



OFFICE OF INSPECTOR GENERAL

Audit Report

2014-MO-C-008

The CFPB Has Established Effective
GPRA Processes, but Opportunities Exist
for Further Enhancement

June 30, 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Abbreviations

CFPB	Consumer Financial Protection Bureau
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
FY	fiscal year
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010
OCFO	Office of the Chief Financial Officer
OCSO	Office of the Chief Strategy Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMR	Research, Markets, and Regulations
SEFL	Supervision, Enforcement, and Fair Lending



Executive Summary:

The CFPB Has Established Effective GPRA Processes, but Opportunities Exist for Further Enhancement

2014-MO-C-008

June 30, 2014

Purpose

The Office of Inspector General conducted this audit to assess (1) the effectiveness of the Consumer Financial Protection Bureau's (CFPB) processes that address the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010 (GPRA) and (2) the CFPB's compliance with applicable sections of GPRA.

Background

The purpose of GPRA is to hold agencies accountable for achieving program results, to improve federal program effectiveness, and to raise public confidence in the federal government. GPRA requires that most executive agencies produce strategic plans every four years and publish annual agency performance plans. The CFPB has determined that it is generally subject to the requirements of GPRA, except for those provisions of GPRA that require agencies to follow guidance issued by the Office of Management and Budget or to submit to the Office of Management and Budget's jurisdiction or oversight. The CFPB's Office of the Chief Strategy Officer coordinates the agency's GPRA activities and has established agency-wide processes. The U.S. Government Accountability Office has conducted GPRA-related reviews of executive agencies and has identified practices for effective implementation of GPRA.

Findings

We found that the CFPB has developed effective strategic and performance planning processes. The CFPB expanded these processes beyond GPRA requirements by developing division-level strategic plans with division-level performance goals and performance measures and implementing a quarterly performance review process. Additionally, these processes incorporate practices that the U.S. Government Accountability Office has identified as effective for implementing GPRA.

We also found that the CFPB fully satisfied 22 of 28 applicable GPRA requirements. Of the remaining 6 requirements, 5 were partially satisfied, and the CFPB is making progress toward fully satisfying 3 of the 5 partially satisfied requirements. By fully satisfying all GPRA requirements, the CFPB can enhance its accountability for program results.

Recommendations

Our report contains three recommendations designed to ensure full GPRA compliance and to assist the CFPB in building on its current success in establishing GPRA processes. We recommend that the Chief Strategy Officer examine the need for future program evaluations that address specific questions about program performance and establish a schedule for these evaluations for incorporation into future strategic plans. We also recommend that the Chief Strategy Officer include in the CFPB's annual performance plans targets and measures for all performance goals, balanced performance measures, a description of how the CFPB will ensure performance information accuracy, a description of management challenges and how the CFPB will address these challenges, and an identification of low-priority programs.

In response to our draft report, management identified actions that have been or will be taken to address our recommendations. We plan to follow up on actions taken by the CFPB to ensure that our recommendations are fully addressed.

Access the full report: <http://oig.consumerfinance.gov/reports/cfpb-gpra-processes-Jun2014.htm>

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

Summary of Recommendations, OIG Report No. 2014-MO-C-008

Rec. no.	Report page no.	Recommendation	Responsible office
1	8	Identify areas in which formal program evaluations, as described by the U.S. Government Accountability Office, could assist the CFPB in meeting its goals.	Office of the Chief Strategy Officer
2	8	Establish a schedule for program evaluations and incorporate the schedule into future strategic plans to fully satisfy the strategic planning requirements of the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010.	Office of the Chief Strategy Officer
3	15	<p>Build on the CFPB's efforts to comply with the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010, by satisfying all applicable requirements in its annual performance plan. Specifically, future performance plans should:</p> <ol style="list-style-type: none"> a. include performance targets for all performance goals. b. include a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal. c. fully identify how the agency will ensure the accuracy and reliability of its performance information. d. identify major management challenges and fully describe how the agency will address those challenges. e. identify low-priority program activities. 	Office of the Chief Strategy Officer



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

June 30, 2014

MEMORANDUM

TO: Chris D' Angelo
Chief of Staff
Consumer Financial Protection Bureau

FROM: Melissa Heist *Melissa Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2014-MO-C-008: *The CFPB Has Established Effective GPRA Processes, but Opportunities Exist for Further Enhancement*

The Office of Inspector General has completed its report on the subject audit. We conducted this audit to determine the Consumer Financial Protection Bureau's (CFPB) progress in implementing the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010 (GPRA). Our objectives for this audit were to assess the effectiveness of the CFPB's processes that address GPRA and whether the CFPB is complying with applicable sections of GPRA.

We provided you with a draft of our report for review and comment. In your response, you outlined actions that have been or will be taken to address our recommendations. We have included your response as appendix C to our report.

We appreciate the cooperation that we received from CFPB staff during our audit. Please contact me if you would like to discuss this report or any related issues.

cc: Stephen Agostini, Chief Financial Officer
J. Anthony Ogden, Deputy Inspector General

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Introduction

Objectives

The Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010 (GPRA), was enacted to promote greater effectiveness and accountability in federal programs. We conducted this audit to assess (1) the effectiveness of the Consumer Financial Protection Bureau's (CFPB) processes that address GPRA and (2) whether the CFPB is complying with applicable sections of GPRA. The U.S. Government Accountability Office (GAO) has conducted GPRA-related reviews of executive agencies and found that executive agencies need to do more to fully implement GPRA requirements. As part of our audit, we considered GAO's findings as they relate to the CFPB's GPRA implementation. Details on our scope and methodology are in appendix A.

Background

Federal Requirements and Guidelines

The purpose of GPRA is to hold agencies accountable for achieving program results, to improve federal program effectiveness through the setting of goals for program performance and measuring results, and to raise public confidence in the federal government. GPRA requires that most executive agencies produce strategic plans every four years and issue agency performance plans annually.¹ GPRA specifies how these plans should be drafted and has requirements that describe elements that must be included in each plan. In 2010, GPRA was updated to apply lessons learned from nearly two decades of implementation. GPRA updates included requirements that agencies establish specific management and performance-focused leadership positions.

Two congressional committee reports—U.S. Senate Committee on Governmental Affairs, *Government Performance and Results Act of 1993 (to accompany S. 20)*² and U.S. Senate Committee on Homeland Security and Governmental Affairs, *GPRA Modernization Act of 2010, 2010 (to accompany H.R. 2142)*³—provide supplemental guidance on GPRA. In these reports, Congress expanded on specific components of the law, such as the requirement to report on program evaluations in strategic plans. One committee report noted that since its enactment, GPRA had helped improve the efficiency and effectiveness of federal programs by requiring that agencies establish a system to set goals for program performance and to measure results.

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1. Pub. L. No. 111-352 (2011), the definition of *agency* is codified in 5 U.S.C. § 306(f) and specifies that GPRA applies to executive agencies, but provides specific exceptions for some agencies.
 2. U.S. Senate Committee on Governmental Affairs, *Government Performance and Results Act of 1993 (to accompany S. 20)*, S. Rep. No. 103-58 (1993) *reprinted in* 1993 U.S.C.C.A.N. 327.
 3. U.S. Senate Committee on Homeland Security and Governmental Affairs, *GPRA Modernization Act of 2010, 2010 (to accompany H.R. 2142)*, S. Rep. No. 111-372 (2010).

GAO has a long-standing interest in improving government management through the use of strategic planning and performance measurement. GAO has conducted in excess of 90 GPRA-related reviews across the federal government. As a result of these reviews, GAO has identified practices for effectively implementing GPRA, such as (1) ensuring that performance information is used in decisionmaking, (2) obtaining leadership's commitment and accountability for achieving results, and (3) promoting successful quarterly performance reviews (QPRs).

The CFPB's Implementation of GPRA

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)⁴ established the CFPB in 2010 as an executive agency and as an independent bureau within, yet autonomous from, the Federal Reserve System.⁵ Additionally, provisions of the Dodd-Frank Act exempt the CFPB from the jurisdiction of the Office of Management and Budget (OMB).^{6, 7} Therefore, the CFPB determined that it is generally subject to the requirements of GPRA, except for those provisions of GPRA that require agencies to follow guidance issued by OMB or to submit to OMB's jurisdiction or oversight.⁸

The CFPB's Office of the Chief Strategy Officer (OCSO) coordinates the agency's GPRA-related activities through the following processes:

- **Strategic planning.** The CFPB develops a four-year strategic plan that articulates the fundamental mission of the agency and lays out the agency's long-term goals for implementing that mission. GPRA requires that agency-level strategic plans be developed and published at least once every four years.
- **Performance planning.** The CFPB develops an annual performance plan that contains the agency's annual performance goals and associated measures to gauge its progress toward achieving its broader strategic goals. In support of performance planning, the CFPB implemented a process to ensure the accuracy and reliability of its performance information. GPRA requires that agency-level performance plans be developed and published annually.
- **Division-level strategic and performance planning.** Each division, under the leadership of its Division Associate Director, develops annual division-level strategic plans that

4. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1011(a), 124 Stat. 1376, 1964 (2010) (codified at 12 U.S.C. § 5491(a) (2010)).

5. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1011(a), 124 Stat. 1376, 1964 (2010) (codified at 12 U.S.C. § 5491(a) (2010)). *Executive agency* is defined in 5 U.S.C. § 105.

6. OMB reports directly to the President and helps a wide range of executive departments and federal agencies implement the commitments and priorities of the President.

7. Pub. L. No. 111-203, § 1017(a)(4)(E). According to the law, there is no "obligation on the part of the Director of the CFPB to consult with or obtain the consent or approval of the Director of the Office of Management and Budget with respect to any report, plan, forecast, or other information . . . or any jurisdiction or oversight over the affairs or operations of the Bureau."

8. Additionally, certain sections of GPRA are applicable to the 24 agencies listed in the Chief Financial Officers Act of 1990. As the CFPB is not one these 24 agencies, these sections are not applicable to the CFPB.

include division-level performance goals and measures. The divisions' planning activities align with the agency-level strategic and performance plans. Division-level strategic and performance planning is not a requirement of GPRA, but the CFPB voluntarily implemented these processes.

- **Quarterly Performance Review (QPR).** Each division tracks its progress toward achieving division-led strategic and performance goals on a quarterly basis and reports this progress to CFPB leadership. This process also includes follow-up on issues identified during the previous QPR. Although conducting QPRs is a GPRA requirement, it is not applicable to the CFPB due to provisions related to OMB oversight.

The OCSO led all six divisions in implementing the CFPB's GPRA-related processes. Specifically, the OCSO provided to the divisions (1) guidance on the development of meaningful performance goals and measures, (2) a QPR template to ensure agency-wide consistency in internal performance reporting, and (3) feedback throughout the implementation of the processes.

The CFPB issued its first *Strategic Plan, Budget, and Performance Plan and Report* in April 2013, less than two years after it began operations.⁹ As such, the CFPB based the *Strategic Plan, Budget, and Performance Plan and Report* on four broad strategic goals associated with the agency's mission and operations. Additionally, to support each of the four broad strategic goals, the CFPB developed 27 performance goals.

The CFPB Demonstrates a Commitment to Developing Effective and Efficient GPRA Processes

According to the Chief Strategy Officer, the Director of the CFPB promotes continuous improvement to make processes more meaningful and relevant and has created a data-driven culture that promotes accountability. The Director's efforts are evident in the evolution of the CFPB's GPRA activities. Initially, the OCSO established independent strategic planning, performance planning, and QPR processes. Recognizing a gap between the long-term, high-level agency strategic plan and annual performance measures, the OCSO established a division-level strategic planning process to bridge this gap. To streamline division efforts, the OCSO modified the QPR process to incorporate agency-level and division-level GPRA activities. Through these process improvements, the CFPB effectively aligned all of its GPRA-related activities into one comprehensive process. All four of the divisions responsible for the CFPB's strategic goals have attested to the benefits of this streamlined process.

9. This document incorporates a strategic plan for fiscal years (FY) 2013–2017 and a budget and performance plan for FY 2013.

Summary of Findings

We found that the CFPB's practices are consistent with GPRA's intent of promoting greater efficiency, effectiveness, and accountability through effective strategic and performance planning processes. Additionally, the CFPB has voluntarily incorporated good management practices into its GPRA-related activities, including creating division-level strategic plans with division-level performance goals and performance measures and implementing a robust QPR process. Further, the CFPB's strategic planning, performance planning, and QPR processes successfully incorporate practices highlighted by GAO as effective in implementing GPRA. Moreover, we found that the CFPB fully satisfied 22 of the 28 applicable GPRA requirements, as shown in table 1.

Table 1: Summary of the CFPB's Compliance With Applicable GPRA Requirements

Requirement type	Fully satisfies	Partially satisfies	Does not satisfy	Total
Strategic planning	11	1	0	12
Performance planning	7	4	1	12
Leadership positions, report formatting, and elimination of unnecessary agency reporting	4	0	0	4
Total	22	5	1	28

Source: Office of Inspector General (OIG) analysis of GPRA requirements applicable to the CFPB and the CFPB's compliance.

While we noted that the CFPB does not fully satisfy six strategic and performance planning requirements, we found that the CFPB is making progress toward fulfilling three of these six requirements.

Even though the CFPB could improve its compliance with GPRA, we believe that its ongoing efforts toward full compliance, voluntary implementation of division-level strategic plans and QPRs, as well as incorporation of GAO-identified practices demonstrates the CFPB's commitment to establishing a strong GPRA framework. Our report contains two findings with three recommendations designed to help ensure full GPRA compliance and to help the CFPB build on its current success with its GPRA processes.

Finding 1: The CFPB Developed an Effective Strategic Planning Process and Generally Complies With Associated GPRA Requirements

We found that the CFPB implemented an effective strategic planning process. Further, the CFPB developed additional processes that support strategic planning activities as well as a practice that GAO highlighted as effective for implementing GPRA. We also found that the CFPB is fully complying with 11 of the 12 applicable GPRA strategic planning requirements. The CFPB partially satisfies the remaining requirement, which directs agencies to describe the program evaluations used in strategic planning and identify a schedule for future program evaluations. The CFPB believes, however, that it is fulfilling this requirement through its robust QPR process and regular discussions of program effectiveness. Additionally, officials noted that they did not have a formal schedule for program evaluations, but that the CFPB's QPRs serve that purpose on a quarterly basis. We acknowledge that the CFPB's efforts are consistent with GPRA's intent of promoting greater efficiency, effectiveness, and accountability in its agency programs through its effective strategic planning process. Program evaluations that provide a more in-depth analysis of aspects of CFPB's programs could provide a valuable supplement to the CFPB's ongoing QPR process. As GAO has noted, "An evaluation study can provide a valuable supplement to ongoing performance reporting by measuring results that are too difficult or expensive to assess annually, explaining the reasons why performance goals were not met, or assessing whether one approach is more effective than the other."¹⁰

The CFPB's Strategic Planning Process Is Robust

GPRA requires that agency-level strategic plans be developed and published at least once every four years. In developing its first strategic plan, issued as part of the *Strategic Plan, Budget, and Performance Plan and Report* in April 2013, the OCSO conducted a strategic planning process for the CFPB that included the following elements:

- **Benchmarking.** The OCSO met with other federal regulatory agencies and reviewed their strategic planning documents. An OCSO official stated that this information guided development of the CFPB's *Strategic Plan, Budget, and Performance Plan and Report*.
- **Task force.** The OCSO created a task force with representatives from each of the CFPB's divisions and offices to develop agency-level strategic goals and objectives. Division Associate Directors approved the final goals.
- **Division participation.** Although the OCSO led the strategic planning effort, the performance measures were developed by the division responsible for the program areas' work and corresponding performance information.

10. U.S. Government Accountability Office, *Strategies to Facilitate Agencies' Use of Evaluation in Program Management and Policy Making*, GAO-13-570, June 26, 2013.

- **Public comment and congressional consultation.** The OCSO published the draft strategic plan for public comment in September 2012, with comments due in October 2012. During this period, the CFPB briefed representatives from the U.S. Senate Committee on Banking, Housing, and Urban Affairs and the U.S. House of Representatives Committee on Financial Services and provided both committees with the opportunity to comment.

Further, the CFPB exceeded GPRA strategic planning requirements by implementing a division-level strategic planning process. Because the CFPB's strategic goals through 2017 are broad in nature, OCSO officials stated that they recognized a need to create more specific performance goals and measures for each division. As such, the divisions created annual strategic plans, with goals specific to their program areas, that align with the higher-level CFPB strategic goals. One division representative stated that the division-level strategic plan is a useful management tool that goes beyond GPRA requirements and helps the divisions address internal, long-term goals. Another division representative stated that division-level strategic planning helps ensure that offices within that division complement one another rather than overlap.

In addition, the CFPB established accountability for achieving results, which GAO identified as a practice for effective implementation of GPRA. Specifically, the CFPB delegated responsibility to Division Associate Directors for achieving specific performance goals and measures in the *Strategic Plan, Budget, and Performance Plan and Report*.

The CFPB Demonstrates Commitment at the Highest Levels of Senior Leadership

In its May 2011 report, *Managing for Results: GPRA Modernization Act Implementation Provides Important Opportunities to Address Government Challenges*, GAO reported that the single most important element of successful management improvement initiatives is the demonstrated commitment of top leaders. The CFPB's top leaders have demonstrated their commitment to GPRA activities. Specifically, the Director of the CFPB and his Chief of Staff attend each division-level QPR session. Further, Division Associate Directors sometimes voluntarily attend other divisions' QPR sessions in addition to their own. One Division Associate Director has assumed an active role in preparing for the QPR session and views the QPR process as an opportunity to review his division's progress in meeting performance goals. A high-level official in another division stated that her division generates monthly operational data that inform her division's QPR session. She uses the monthly operational data to look for red flags related to core activities as well as to examine the need to adjust her division's activities.

The CFPB Fully Complies With 11 of 12 GPRA Strategic Planning Requirements

We found that the CFPB fully satisfies 11 of the 12 applicable GPRA strategic planning requirements and partially satisfies the remaining requirement (table 2).

Table 2: The CFPB's Compliance With Applicable GPRA Strategic Plan Requirements in Its Strategic Plan, Budget, and Performance Plan and Report

GPRA strategic plan requirements applicable to the CFPB	Fully satisfies	Partially satisfies	Does not satisfy
The agency should:			
Develop a strategic plan	✓		
Make the strategic plan available on public website and notify Congress of its availability	✓		
Ensure the agency's performance plan is consistent with the agency's current strategic plan	✓		
Develop the strategic plan in consultation with Congress and in consideration of the views of potentially affected or interested parties	✓		
The strategic plan should:			
Contain a comprehensive mission statement covering the major functions and operations of an agency	✓		
Contain general goals and objectives	✓		
Describe how the goals and objectives are to be achieved	✓		
Describe how the goals and objectives incorporate the views and suggestions obtained through congressional consultations	✓ ^a		
Describe key external factors that could significantly affect the achievement of the general goals and objectives	✓		
Describe program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations		✓	
Cover at least four years following the fiscal year in which the plan is submitted	✓		
Be drafted by federal employees	✓		

Source: OIG analysis of the CFPB's *Strategic Plan, Budget, and Performance Plan and Report*, April 2013; 5 U.S.C. § 306.

Note: See appendix B for further description of GPRA strategic planning requirements.

^aAccording to CFPB officials, the CFPB presented its draft strategic plan to representatives from Congress and solicited comments, but did not receive any comments.

As indicated earlier, the CFPB's use of program evaluations partially satisfies the GPRA requirement. Specifically, GPRA requires that agencies include in strategic plans a description of the program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations to be conducted.¹¹ In its *Strategic Plan, Budget, and Performance Plan and Report*, the CFPB identified GAO studies, Office of Inspector General (OIG) reports, an annual audit of the CFPB's operations and budget, and QPRs as its program evaluations. However, the agency did not provide a schedule for future program evaluations to

11. 5 U.S.C. § 306-(a)(8).

be conducted. In our discussions with CFPB officials, the officials emphasized that the agency satisfies the program evaluation requirement through its robust QPR process and through regular discussions between the Director of the CFPB and division officials concerning overall program effectiveness. Further, officials noted that while the CFPB did not have a formal schedule for conducting program evaluations, the agency's QPRs serve that purpose on a quarterly basis.

GAO has reported on the use of program evaluations across the federal government.¹² In its reports, GAO defined program evaluations as systematic studies that use research methods to address specific questions about program performance and can be used to determine whether a program has had or is having unintended outcomes. Further, a program evaluation can assess an entire program or an initiative within a program and provides a valuable supplement to ongoing performance reporting. Evaluation results may be used to assess a program's effectiveness, identify ways to improve performance, guide resource allocation, or provide a more in-depth analysis of unmet performance goals. While we concur that the activities the CFPB considers to be program evaluations are good management practices, we believe that more formal program evaluations could further enhance the agency by helping program managers, among other things, to (1) improve the design or management of an existing program, (2) support or change resource allocations within or across programs, or (3) share favorable practices with other program stakeholders.

Recommendations

We recommend that the Chief Strategy Officer

1. Identify areas in which formal program evaluations, as described by GAO, could assist the CFPB in meeting its goals.
2. Establish a schedule for program evaluations and incorporate the schedule into future strategic plans to fully satisfy the strategic planning requirements of GPRA.

Management's Response

The CFPB's Chief of Staff noted that since the conclusion of our fieldwork, the CFPB has engaged third parties to conduct evaluations of some of its programmatic areas. He also stated that the agency will continue to use its QPR process and meetings with the Director of the CFPB to identify additional areas for formal program evaluations. The CFPB plans to conduct program evaluations to further improve program designs and to share favorable practices. In addition, the CFPB plans to develop and update a multiyear schedule for program evaluations and incorporate the schedule into its future strategic plans. Management's full response is included as appendix C.

12. U.S. Government Accountability Office, *Designing Evaluations 2012 Revision*, GAO-12-208G, January 2012; and U.S. Government Accountability Office, *Program Evaluation: Strategies to Facilitate Agencies' Use of Evaluation in Program Management and Policy Making*, GAO-13-570, June 2013.

OIG Comment

In our opinion, the actions described by the Chief of Staff are responsive to our recommendations. We plan to follow up on actions taken by the CFPB to ensure that our recommendations are fully addressed.

Finding 2: The CFPB Developed an Effective Performance Planning Process but Is Not in Full Compliance With Some GPRA Requirements

We found that the CFPB developed an effective performance planning process that incorporates division-level performance goals and measures not required by GPRA as well as a practice that GAO has identified as effective for implementing GPRA. We also found that the CFPB satisfied 11 of the 12 applicable GPRA performance planning requirements, 7 in full and 4 in part. The CFPB issued its *Strategic Plan, Budget, and Performance Plan and Report* less than two years after beginning operations. As such, OCSO officials stated that agency priorities were not yet fully identified, and therefore, some GPRA requirements were unmet. We recognize that as a relatively new agency, the CFPB was still in the process of addressing certain GPRA requirements. Moving forward, the CFPB can build on its current success in implementing its performance planning process, which is consistent with GPRA's intent of promoting greater efficiency, effectiveness, and accountability, by fully complying with all GPRA requirements.

The CFPB's Performance Planning Process Is Robust

GPRA requires that agency-level performance plans be developed and published annually. The CFPB developed its first performance plan and strategic plan concurrently. Similar to the strategic planning process, the OCSO led the performance planning process, which involved benchmarking, creating an agency-wide task force, and soliciting input from the divisions. The CFPB further expanded the performance planning process beyond GPRA requirements by developing a division-level strategic planning process that incorporates division-level performance goals and measures specific to the work each division conducts.

Further, CFPB officials stated that performance information collected through the performance planning process helps CFPB officials make informed decisions.

Additionally, division management stated that performance information demonstrates the division's progress toward achieving its goals. This use of performance information aligns with a GAO-identified practice for effective implementation of GPRA that underscores the importance of ensuring that performance information is used in decisionmaking.

The CFPB Demonstrates High Use of Performance Information

In its June 2013 report, *Managing for Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, GAO recognized the role of performance information in the achievement of agency goals, but it reported that less than 56 percent of federal managers surveyed use performance information in a variety of management activities to a great or very great extent. This level of use of performance information by federal managers has not changed significantly since 1997. In comparison, all four of the CFPB divisions primarily responsible for the agency-level strategic goals, as well as the OCSO, attested to using performance information to inform decisionmaking.

The CFPB Effectively Ensures the Reliability of Its Performance Information

As part of its performance planning process, we found that the CFPB has an effective process for ensuring the reliability of its performance information. In November 2013, the Director of the CFPB approved a GPRA data accuracy and reliability memorandum establishing policy and procedures by which the Office of the Chief Financial Officer (OCFO) and the OCSO will ensure the accuracy and reliability of the CFPB's performance information. The policy states that the CFPB will develop and report accurate and reliable performance information on a quarterly and annual basis. The procedures include the following three activities:

- **Measure definition and data documentation.** For each performance measure, the Division Associate Directors must be prepared to report to the OCSO and the OCFO regarding the performance information and its reliability and maintain supporting documentation.
- **Attestation of data.** Each year, the CFPB will publish its annual performance results, which must include an attestation by the Director of the CFPB on the reliability and completeness of the information. To support the Director's attestation, each Division Associate Director will provide a signed attestation of the division's annual information. The Division Associate Director's attestations are intended to provide assurance to the OCFO, the OCSO, and the Director of the CFPB as to the accuracy of the data and the outcomes of the CFPB's program performance to be publicly presented.
- **Internal verification and validation.** The CFPB will verify and validate performance information on "a regular basis" to ensure the reliability of the reported performance information, reduce the risk of inaccurate data, and provide a higher level of confidence in the performance data. Verification and validation reviews will be performed or managed by the OCSO.

To assess the effectiveness of the CFPB's performance information reliability process, we tested the accuracy of the fiscal year (FY) 2012 performance information reported in the *Strategic Plan, Budget, and Performance Plan and Report*.¹³ During our testing of five performance measures in two divisions, we did not identify any issues with the accuracy of the performance information reported for FY 2012.

The CFPB Complies With 11 of 12 GPRA Performance Planning Requirements, in Full or in Part

We found that of the 12 applicable GPRA performance planning requirements, 7 were fully satisfied, 4 were partially satisfied, and 1 was not satisfied (table 3).

13. An explanation of the performance information that was tested is in appendix A. The November 2013 memorandum was issued after the data we tested were reported; therefore, we were unable to verify implementation of this memorandum.

Table 3: The CFPB's Compliance with Applicable GPRA Performance Plan Requirements in Its Strategic Plan, Budget, and Performance Plan and Report

GPRA performance planning requirements applicable to the CFPB	Fully satisfies	Partially satisfies	Does not satisfy
The agency should:			
Develop a performance plan	✓		
Make the plan available on public website and notify Congress of its availability	✓ ^a		
The performance plan should:			
Cover each program activity in the agency's budget	✓		
Describe performance goals with the desired level of performance during the plan's year and next fiscal year		✓ ^b	
Describe how the performance goals contribute to the general goals and objectives in the strategic plan	✓		
Describe how the performance goals are to be achieved	✓		
Include a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal		✓ ^b	
Include a basis for comparing actual program results with the performance goals	✓		
Describe how the agency will ensure the accuracy and reliability of its performance data		✓ ^b	
Identify major management challenges and fully describe how the agency will address those challenges		✓	
Identify low-priority program activities			✓
Be drafted by federal employees	✓		

Source: OIG analysis of the CFPB's *Strategic Plan, Budget, and Performance Plan and Report*, April 2013; 31 U.S.C. § 1115.

Note: See appendix B for further description of GPRA performance planning requirements.

^aGPRA requires that the performance plan be consistent with the agency's current strategic plan. We determined that the CFPB complies with this requirement, even though the strategic and performance plans did not meet the February deadline.

^bWe found that since publishing its *Strategic Plan, Budget, and Performance Plan and Report*, the CFPB continues to make additional progress toward fully satisfying this requirement.

A description of the five requirements that are not fully satisfied, and the CFPB's progress toward satisfying the requirements, follows.

Performance Targets

GPRA requires agencies to identify, for each performance goal, performance targets for the fiscal year covered by the plan and for the following fiscal year. The CFPB did not establish

performance targets for 9 of its 27 performance goals.¹⁴ However, CFPB officials stated that they have developed meaningful measures that require the divisions to collect baseline information to be used to develop realistic targets for performance goals. Further, the QPRs we reviewed confirmed that the CFPB is making progress toward developing performance targets. Specifically, the QPRs identify time frames and corresponding strategies, plans, and variables that the divisions are using to develop these targets.

Balanced Performance Measures

GPRAs require agencies to develop a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal. Balanced performance indicators may include, as appropriate, measures for timeliness, customer service, efficiency, output, and outcome. Overall, we found that the CFPB has developed at least one of each of these types of performance indicators in its *Strategic Plan, Budget, and Performance Plan and Report*.

However, we found that 7 of the CFPB’s 27 performance goals did not have balanced measures that adequately represent the range of priorities or activities needed to meet the goal. One example is the following CFPB goal and associated performance measure related to consumer outreach:

Goal	Measure
Significantly increase targeted outreach activities and digital education materials to engage consumers at the right moment	Target populations or organizations directly . . . reached by digital content, decision tools, educational materials and resources

We found that quantifying the number of consumer populations reached addresses the goal’s output. However, the measure does not address whether consumers had been reached at the “right moment,” which would indicate timeliness. The measure also does not address outcomes of the goal, such as whether consumers are making more informed financial decisions. One program official from the responsible division acknowledged the need to define additional measures for outreach goals. Further, two other CFPB division officials reported that their divisions are in the process of developing additional types of measures, such as outcome measures, for their division’s performance goals.

We also found that while the CFPB included efficiency measures in its *Strategic Plan, Budget, and Performance Plan and Report*, none of these measures related to cost efficiency. Both Congress and GAO have emphasized the use of cost-efficiency measures in performance planning. Congress encouraged agencies to develop performance measures that compare the level of program activity with program costs.¹⁵ In addition, GAO reported that cost information

14. One CFPB performance goal addresses a performance planning requirement to assess each significant rule the CFPB adopts and to publish a report of the assessment within five years of the effective date. We did not include this performance goal as unmet in our analysis, as the CFPB has been operational for less than five years. However, we note that the CFPB includes annual interim steps for developing performance targets in its *Strategic Plan, Budget, and Performance Plan and Report*.

15. U.S. Senate Committee on Governmental Affairs, *Government Performance and Results Act of 1993 (to accompany S. 20)*, S. Rep. No. 103-58 (1993) reprinted in 1993 U.S.C.A.N. 327.

can demonstrate the effectiveness and productivity of agency programs.¹⁶ We believe that balanced performance measures, including cost-efficiency measures, could assist the CFPB in managing its programs.

Performance Information Reliability

GPRA requires that annual performance plans identify (1) means to verify and validate measured values, (2) sources of data, (3) level of required accuracy, (4) data limitations, and (5) how the agency will compensate for any such limitations. We found that the information in the *Strategic Plan, Budget, and Performance Plan and Report* did not address data sources, level of required accuracy, or data limitations. However, the CFPB's November 2013 policy and procedures addressing the accuracy and reliability of its performance information establishes requirements for all divisions to collect and internally report on all five of these GPRA requirements. Therefore, if the CFPB reports on these five requirements in its next performance plan, it will satisfy this GPRA requirement.

Major Management Challenges

GPRA requires agencies to identify (1) major management challenges and planned actions to address such challenges; (2) performance goals, performance indicators, and milestones to measure progress toward resolving such challenges; and (3) the agency official responsible for resolving challenges. While the CFPB's *Strategic Plan, Budget, and Performance Plan and Report* identifies the statutory cap on its funding as its sole major management challenge, it does not identify planned actions to address this challenge, the means to measure progress in addressing this challenge, or an agency official assigned to resolve this challenge. In our opinion, developing efficiency measures that compare program costs with program outcomes may help inform the CFPB's decisions regarding the use of its funding.

Low-Priority Program Activities

GPRA requires agencies to identify low-priority program activities. A low-priority designation is to be based on an analysis of the activity's contribution to the mission and goals of an agency, and the agency is to include an evidence-based justification for the designation in its performance report. The CFPB did not identify any low-priority program activities in its performance report. CFPB program officials stated that they did not incorporate low-priority program activities because at the time the plan was developed, the CFPB was still implementing its programs and none were considered low priority. However, we believe that the CFPB's GPRA activities, such as its robust QPR process, can help the agency identify low-priority programs for future performance plans.

16. U.S. Government Accountability Office, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118, June 1996.

Recommendation

We recommend that the Chief Strategy Officer

3. Build on the CFPB's efforts to comply with GPRA by satisfying all applicable requirements in its annual performance plan. Specifically, future performance plans should:
 - a. include performance targets for all performance goals.
 - b. include a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal.
 - c. fully identify how the agency will ensure the accuracy and reliability of its performance information.
 - d. identify major management challenges and fully describe how the agency will address those challenges.
 - e. identify low-priority program activities.

Management's Response

The CFPB's Chief of Staff stated that the agency will continue to improve its annual performance planning process for the following requirements.

- a. **Performance targets.** The Chief of Staff stated that the CFPB was developing baselines for several performance goals when the FY 2013 *Strategic Plan, Budget and Performance Plan and Report* was issued. The CFPB plans to complete baselines and establish targets for all performance goals in FY 2014.
- b. **Balanced performance indicators.** The Chief of Staff identified multiple performance measures that the CFPB currently captures in its divisions' strategic plans and the FY 2013 *Strategic Plan, Budget and Performance Plan and Report*. He also stated that the CFPB will identify and publish meaningful, balanced performance indicators for its performance goals.
- c. **Performance information reliability.** The Chief of Staff reiterated that in November 2013, the CFPB implemented a GPRA data accuracy and validation policy that addresses the GPRA data reliability requirements. The agency intends to use information obtained under the new policy guidelines to provide a complete summary of its data validation efforts in the FY 2014 *Strategic Plan, Budget and Performance Plan and Report*.
- d. **Major management challenges.** The Chief of Staff stated that the FY 2013 *Strategic Plan, Budget and Performance Plan and Report* included a discussion of management challenges. He further noted the CFPB's commitment to transparency and open discussions of management challenges.
- e. **Low-priority program activities.** The Chief of Staff indicated that the OIG's period of review covered FY2012 and FY2013, when the CFPB was standing up its operations and focusing its limited resources on addressing specific requirements in

the Dodd-Frank Act. In the future, the agency plans to use its QPR and performance planning processes to prioritize activities.

Management's full response is included as appendix C.

OIG Comment

In our opinion, the majority of the actions described by the Chief of Staff address our recommendation. However, management's response to our recommendation regarding major management challenges does not fully describe how the CFPB will address our recommendations.

We recommended that the Chief Strategy Officer both identify major management challenges and fully describe how the agency will address these challenges, as required by GPRA. As stated in our finding, the management challenge in the CFPB's *Strategic Plan, Budget and Performance Plan and Report* does not identify planned actions to address the challenge, the means to measure progress in addressing the challenge, or an agency official assigned to resolve the challenge. Management's response states that the agency included discussions of management challenges in its *Strategic Plan, Budget and Performance Plan and Report* and that the CFPB is committed to continued transparency and open discussion of management challenges. However, management's response does not address how it intends to fully comply with GPRA, which requires agencies to identify (1) major management challenges and planned actions to address such challenges; (2) performance goals, performance indicators, and milestones to measure progress toward resolving such challenges; and (3) the agency official responsible for resolving challenges. Incorporating these components in the agency's annual performance plan will help the CFPB to fully comply with this GPRA requirement, help it develop efficiency measures, and inform its decisionmaking.

We plan to follow up on actions taken by the Office of the Chief Strategy Officer to ensure that our recommendations are fully addressed.

Commendable Action: The CFPB Voluntarily Developed an Effective QPR Process

Although not applicable to the CFPB, we found that the agency has developed an effective QPR process. Every quarter, each CFPB division holds a QPR meeting to track the division’s progress in meeting its performance goals. As shown in table 4, the CFPB’s QPR process incorporates practices that GAO identified as promoting successful QPRs.

Table 4: The CFPB’s Implementation of GAO-Identified Practices That Promote Successful QPRs

GAO-identified practice	CFPB implementation
Agency leaders use QPRs to drive performance improvement.	Regular participants in CFPB division QPRs include the Director of the CFPB, the Chief of Staff, and the Chief Strategy Officer, as well as the Division Associate Directors and Assistant Directors. One Division Associate Director stated that the division uses QPR information to identify areas for improvement, develop tasks to address the areas for improvement, and assign staff and set target dates to complete the tasks. An OCSO official also stated that QPRs are useful tools for tracking division progress in meeting agency goals.
QPRs ensure alignment of agency goals, program activities, and resources.	Each CFPB QPR assesses the division’s payroll and headcount metrics, division-level performance goals and measures, and the agency-wide strategic goals for which that division is responsible. Each division goal is also tied to a higher-level agency-wide goal.
Rigorous preparation enables meaningful performance discussions.	The CFPB has implemented a thorough QPR preparation process. First, the OCSO provides a QPR template to each division populated with operational performance information and information from previous QPRs. The divisions then enter the remaining performance information, including potential talking points. The OCSO reviews the complete draft QPR and meets with the divisions to identify substantive issues likely to be of interest to the Director of the CFPB.
Participants engage in rigorous and sustained follow-up on issues identified during QPRs.	The CFPB has incorporated a follow-up process into its QPRs. At the conclusion of QPR sessions, meeting participants follow up on issues raised in previous QPRs to determine progress as well as to identify additional follow-up items for the next quarter. One Division Associate Director stated that follow-up on QPR items sometimes occurs with the Director of the CFPB more frequently than quarterly.

Source: OIG analysis of the CFPB’s use of GAO-identified practices for QPRs.

The CFPB’s QPR process evolved from a narrative-based process that was inconsistent in structure and tone to a more standardized, data-driven process. For each QPR, the division provides performance information on its agency-level and division-level performance goals and associated performance measures, including progress toward achieving each goal. This practice led to the effective alignment of the CFPB’s agency-level and division-level strategic and performance planning processes into the QPR process. Additionally, one division representative stated that the QPR process helped the CFPB develop consistent management practices. Further, multiple division representatives acknowledged that the process has become streamlined and is an accurate and useful management tool. The evolution of the CFPB’s QPR process is

indicative of the agency's effort to create a data-driven culture focused on consistently improving performance.

Appendix A

Scope and Methodology

The overall objective for this audit was to assess whether the CFPB has implemented effective GPRA processes and whether the CFPB is in compliance with applicable sections of GPRA. The scope of our audit included the CFPB's strategic planning, performance planning, and QPR processes through the fourth quarter of FY 2013.¹⁷

To assess the CFPB's GPRA processes, we interviewed agency representatives from the OCSO and the OCFO, as well as division representatives from the four divisions that are primarily responsible for executing strategic plan goals: Supervision, Enforcement, and Fair Lending (SEFL); Research, Markets, and Regulations (RMR); Consumer Education and Engagement; and Operations.

We reviewed CFPB documentation of its GPRA processes, including the following:

- April 2013 *Strategic Plan, Budget, and Performance Plan and Report*
- FY 2013 QPR presentations for all six divisions¹⁸
- FY 2013 division-level strategic plans for all six divisions
- data reliability policies and procedures
- other strategic planning documentation

We also reviewed GAO reports to gain an understanding of GPRA implementation across the federal government and practices GAO highlighted as effective for implementing GPRA.

We conducted independent testing of five performance measures reported by SEFL and RMR for FY 2012. To accomplish this task, we reviewed publicly available information and internal information provided by the CFPB to verify the accuracy of performance information reported for FY 2012. We also relied on work conducted under two ongoing OIG projects as it related to our testing of SEFL's and RMR's performance measures.

Finally, we benchmarked with two other federal financial regulators. These regulators are similar to the CFPB in size and function and have more established GPRA processes.

To assess the CFPB's compliance with GPRA, we reviewed all GPRA provisions, reviewed CFPB Legal Division memorandums to determine the applicability of GPRA requirements, and analyzed the CFPB's April 2013 *Strategic Plan, Budget, and Performance Plan and Report* to determine whether all applicable GPRA requirements were met.

In addition, we conducted an analysis related to one observation noted in the OIG's memorandum report, *Observations and Matters for Consideration Regarding the CFPB's*

17. We did not assess compliance with annual performance reporting requirements, as the CFPB was not required to submit a performance report during the period of our review. However, we note that even though it was not required, the CFPB issued a performance report on its FY 2012 performance.

18. The six divisions include SEFL, RMR, Consumer Education and Engagement, Operations, Legal, and External Affairs.

*Annual Budget Process.*¹⁹ The observation stated that the CFPB inconsistently reported performance information in the early quarters of FY 2012. We reviewed FY 2013 performance information and verified that the information was consistently reported across all divisions and all quarters.

We conducted our fieldwork from September 2013 to April 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

19. Office of Inspector General, *Observations and Matters for Consideration Regarding the CFPB's Annual Budget Process*, OIG Report No. 2013-AE-C-018, October 22, 2013, <http://oig.federalreserve.gov/reports/cfpb-executive-summary-20131022a.htm>.

Appendix B

The CFPB's Compliance With Applicable GPRA Requirements in Its April 2013 *Strategic Plan, Budget, and Performance Plan and Report*

GPRA requirements applicable to the CFPB	Fully satisfies	Partially satisfies	Does not satisfy
5 U.S.C. §306 Agency Strategic Plans			
• Develop a Strategic Plan.	✓		
• Available on public website and Congress notified of availability no later than the first Monday in February following the year in which the term of President commences.	✓		
• A comprehensive mission statement covering the major functions and operations of an agency.	✓		
• General goals and objectives, including outcome-oriented goals, for the major functions and operations of the agency.	✓		
• How the goals and objectives are to be achieved.	✓		
• How the goals and objectives incorporate the views and suggestions obtained through congressional consultations.	✓ ^a		
• Key external factors that could significantly affect the achievement of the general goals and objectives.	✓		
• Program evaluations used in establishing or revising general goals and objectives, with a schedule for future program evaluations.		✓	
• Covers at least 4 years following the fiscal year in which the plan is submitted.	✓		
• Agency's performance plan is to be consistent with the agency's current strategic plan.	✓		
• When developing or making adjustments to a strategic plan, the agency is to consult with Congress and solicit and consider the views and suggestions of potentially affected or interested parties.	✓		
• Drafting is to be performed only by federal employees.	✓		
31 U.S.C. §1115 Agency Performance Plans			
• Develop an agency performance plan.	✓		
• Available on public website and Congress notified of availability by the first Monday in February of each year.	✓ ^b		
• Covers each program activity in the agency's budget.	✓		
• Performance goals with the desired level of performance during the plan's year and next fiscal year.		✓	
• How the performance goals contribute to the general goals and objectives in the strategic plan.	✓		
• How the performance goals are to be achieved, including (1) the operational processes, training, skills and technology, and the human capital, information, and other resources and strategies; (2) clearly defined milestones; (3) internal and external organizations, program activities, regulations, policies, and other activities that contribute to each performance goal; and (4) agency officials responsible for the achievement of each performance goal.	✓		
• A balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal, including as appropriate, customer service, efficiency, output, and outcome indicators.		✓	
• A basis for comparing actual program results with the performance goals.	✓		

GPRA requirements applicable to the CFPB	Fully satisfies	Partially satisfies	Does not satisfy
<ul style="list-style-type: none"> How the agency will ensure the accuracy and reliability of its performance data, including an identification of: (1) means to verify and validate measured values; (2) sources of data; (3) level of required accuracy; (4) any data limitations; and (5) how the agency will compensate for any such limitations. 		✓	
<ul style="list-style-type: none"> Major management challenges the agency faces and (1) planned actions to address such challenges; (2) performance goals, performance indicators, and milestones to measure progress toward resolving such challenges; and (3) the agency official responsible for resolving challenges. 		✓	
<ul style="list-style-type: none"> Low-priority program activities based on an analysis of their contribution to the mission and goals of an agency and include an evidence-based justification for designating a program activity as low priority. 			✓
<ul style="list-style-type: none"> Drafting of performance plans is to be performed only by federal employees. 	✓		
11 U.S.C. §1123 Chief Operating Officers (COO)			
<ul style="list-style-type: none"> The deputy head of the agency—or equivalent—is to be the agency's COO. 	✓		
11 U.S.C. §1124 Performance Improvement Officers (PIO)			
<ul style="list-style-type: none"> Each agency is to designate a senior executive of the agency as the PIO. 	✓		
GPRA Modernization Act of 2010, Pub. L. No. 111-352, § 10, Format of Performance Plans and Reports			
<ul style="list-style-type: none"> Strategic plans, performance plans, and performance updates should be in a searchable, machine readable format. Agencies are not to incur expenses for the printing of these documents, except when providing the documents to Congress. 	✓		
11 U.S.C. §1125 Elimination of Unnecessary Agency Reporting			
<ul style="list-style-type: none"> Annually, based on guidance provided by the Director of the Office of Management and Budget (OMB), the COO at each agency is to (1) compile a list that identifies all plans and reports the agency produces for Congress; (2) analyze the list to identify which plans and reports are outdated or duplicative and refine the list to include only the plans and reports identified to be outdated or duplicative; (3) consult with the relevant congressional committees to determine whether those plans and reports are no longer useful and could be eliminated or consolidated; and (4) provide a total count of the outdated or duplicative reports and the list of outdated and duplicative reports to the Director of the OMB. 	✓		

Source: OIG analysis of the CFPB's *Strategic Plan, Budget, and Performance Plan and Report*, April 2013; 5 U.S.C. § 306; 31 U.S.C. § 1115; and 11 U.S.C. §§ 1123-25.

^aAccording to CFPB officials, the CFPB presented its draft strategic plan to congressional staff and solicited comments but did not receive any comments.

^bGPRA requires that the performance plan be consistent with the agency's current strategic plan. As the CFPB's performance plan was published concurrently with the CFPB's first strategic plan in April 2013, it would have not been possible to meet the February deadline.

Appendix C

Management's Response



1700 G Street, N.W., Washington, DC 20552

June 12, 2014

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System and
Consumer Financial Protection Bureau
20th and Constitution Avenue, NW
Washington, DC 20551

Dear Mr. Bialek,

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report: *The CFPB Has Established Effective GPRa Processes, but Opportunities Exist for Further Enhancement*. The CFPB's management appreciates your acknowledgement that over a short period of time the CFPB has developed effective and robust strategic and performance planning processes and that the Bureau's top leaders have demonstrated commitment to these processes. As noted in your report, the Government Accountability Office has found that support for strategic and performance planning at the highest level of an organization is the single most important factor in the success of any performance improvement initiative. The Bureau's leaders have taken this responsibility seriously, and the successes noted in your report are the result.

We also appreciate your recognition of the Bureau's focus on development of division-level strategic plans and a quarterly performance review process as a commendable action. Involving division-level management in strategic and performance planning has created an environment in which leaders throughout the Bureau hold themselves accountable for successful performance towards strategic goals.

The CFPB maintains a strong commitment to ensuring transparency of the agency's goals, expected outcomes, and performance measures, and we continue to invest in efforts that promote greater effectiveness and accountability across the agency. Our Management's Response provides the CFPB's perspective on recommendations made in the OIG's report, highlights enhancements made since your review, and outlines our proposed approach for building on successes achieved to date.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris M. D'Angelo", is written over a horizontal line.

Christopher D'Angelo
Chief of Staff

Formal program evaluations recommendation: *Identify areas in which formal program evaluations as described by the U.S. Government Accountability Office, could assist the CFPB in meeting its goals.*

The OIG's fieldwork covered the CFPB planning and performance review processes for FY2012 and FY2013, when the CFPB focused on standing up its programs and reporting systems. As noted in the course of discussions with the OIG team, throughout FY2012 and FY2013, the CFPB relied on the agency's robust quarterly review process (QPR) and regular program reviews between the Director and the division officials to develop baseline assessments of the overall effectiveness of the agency's programs. Since the conclusion of the OIG's fieldwork, the CFPB has engaged third parties to conduct formal effectiveness evaluations in some of the key programmatic areas, such as the supervision examinations reporting process and strategic communications. The CFPB will continue to utilize its QPR process and program reviews with the Director to identify holistically and systematically additional areas for formal program evaluations, as recommended by the OIG and the U.S. Government Accountability Office, and will engage internal and/or third party resources to conduct program evaluations with a view to further improving program designs and sharing favorable practices to address this recommendation. As described in management's response to the OIG's second recommendation, the CFPB will develop a multi-year schedule for these additional program evaluations.

Schedule for program evaluations recommendation: *Establish a schedule for program evaluations and incorporate the schedule into future strategic plans to fully satisfy the strategic planning requirements of the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010.*

Based on decisions identified in the course of the quarterly performance reviews (QPRs) and regular program reviews between the Director and the division officials, the CFPB will develop and update a multi-year schedule for program evaluations. The CFPB will incorporate the schedule into its future strategic plans to fully satisfy requirements of the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010 to address this recommendation.

Annual performance plan enhancement recommendations: *Build on the CFPB's efforts to comply with the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010, by satisfying all applicable requirements in its annual performance plan. Specifically, future performance plans should:*

- a. *Include performance targets for all performance goals.*
- b. *Include a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal.*
- c. *Fully identify how the agency will ensure the accuracy and reliability of its performance information.*
- d. *Identify major management challenges and fully describe how the agency will address those challenges.*

e. *Identify low-priority program activities.*

The CFPB is committed to advancing the overarching intent of GPRA and promoting greater efficiency, effectiveness, and accountability through the CFPB's planning processes. The CFPB has further enhanced its planning efforts following the FY2012-13 period in scope of the OIG's fieldwork and will continue to increase robustness of its annual performance planning. In particular:

- a. **Performance targets for all performance goals:** At the outset of its operations, the CFPB established a range of breakthrough performance goals and corresponding measures that required baseline development to inform meaningful annual targets. In our FY 2013 *Strategic Plan, Budget and Performance Plan and Report* the CFPB indicated completion of baseline development for several performance goals in FY2013 and established performance measures for FY2014 and FY2015. As planned, the CFPB intends to complete the baseline development process in FY2014 and set performance measures across all performance goals to be reflected in our FY2014 *Strategic Plan, Budget and Performance Plan and Report*, which will fully address subsection a) of this recommendation.
- b. **Balanced set of performance indicators:** The CFPB currently captures leading and lagging indicators for performance goals through the division strategic plans, thus ensuring balanced assessments of progress against performance goals. The division strategic plans serve as foundations for the quarterly performance reviews (QPRs) and equip the Director and officials across the CFPB divisions with consistent sets of indicators for periodic progress reviews. Moreover, the CFPB has highlighted balanced assessments against some of the key consumer-facing goals (for example, performance goal 2.1.1 – decrease time between receiving and closing a complaint) in its *Strategic Plan, Budget and Performance Plan and Report* documents published in FY2012 and FY2013. To address subsection b) of this recommendation, the CFPB will work to identify and publish meaningful balanced progress indicators for increasing numbers of goals as the agency continues to refine its strategic and performance planning frameworks.
- c. **Accuracy and Reliability of Performance Information:** The CFPB provided summaries of its performance data verification procedures in its *Strategic Plan, Budget and Performance Plan and Report* documents for FY2012 and FY2013. As an example, the Bureau is subject to an annual independent audit of operations and budget, which includes a review of the CFPB's performance-based budgeting processes and data validation and verification policy and procedures. On November 18, 2013, following the period of the OIG team's fieldwork, the CFPB established a GPRA Data Accuracy and Validation Policy that requires officials from all CFPB divisions to identify formulas, data sources, data capture, verification procedures, and data limitations and provide corresponding attestations to OCFO and OCSO. The CFPB utilized procedures defined in the GPRA Data Accuracy and Validation Policy to inform its FY2013 *Strategic Plan, Budget and Performance Plan and Report*. The Bureau will continue to rely on established procedures and will provide a more robust summary of Data Validation efforts

across Divisions in FY2014 *Strategic Plan, Budget and Performance Plan and Report*, thus fully addressing subsection c) of this recommendation.

- d. **Addressing management challenges:** The CFPB included discussions of management challenges in its *Strategic Plan, Budget and Performance Plan and Report* publications in FY2012 and FY2013. The CFPB is committed to continued transparency and open discussion of these aspects of operations to fully address subsection d) of the current recommendation.
- e. **Low-priority program activities identification:** The OIG's fieldwork covered the period of FY2012 and FY2013, when the CFPB worked to stand up its operations and deliver on critical rule-making commitments defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203). At the time, the agency's limited resources were focused on a concentrated set of statutorily defined high priorities. As the CFPB has expanded its capabilities and continues to deliver on key statutorily mandated requirements, thus providing scope for prioritization, the agency will aim to utilize its quarterly performance review and performance planning processes to drive prioritization of activities, in line with subsection e) of the current recommendation.



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