

Office of Inspector General

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

Work Plan

Current as of April 1, 2019





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

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

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 ISSUED

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's Workforce Planning Efforts ISSUED

First quarter 2019

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).

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

Second 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 Security Assurance for the Federal Reserve Program (SAFR)

Second quarter 2019

To meet its mission, the Board relies on information systems that are managed by the Federal Reserve Banks. These systems may process Board information or support an agency-delegated function, such as supervision and regulation. In accordance with the Federal Information Security Modernization Act of 2014 (FISMA), the Board is required to ensure that these systems meet the agency's and FISMA's information security requirements.

SAFR is the information security program used by the Reserve Banks. The Board and the Reserve Banks have developed a trust model to provide the appropriate

level of assurance that Board and Reserve Bank systems and infrastructures are adequately protected under the Board's and the Federal Reserve System's information security programs.

The specific objectives of our evaluation are to assess the design of the *SAFR/Board Information Security Program Trust Model Agreement*, the progress being made to implement the agreement, and the ongoing monitoring that is planned following its rollout.

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

Third 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 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.

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

Third 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*).

Security Control Review of the Board's Secure Document System ^{NEW}

Fourth quarter 2019

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General conduct an annual independent evaluation of its respective agency's information security program and practices, including testing controls for select systems. To meet these requirements, we have initiated a security control review of the Board's Secure Document System, which is an agency-designated high-value asset that provides for the secure distribution of Federal Open Market Committee documents to authorized staff at the Board and the Federal Reserve Banks.

2019 Audit of the Board's Information Security Program

Fourth quarter 2019

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 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 2019 FISMA reporting metrics for Inspectors General.

Evaluation of Postemployment Restrictions for Senior Examiners

First quarter 2020

The Intelligence Reform and Terrorism Prevention Act of 2004 prohibits specific employees who meet the definition of a *senior examiner* from knowingly accepting compensation as an employee, officer, director, or consultant from a depository institution, a depository institution holding company, or certain related entities that the employee may have supervised as a Reserve Bank employee. In November 2016, the Board issued new guidance on these postemployment restrictions that expanded the definition of a *senior examiner*. We are assessing the implementation of these updates across the Federal Reserve System and the effectiveness of controls that seek to ensure compliance with postemployment restrictions.



Board: Projects in Development

Audit of the Board's Contract Administration Processes

The Division of Financial Management's Procurement function is responsible for the Board's acquisition of goods, services, and real property. The Board's Procurement function works with contracting officer's representatives in the Board's divisions to administer contracts, including overseeing contractor performance and approving invoices for payment. This project will assess the Board's compliance with applicable laws, regulations, and internal policies and procedures, as well as the effectiveness of the Board's internal controls related to contract administration.

Audit of the Board's Fine Arts Program

We 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.

Audit of the Federal Reserve System's Supervision and Oversight of Designated Financial Market Utilities ^{NEW}

Title VIII of the Dodd-Frank Act grants the Board the authority to supervise certain financial market utilities designated as systemically important by the Financial Stability Oversight Council. Title VIII also grants the Board the authority to consult with federal agencies that supervise other designated financial market utilities. This project will assess the Federal Reserve System's (1) process for supervising and overseeing designated financial market utilities and (2) processes for reviewing notices of material change from these institutions. We also plan to review the System's

collaboration with other federal agencies in these areas.

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. The Division of Financial Management works with the other Board divisions to carry out these responsibilities. This project will assess the design of the Board's processes for formulating and executing its annual operating budget.

Evaluation of the Effectiveness of the Board's Cybersecurity Supervision (Phase 2)

We identified cybersecurity oversight at supervised financial institutions as a major management challenge for the Board on an annual basis from 2015 to 2018. In 2017, we issued a report focused on cybersecurity supervision of multiregional data processing servicers and financial market utilities, among other topics. We have initiated the second phase of our cybersecurity oversight activities focused on assessing the Board's cybersecurity supervision of the nation's largest and most systemically important financial institutions—those institutions in the Board's

Large Institution Supervision Coordinating Committee
portfolio.



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 its respective 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 information systems throughout the year. We will use automated audit scanning tools to assist with conducting the 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 personnel security program's processes and controls related to the oversight and administration of background investigations and security clearances.

Evaluation of the Board's Protective Service Unit (PSU) NEW

The Board's PSU is responsible for ensuring the physical security of the Chairman of the Federal Reserve Board. The USA Patriot Act of 2001 granted the Board certain federal law enforcement authorities and required the Board to establish corresponding regulations. The Board issued the *Uniform Regulations for Federal Reserve Law Enforcement Officers (Uniform Regulations)*, which designated two entities to provide oversight: the Internal Oversight Committee and the External Oversight Function. The *Uniform Regulations* designate the Board's OIG as the External Oversight Function for the PSU. In that role, we will evaluate the PSU's compliance with select 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.

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

Evaluation of the Bureau's Follow-Up Process for Matters Requiring Attention at Supervised Institutions ^{ISSUED}

First quarter 2019

This evaluation is assessing the Division of Supervision, Enforcement and Fair Lending's matters requiring attention follow-up processes. Matters requiring attention are specific improvement opportunities identified during the examination process that require the attention of the supervised institution's board members or principals. 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.

Evaluation of the Bureau's Risk Assessment Framework for Prioritizing Examination Activities ^{ISSUED}

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 are also assessing the regional approaches to executing these priorities.

Audit of the Bureau's Compliance With the Improper Payments Information Act of 2002, as Amended (IPIA)

Second quarter 2019

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.

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

Second quarter 2019

The Federal Information Security Modernization Act of 2014 requires that we 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 Office of Consumer Response's Efforts to Share Complaint Data Within the Bureau

Second 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.

Audit of the Bureau's Compliance With the Digital Accountability and Transparency Act of 2014 (DATA Act)

Fourth quarter 2019

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.

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

Fourth quarter 2019

This evaluation is assessing 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.

Security Control Review of the Bureau's High-Value Assets ^{NEW}

Fourth quarter 2019

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 a security control review of a sample of the Bureau's high-value assets.

2019 Audit of the Bureau's Information Security Program

Fourth quarter 2019

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 2019 FISMA reporting metrics for Inspectors General.



Bureau: Projects in Development

Evaluation of the Bureau's Periodic Monitoring of Supervised Institutions

The Bureau has the authority to supervise depository institutions with more than \$10 billion in total assets and nondepository institutions in certain markets, including credit reporting agencies. To supplement its onsite examinations of those institutions, the Bureau conducts periodic offsite monitoring of all the depository institutions within its supervisory jurisdiction and certain nondepository institutions, including credit reporting agencies. We plan to evaluate the Division of Supervision, Enforcement and Fair Lending's policies and procedures for conducting periodic monitoring. This evaluation will assess the implementation of these practices across the Bureau's regional offices and benchmark the Bureau's approach to offsite monitoring activities against the monitoring activities of other financial regulators.



Bureau: Planned Projects

Bureau Security Control Reviews

The Federal Information Security Modernization Act of 2014 requires that each agency Inspector General evaluate a representative subset of its respective 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 information systems throughout the year. We will use automated audit scanning tools to assist with conducting the reviews.