



# ***Executive Summary:***

## **The CFPB Complies With Section 1100G of the Dodd-Frank Act, but Opportunities Exist for the CFPB to Enhance Its Process**

2014-SR-C-013

September 29, 2014

### **Purpose**

The Office of Inspector General conducted this evaluation to assess the Consumer Financial Protection Bureau's (CFPB) compliance with section 1100G of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

### **Background**

The Regulatory Flexibility Act, as amended, requires federal agencies to analyze the impact of their regulatory actions on small entities. Section 1100G of the Dodd-Frank Act, which became effective July 21, 2011, amended some of the provisions of the Regulatory Flexibility Act, requiring the CFPB (1) to assess the impact of any proposed rule on the cost of credit for small business entities through regulatory flexibility analyses and (2) to convene panels to seek direct input from small business entities prior to issuing certain rules. The CFPB created two internal guidance documents that outline the agency's process to comply with these requirements.

### **Findings**

Overall, we found that the CFPB complied with the provisions of section 1100G of the Dodd-Frank Act as well as the two interim policies and procedures issued by the CFPB's Division of Research, Markets, and Regulations (RMR). We reviewed the 1100G rulemaking process for six proposed and final rules and determined that RMR conducted the required analyses on proposed and final rules.

Our evaluation found, however, that RMR's interim policies and procedures have been in use for approximately two years without being updated or finalized. We also found that RMR's interim policies and procedures afforded teams significant discretion in their 1100G rulemaking approach to regulatory analysis, which contributed to a variance in documentation and inconsistent knowledge transfer practices.

Finally, we found that RMR uses an inconsistent approach to storing supporting documentation related to 1100G rulemakings. The CFPB has an agency-wide records management policy that obligates the agency to maintain readily accessible records. Although RMR's interim guidance generally discussed document management, it did not prescribe a formal structure to catalog RMR's records; thus, retrieving documents in response to requests was time consuming.

After the close of our fieldwork and during our report drafting process, we were informed by CFPB officials that RMR had finalized and reissued the two policies and procedures documents.

### **Recommendations**

We recommend that the CFPB finalize RMR's interim policies and procedures, establish a standard approach to manage electronic documents that facilitates retrieval of 1100G rulemaking supporting documentation, and ensure that the standard approach complies with CFPB and other applicable provisions. In its response to our draft report, the CFPB concurred with our recommendations and outlined actions that have been or will be taken to address our recommendations, including participation in an agency-wide document management working group. As part of our future follow-up activities, we will assess whether these corrective actions address our findings and recommendations.

Access the full report: <http://oig.consumerfinance.gov/reports/cfpb-section-1100g-compliance-sep2014.htm>

For more information, contact the OIG at 202-973-5000 or visit <http://oig.consumerfinance.gov>.