



Executive Summary:

CFPB Headquarters Construction Costs Appear Reasonable and Controls Are Designed Appropriately

2015-FMIC-C-012

July 31, 2015

Purpose

Our objectives were to (1) evaluate the reasonableness of the overall estimated and proposed costs for the Consumer Financial Protection Bureau's (CFPB) headquarters renovation and (2) assess the effectiveness of the CFPB's processes and controls for approving, managing, and documenting headquarters renovation costs and project decisions.

Background

In June 2014, we completed a review and issued a letter to address a request from the Chairman of the Subcommittee on Oversight and Investigations, House Committee on Financial Services, regarding the CFPB's headquarters renovation budget. That review included an evaluation of the budgeting and approval process, the scope and justification for estimates, and the use of competitive procedures for the renovation project. As a continuation of that work, we conducted this audit of the CFPB's renovation costs.

Finding

We determined that construction costs appear reasonable based on comparisons to an independent cost estimate and the costs of two comparable building renovations identified by the U.S. General Services Administration. We also determined that potential renovation costs are below the amount previously budgeted and obligated for the renovation. In addition, we conducted a life cycle analysis to compare the costs of renting and renovating the building to leasing comparable space over a 30-year period. We determined that the reasonableness of this decision is highly dependent on the growth in commercial lease rates. Therefore, we identified the approximate growth rate at which our analysis shifts from favoring leasing space to favoring renting and renovating the building. This rate falls within the range of projected growth rates for commercial leases at the time the CFPB agreed to occupy the building.

Current controls for approving, managing, and documenting renovation costs and project decisions are designed appropriately; however, because most construction cost-management control activities have not yet begun, we did not have the opportunity to test the operating effectiveness of those controls. In addition, we noted that the initial renovation decision predated controls for documenting project costs and decisions.

The construction contract awarded in December 2014 includes two options that would result in additional costs to the CFPB if exercised. As we previously reported, the CFPB did not fully comply with the Investment Review Board (IRB) guidance for approving renovation costs. Therefore, the CFPB should prepare and submit a final, complete business case to the IRB for the optional investments prior to obligating funds.

On June 22, 2015, the CFPB provided us with an IRB business case with preliminary cost information for one of these options. As the business case was provided after the conclusion of our fieldwork and may still be updated, we will evaluate the final business case as part of our audit follow-up process.

Recommendation

Our report contains a recommendation designed to provide the CFPB with assurance that additional investments related to the renovation are sound business decisions. The CFPB can accomplish this by preparing and submitting a final, complete business case to the IRB for approval prior to obligating funds. In its response to our draft report, the CFPB concurs with our recommendation.