

Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

Work Plan

Current as of October 1, 2018





Overview

The *Work Plan* presents the audits and evaluations that we are conducting to assist the Board of Governors of the Federal Reserve System (Board) and the Bureau of Consumer Financial Protection (Bureau) 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 Bureau 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.

Each quarter, projects that are new or have been canceled, terminated, or issued as reports are marked as such. For a list of issued reports, please view the [Audit Reports page](#) on our website.

We may be required to perform unanticipated work based on congressional or agency 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 202-973-5043.



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Board: Initiated Projects

with calendar quarter of expected completion

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

Third quarter 2018

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

In-Depth Review of the Failure of Fayette County Bank ISSUED

Third quarter 2018

In accordance with section 38(k) of the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, 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. 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

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

Third quarter 2018

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 FISMA and Board information security policies, procedures, standards, and guidelines.

Audit of the Board's Academic Assistance Program

Fourth quarter 2018

The Board maintains an academic assistance program to support the career development of all employees who meet certain qualifications and elect to participate in the program. Accordingly, the Board provides eligible employees with financial assistance to enroll in qualifying programs and courses, per its *Academic Assistance* policy. Our audit objective is to assess the adequacy of the internal controls related to the management and administration of the academic assistance program. This includes assessing the design and operating effectiveness of the Board's internal controls and ensuring that employees receive financial assistance in accordance with the Board's policy.

Audit of the Board's Management of Currency Shipments

Fourth quarter 2018

As the issuing authority for all Federal Reserve notes, the Board is responsible for issuing and directing the shipment of Federal Reserve notes to and between the

Reserve Banks. We are assessing the efficiency and effectiveness of the Board's management of currency shipments and assessing the effectiveness of related contracting activities.

Evaluation of the Board's Implementation of Splunk

Fourth quarter 2018

The Federal Information Security Modernization Act of 2014 (FISMA) established a legislative mandate for ensuring the effectiveness of information security controls over resources that support federal operations and assets. FISMA requires each agency Inspector General to test (1) the effectiveness of the agency's security controls and techniques for select information systems and (2) compliance with FISMA and related information security policies, procedures, standards, and guidelines. In support of FISMA requirements, we are conducting an evaluation of the Board's implementation of its security event and incident management system, Splunk. The Board heavily relies on Splunk to centralize security event and incident information enterprise-wide.

Our objective is to evaluate the Board's implementation of Splunk in accordance with security best practices as well as the system's compliance with FISMA and Board information security policies, procedures, standards, and guidelines.

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

Fourth 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.

Evaluation of the Board's Workforce Planning Efforts

Fourth quarter 2018

The OIG's 2017 *List of Major Management Challenges for the Board* reported on the Board's effort to develop and implement an agencywide, strategic workforce-planning framework. At that time, we reported that the Board has begun to adopt a more strategic approach to workforce planning that assesses how the placement of vacant positions and the requisite skill sets can best meet the Board's workforce needs. However, the challenge remains for the Board to implement workforce planning in a strategic and effective manner. This evaluation is assessing the Board's ongoing efforts to ensure the sustainability of its workforce. We plan to identify potential barriers to workforce planning at the Board and strategies to overcome them in a separate evaluation (see *Evaluation of Workforce Planning Implementation Challenges and Related Strategies at the Board* in Board: Initiated Projects).

2018 Audit of the Board's Information Security Program

Fourth quarter 2018

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 will conduct an audit of the Board's information security program. Our objectives are 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 fiscal year 2018 FISMA reporting metrics for Inspectors General.

Audit of the Board's Financial Statements as of and for the Years Ended December 31, 2018 and 2017

First quarter 2019

We contracted with an independent public accounting firm to audit the financial statements of the Board. We are overseeing 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, 2018 and 2017

First quarter 2019

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

Evaluation of the Board Law Enforcement Unit's (LEU) Control Environment

First quarter 2019

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 exercising oversight responsibility, developing and retaining competent individuals, and ensuring accountability. We are evaluating whether the LEU Operations Bureau's control environment effectively supports the LEU's overall mission as well as components of the Management Division's strategic goals. This work includes evaluating the standards, processes, and reporting structures of the LEU.

Evaluation of the Board's and the Reserve Banks' Enforcement Action Monitoring Practices

Second quarter 2019

An enforcement action generally requires a supervised financial institution to develop and implement acceptable plans, policies, and programs to remedy

the deficiencies that resulted in the action. Under delegated authority from the Board, the Federal Reserve Banks conduct supervision activities, including monitoring institutions' efforts to address the terms of enforcement actions. We are assessing the effectiveness of the Board's and the Reserve Banks' practices for monitoring open enforcement actions against supervised financial institutions.

Evaluation of Workforce Planning Implementation Challenges and Related Strategies at the Board

Second quarter 2019

Organizations implementing workforce planning in the public and private sectors often experience barriers to conducting such planning activities. These barriers can include a lack of access to the necessary workforce data, skilled workers to analyze the data, technological systems to effectively manage workforce planning, and a culture that supports workforce planning. This evaluation will identify any potential barriers to implementing a workforce planning process at the Board and strategies to overcome them. This assessment of potential workforce planning barriers and related strategies was previously part of another evaluation (see Evaluation of the Board's Workforce Planning Efforts in Board: Initiated Projects).

Evaluation of the Efficiency and Effectiveness of the Board's and the Reserve Banks' Enforcement Action Issuance and Termination Processes

Third quarter 2019

The Board may take formal enforcement actions against supervised financial institutions for violations of laws, rules, or regulations; unsafe or unsound practices; breaches of fiduciary duty; and violations of final orders. The Board also may use a variety of informal enforcement tools to address deficiencies that are relatively small in number, are not material to the safety and soundness of the institution, and can be corrected by the institution's current management. We are assessing the efficiency and effectiveness of the Board's and the Federal Reserve Banks' processes and practices for issuing and terminating enforcement actions.



Board: Projects in Development

All projects are currently in the initiated or planned stage.



Board: Planned Projects

Audit of the Board's Fine Arts Program NEW

The OIG last reviewed the Board's Fine Arts Program in 2004 and reported that the program had two inventory management databases for an art collection of 423 pieces with an estimated total value of \$1.7 million. As of September 2017, the Fine Arts Program has one inventory management system for an art collection that has increased to over 2,000 pieces. The artwork is on display across five buildings or in storage, and the Board has reported that the value of the art collection has not been determined. Our audit will assess the adequacy of internal controls related to the management and administration of the Board's Fine Arts Program to mitigate operational and reputational risks.

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 reviews.

Evaluation of the Board Economic Divisions' Research Planning Processes

The Board's four economic research divisions—Research and Statistics, Monetary Affairs, International Finance, and Financial Stability—produce research that supports the formulation and conduct of policy in key mission areas and informs the Board's financial stability activities. We will assess these divisions' processes to plan certain research activities and identify any opportunities to enhance the processes' effectiveness.

Evaluation of the Board's Budget Process

A budget is a systematic method of allocating resources to achieve strategic goals. The Board's

Division of Financial Management is responsible for managing budget development, analyzing and reporting on budget performance, and developing financial forecasts for the Board. We will review the Division of Financial Management's process for formulating and executing the annual budget to identify opportunities for improvement.

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 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.



Bureau: Initiated Projects

with calendar quarter of expected completion

Audit of the Bureau's Travel Card Program ISSUED

Third quarter 2018

The Government Charge Card Abuse Prevention Act of 2012 requires OIGs to conduct periodic audits or reviews of agency travel card programs with more than \$10 million in travel card spending. We are conducting an audit to determine whether the Bureau's travel card program controls are designed and operating effectively to prevent or identify illegal, improper, or erroneous travel expenses and payments.

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

Fourth quarter 2018

This evaluation is assessing 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 Bureau'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.

2018 Audit of the Bureau's Information Security Program

Fourth quarter 2018

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 will conduct an audit of the Bureau's information security program. Our objectives are to evaluate the effectiveness of the Bureau'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 fiscal year 2018 FISMA reporting metrics for Inspectors General.

Evaluation of the Bureau's Processes for Leveraging the Federal Risk and Authorization Management Program

First quarter 2019

The Federal Information Security Modernization Act of 2014 requires the OIG to test the effectiveness of the Bureau's policies, procedures, and practices for select information systems. In support of these requirements, we are conducting an evaluation of the Bureau's risk management activities with respect to its various cloud computing platforms and providers, including the agency's reliance on the Federal Risk and Authorization Management Program.

Our evaluation objective is to determine whether the Bureau has implemented an effective life cycle process for deploying and managing its cloud-based systems, including ensuring that effective security controls are implemented.

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

First quarter 2019

This evaluation is assessing 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 Bureau's regions. This evaluation involves 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 Bureau

First quarter 2019

The Office of Consumer Response (Consumer Response) is responsible for sharing consumer complaint information with internal stakeholders in order to help the Bureau supervise companies, enforce federal consumer financial laws, and write rules and regulations. The effective sharing of consumer complaint information can help the Bureau understand the problems consumers are experiencing in the financial marketplace and identify and prevent unfair practices from occurring before they become major issues. This evaluation is assessing the effectiveness of Consumer Response's complaint-sharing efforts. Specifically, this project is examining (1) the extent to which Consumer Response's consumer complaint-sharing efforts help to inform the work of internal stakeholders and (2) Consumer Response's controls over internal access of shared complaint data, which can contain sensitive consumer information.



Bureau: Projects in Development

Evaluation of the Bureau's Final Order Follow-Up Activities

We initiated an evaluation to assess the Division of Supervision, Enforcement and Fair Lending's final order follow-up processes. The Bureau generally has enforcement authority over any person or entity that violates federal consumer financial protection law. In executing that authority, the Bureau can file a civil suit in federal district court that may result in a federal court order. Alternatively, through the administrative adjudication process, the Bureau and the relevant entity may agree to a consent order that includes a series of required corrective actions by that entity. Our objective is to review the Bureau's processes for monitoring and conducting follow-up activities related to final orders.



Bureau: Planned Projects

Audit of the Bureau's Compliance With the DATA Act ^{NEW}

Enacted on May 9, 2014, the Digital Accountability and Transparency Act of 2014 (DATA Act) requires federal agencies to report certain financial and spending data in accordance with established data standards. The Bureau 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. This audit will assess (1) the completeness, timeliness, quality, and accuracy of selected financial and award data submitted for publication on USASpending.gov and (2) the Bureau'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 Bureau's Compliance With the Improper Payments Information Act of 2002, as Amended (IPIA) ^{NEW}

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012, requires agency Inspectors General to report annually on the agency's compliance with the criteria listed in IPERA. Under the Office of Management and Budget's implementing guidance, these reports should be completed within 180 days of the publication of the agency's annual performance accountability report or agency financial report. The Bureau has determined that its Consumer Financial Civil Penalty Fund is subject to IPIA. This audit will assess the Bureau's compliance with the act.

Bureau 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 Bureau's major applications and general support system components throughout the year. We will use automated audit scanning tools to assist with conducting the reviews.