

Current as of
July 1, 2017

Work Plan

status of audit and evaluation projects



OFFICE OF INSPECTOR GENERAL

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

Overview

The *Work Plan* presents the audits and evaluations that the Office of Inspector General (OIG) is conducting to assist the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB) in fulfilling their respective missions. Our statutory mandates are our highest priority, and with our remaining resources, we focus on those programs and operations in which potential deficiencies pose the highest risk to the Board and the CFPB in achieving their strategic goals, objectives, and priorities; meeting budgetary and financial commitments; and complying with applicable laws, regulations, and guidance.

The *Work Plan* is updated quarterly. Each project is categorized as *initiated*, *in development*, or *planned*.

- **Initiated:** The project is underway; the description of the project includes the calendar quarter in which we expect to complete the project.
- **In development:** The project team is determining the project's scope and completion date.
- **Planned:** The project has been identified by our office, and formal work has not yet begun.

For a list of completed projects, please view the [Audit Reports page](#) on our website.

The OIG may be required to perform unanticipated work based on congressional requests, OIG Hotline complaints, new statutory mandates, or other input. Such work, as well as resource constraints, may result in our deferring, canceling, or modifying projects. Our effectiveness depends on our flexibility to address other priorities as they arise.

For congressional, media, or other inquiries, please email oig.media@frb.gov or call John Manibusan at 202-973-5043.

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Board: Initiated Projects

with calendar quarter of expected completion

Evaluation of the Board Internal Oversight Committee's Review of the Board Law Enforcement Unit (LEU) ^(UPDATED)

Third quarter 2017

The Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers (Uniform Regulations)* requires that the LEU establish an Internal Oversight Committee to complete inspections and evaluations of the unit. The *Uniform Regulations* also requires that the OIG conduct continuing reviews and evaluations of law enforcement programs and operations as part of our external oversight function. To fulfill this requirement, we are evaluating the LEU's compliance with components of the Board's *Uniform Regulations* and internal policies and procedures. Our work will consider the most recent review performed by the Internal Oversight Committee. We will assess whether the LEU's control environment effectively supports the LEU's mission and components of the Management Division's strategic goals in a separate evaluation (see Evaluation of the Board Law Enforcement Unit (LEU) in Board: Projects in Development).

Security Control Review of the Board's Public Website

Third quarter 2017

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the Board's public website (<https://www.federalreserve.gov>). The specific objectives of our audit are to (1) evaluate the adequacy of selected security controls for protecting the Board's public website from compromise; (2) determine the extent and efficiency of the Board's efforts to identify and assess vulnerabilities on publicly accessible web applications and to mitigate the most severe vulnerabilities; and (3) where appropriate, assess efforts to control or reduce the number of publicly accessible web applications.

Security Control Review of the Division of Research and Statistics' General Support System

Third quarter 2017

The Federal Information Security Modernization Act of 2014 (FISMA) requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the Division of Research and Statistics' (R&S) general support system.

The specific objectives of our audit are to evaluate (1) the effectiveness of the R&S general support system's security controls and techniques and (2) R&S's compliance with Board and FISMA information security policies, procedures, standards, and guidelines.

Evaluation of the Board's Organizational Governance

Fourth quarter 2017

Governance refers to the processes and structures implemented by the Board to inform, direct, manage, and monitor its activities to achieve its organizational objectives. Strong governance systems increase the likelihood that organizations will efficiently and effectively meet their objectives. This evaluation will (1) describe the current state of the Board's organizational governance structures and processes and (2) assess the extent to which these structures and processes align with those of other relevant institutions and governance principles. We are focusing on the Board's organizational governance at the highest levels, including the Board of Governors, the Chief Operating Officer, and the Division Directors, as well as several of their respective committees. We are also focusing on select aspects of the Board's governance, including organizational structure; delegated responsibilities, authorities, and decision rights; and communication and transparency at the highest levels of the Board.

In-Depth Review of the Failure of Allied Bank **Fourth quarter 2017**

In accordance with section 38(k) of the Federal Deposit Insurance Act, as amended, when a state member bank failure occurs that does not result in a material loss to the Deposit Insurance Fund, our office conducts a failed bank review to assess whether the failure presents unusual circumstances that would warrant an in-depth review. On conducting a failed bank review of Allied Bank, we determined that this state member bank failure warrants an in-depth review. As a result, we are conducting an in-depth review to

- assess the Board's supervision of the failed institution, including the Board's implementation of prompt corrective action
- ascertain why the institution's problems resulted in a nonmaterial loss to the Deposit Insurance Fund
- make recommendations for preventing any such loss in the future

Evaluation of the Board's Information Technology Organizational Structure and Authorities (NEW)

First quarter 2018

The Federal Information Security Modernization Act of 2014 requires each agency Inspector General to perform an annual evaluation of the information security program and practices of its respective agency. As part of meeting this requirement, we are assessing whether the Board's current organizational structure and authorities support its information technology needs, specifically those associated with security, privacy, capital planning, budgeting, and acquisition.

Audit of the Board's Financial Statements as of and for the Years Ended December 31, 2017 and 2016

Second quarter 2018

The OIG contracted with an independent public accounting firm to audit the financial statements of the Board. The OIG will oversee the activities of the independent public accounting firm to ensure compliance with generally accepted government auditing standards and Public Company Accounting

Oversight Board auditing standards related to internal controls over financial reporting.

Audit of the Federal Financial Institutions Examination Council's (FFIEC) Financial Statements as of and for the Years Ended December 31, 2017 and 2016

Second quarter 2018

The Board performs the accounting function for the FFIEC, and the OIG contracted with an independent public accounting firm to audit the financial statements of the FFIEC. The OIG will oversee the activities of the independent public accounting firm to ensure compliance with generally accepted government auditing standards.

Board: Projects in Development

Effectiveness of Consolidated Supervision Within the Regional Banking Organization Portfolio

This evaluation will focus on the effectiveness of Board and Federal Reserve Bank supervisory activities for regional banking organizations. We will assess the Board's and the Reserve Banks' oversight of bank and financial holding companies that own a national bank or state nonmember bank that is regulated by another federal banking agency. We will evaluate (1) the reliance that relevant Reserve Banks place on the primary federal regulator in executing consolidated supervision and (2) the effectiveness of interagency coordination.

Evaluation of Knowledge Management Practices Related to the Comprehensive Liquidity Analysis and Review (CLAR)

Preserving, transferring, and maintaining institutional knowledge contributes to effective supervision, particularly in light of examiner rotation requirements and examiner turnover. This evaluation will assess the effectiveness of the knowledge management practices related to the CLAR program.

Evaluation of the Board Law Enforcement Unit (LEU) (UPDATED)

The Board LEU's mission is to protect and provide a safe and secure environment for Board staff and visitors on Board-designated property. An effective system of internal control is key to assuring management that the LEU is achieving its mission. Control environment principles that support internal controls include commitment to integrity and ethical values, exercising oversight responsibility, and ensuring accountability. We are evaluating whether the LEU's control environment effectively supports the LEU's mission as well as components of the Management Division's strategic goals. This work will include evaluating the standards, processes, and reporting structures of the LEU. The assessment of the LEU's control environment was previously part of another evaluation (see Evaluation of the Board Internal Oversight Committee's Review of the Board Law Enforcement Unit (LEU) in Board: Initiated Projects).

Evaluation of the Board's Workforce Planning Efforts and Potential Barriers

The OIG's 2016 List of Major Management Challenges for the Board reported on the Board's effort to develop and implement an agencywide, strategic workforce-planning program. We noted that key to workforce planning is developing a succession plan to ensure continuity of knowledge and leadership and identifying and developing diverse talent for senior management positions. We reported, however, that the Board's workforce planning activities had been narrowly focused and lacked a more strategic perspective. We plan to assess the Board's efforts to ensure the sustainability of its workforce, including identifying any potential related barriers and strategies to overcome them.

Board: Planned Projects

Board Security Control Reviews

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General evaluate a representative subset of the agency's information systems, including third-party systems. To meet this requirement, we will conduct security control reviews of a sample of the Board's major applications and general support system components throughout the year. We will use automated audit scanning tools to assist with conducting the security control reviews.

Evaluation of the Board's Personnel Security Program

Board activities and information have the potential to significantly influence financial market activity and affect important public policies or private-sector decisions. Accordingly, it is important to ensure that both employees and contractors are appropriately screened when granting access to Board facilities and providing security clearances. The Board's Personnel Security Program oversees and administers the screening of Board employees and contractors, as well as Federal Reserve Bank personnel who require such screening. We will assess the Board's Personnel Security Program's processes and controls related to the oversight and administration of background investigations and security clearances.

Failed Bank Reviews

Section 38(k) of the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, requires that the Inspector General of the appropriate federal banking agency review the agency's supervision of a failed institution when the associated losses to the Deposit Insurance Fund are above the materiality threshold or are at or below the threshold but exhibit unusual circumstances warranting an in-depth review. In such cases, the Inspector General must prepare a report in a manner consistent with the requirements of a material loss review. For losses to the Deposit Insurance Fund that occurred on or after January 1, 2014, the materiality threshold is \$50 million.

2017 Audit of the Board's Information Security Program

The Federal Information Security Modernization Act of 2014 (FISMA) requires that each agency Inspector General conduct an annual independent evaluation of its respective agency's information security program and practices. To meet FISMA requirements, we are conducting an audit of the Board's information security program. Our objective is to evaluate the effectiveness of the Board's (1) security controls and techniques for select information systems and (2) information security policies, procedures, standards, and guidelines. We will use the results from our audit to respond to the U.S. Department of Homeland Security's 2017 FISMA reporting metrics for Inspectors General.

CFPB: Initiated Projects

with calendar quarter of expected completion

Audit of the CFPB's Encryption of Data on Mobile Devices

Third quarter 2017

In support of our annual Federal Information Security Modernization Act of 2014 independent evaluation requirements, we will assess the effectiveness of the CFPB's processes and technologies for encrypting sensitive data stored on mobile devices, such as laptops and cellular phones. Specifically, this audit is evaluating (1) the effectiveness of the CFPB's techniques for encrypting data on mobile devices and (2) the strength of the encryption methods and the password complexity and reset rules that are applied.

Evaluation of the CFPB's Compliance With the Requirements for Issuing Civil Investigative Demands (CIDs)

Third quarter 2017

Section 1052(c) of the Dodd-Frank Act authorizes the CFPB to issue CIDs when the agency has reason to believe that a person has documentary materials, tangible things, or any other information relevant to a possible violation of federal consumer financial law. These CIDs may be issued to produce documents, produce tangible things, or compel testimony. Section 1052(c) contains a series of compliance requirements related to the use of CID authority, ranging from mandatory content requirements to procedures for issuing CIDs. This evaluation is assessing the CFPB's (1) policies and procedures for issuing CIDs; (2) training programs and materials related to the issuance of CIDs; and (3) compliance with section 1052(c)'s requirements, applicable regulations, and the agency's policies and procedures for issuing CIDs.

Evaluation of the Effectiveness of the CFPB's Examination Workpaper Documentation

Third quarter 2017

The CFPB's *Supervision and Examination Manual* (version 2.0) summarizes the agency's expectations for workpaper documentation to support the results of its examination activity. The manual describes the following three principal purposes for workpaper

documentation: (1) providing a record of the work performed that supports examination results, (2) maintaining the evidence necessary to support supervisory agreements or formal enforcement actions, and (3) facilitating internal quality control reviews. This evaluation is assessing the CFPB's policies and procedures for documenting examination results, the training programs and materials used to implement workpaper documentation expectations, and the extent to which each of the CFPB's regions meets those expectations.

Evaluation of the Effectiveness of the CFPB's Management of Examiner Commissioning and Training

Third quarter 2017

CFPB examiners review compliance with federal consumer financial laws in certain institutions. In October 2014, the CFPB issued a policy implementing the agency's examiner commissioning program. The OIG is undertaking this evaluation to determine whether the CFPB is effectively managing examiner commissioning and training. Our work will include reviewing applicable policies, procedures, and agency practices; reviewing the curriculum for the examiner commissioning training program; meeting with CFPB officials and staff members; and reviewing documentation associated with the examiner commissioning training program.

Security Control Review of the CFPB's SQL Environment

Third quarter 2017

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the CFPB's SQL Server operating environment. Our specific audit objective is to evaluate the adequacy of certain control techniques designed to protect data within the system from unauthorized access, modification, destruction, or disclosure.

Audit of the CFPB's Compliance With the DATA Act

Fourth quarter 2017

Enacted on May 9, 2014, the Digital Accountability and Transparency Act of 2014 (DATA Act) requires federal agencies to start reporting certain financial and spending data in accordance with established data standards by May 2017. The CFPB has determined that its Consumer Financial Civil Penalty Fund is subject to the DATA Act and that one specific DATA Act requirement, section 3(b)(4) of the act, applies to the Bureau Fund. We are conducting an audit to assess (1) the completeness, timeliness, quality, and accuracy of financial and award data for the second quarter of fiscal year 2017 that were submitted for publication on USASpending.gov and (2) the CFPB's implementation and use of the governmentwide financial data standards established by the Office of Management and Budget and the U.S. Department of the Treasury, as applicable.

Audit of the CFPB's Offboarding Process

First quarter 2018

Recent events at federal agencies have highlighted the importance of an effective employee separation process to mitigate reputational, security, and other risks to federal agencies. To help mitigate these risks, the CFPB has developed offboarding guidance for when an employee separates from the agency. Our audit will assess the CFPB's offboarding process to determine whether controls are in place and operating effectively to mitigate key agency risks.

CFPB: Projects in Development

Evaluation of the CFPB's Corrective Action Follow-Up Process

This evaluation will assess the Division of Supervision, Enforcement, and Fair Lending's corrective action follow-up process. Corrective actions are specific improvement opportunities identified during the examination process that supervised entities must address. According to the CFPB's *Supervision and Examination Manual*, corrective actions typically include a time frame in which the supervised institution is expected to complete the required actions. Our objective is to assess the Division of Supervision, Enforcement, and Fair Lending's effectiveness in monitoring and ensuring that supervised institutions resolve these feedback items in a timely manner.

CFPB: Planned Projects

Audit of the CFPB's Privacy Data and Personally Identifiable Information (PII) Program

As part of its mission, the CFPB collects, handles, and stores several types of consumer financial information and PII. We will review the extent to which the CFPB has assessed the risks associated with the collection, maintenance, storage, and disposal of privacy data and PII and applied appropriate information security controls and protection over the data to mitigate those risks. We will focus on (1) CFPB systems that house PII, (2) access to PII, (3) disposal and destruction mechanisms, (4) the handling of privacy incidents, (5) privacy training, and (6) National Institute of Standards and Technology privacy controls.

CFPB Security Control Reviews

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General evaluate a representative subset of the agency's information systems, including third-party systems. To meet this requirement, we will conduct security control reviews of a sample of the CFPB's major applications and general support system components throughout the year. We will use automated audit scanning tools to assist with conducting the security control reviews.

Evaluation of the CFPB's Risk Assessment Framework for Prioritizing Examination Activities

This evaluation will assess the Division of Supervision, Enforcement, and Fair Lending's risk assessment framework and methodology for prioritizing its examination activities at its supervised institutions. As part of our initial evaluation of the supervision program, we developed an understanding of the division's institution product line approach to prioritizing its supervisory activities and how that approach affects its staffing assignments within the CFPB's regions. We will conduct an in-depth assessment of the risk assessment framework, the prioritization process, and the way in which those priorities cascade to the regions. We will also assess the regional approaches to executing these priorities.

Evaluation of the Office of Consumer Response's Efforts to Share Complaint Data Within the CFPB ^(NEW)

The Office of Consumer Response (Consumer Response) is responsible for sharing complaint data with internal stakeholders in order to help the CFPB supervise companies, enforce federal consumer financial laws, and write rules and regulations. The successful use of complaint data can help the CFPB understand the problems consumers are experiencing in the financial marketplace and identify and stop unfair practices before they become major issues. This evaluation will assess the effectiveness of Consumer Response's data-sharing efforts. Specifically, this project will examine (1) the extent to which Consumer Response is achieving its objective to share useful complaint data and analysis with internal stakeholders and (2) Consumer Response's controls over access and distribution of shared complaint data, which can contain sensitive consumer information.

2017 Audit of the CFPB's Information Security Program

The Federal Information Security Modernization Act of 2014 (FISMA) requires that each agency Inspector General conduct an annual independent evaluation of its respective agency's information security program and practices. To meet FISMA requirements, we are conducting an audit of the CFPB's information security program. Our objective is to evaluate the effectiveness of the CFPB's (1) security controls and techniques for select information systems and (2) information security policies, procedures, standards, and guidelines. We will use the results from our audit to respond to the U.S. Department of Homeland Security's 2017 FISMA reporting metrics for Inspectors General.

