic Ordering Agreement
TM	Technical Monitor

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