

Office of Inspector General

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

Work Plan

Current as of October 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 and terminated projects, 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.



Contents

Overview	2
Contents	3
Board: Initiated Projects	4
Board: Projects in Development	8
Board: Planned Projects	9
Bureau: Initiated Projects	10
Bureau: Projects in Development	12
Bureau: Planned Projects	13



Board: Initiated Projects

with calendar quarter of expected completion

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

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

Third quarter 2019

The Board may issue formal enforcement actions against supervised financial institutions for violations of laws, rules, or regulations; unsafe or unsound practices; violations of final orders; and violations of conditions imposed in writing. Alternatively, the Board may use a variety of informal enforcement tools to address less severe issues, such as deficiencies that are relatively small in number, have a less immediate effect on the safety and soundness of the institution, and can be corrected by 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 ISSUED

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 identifies 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 issued in March 2019.

Evaluation of the Security Assurance for the Federal Reserve Program (SAFR)

Fourth 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.

Security Control Review of the Board's Secure Document System

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.

Audit of the Board's Contract Administration Processes

First quarter 2020

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 is assessing 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 Financial Statements as of and for the Years Ended December 31, 2019 and 2018

First quarter 2020

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, 2019 and 2018

First quarter 2020

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.

Audit of the Federal Reserve System's Supervision and Oversight of Designated Financial Market Utilities (FMUs)

First quarter 2020

Title VIII of the Dodd-Frank Act grants the Board the authority to supervise certain FMUs 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 is assessing the effectiveness of Federal Reserve System's oversight of the designated FMU supervision program. Our scope focuses on (1) the delegations between the Board and the Federal

Reserve Banks, (2) the roles and responsibilities of groups that oversee the program, and (3) communication and information sharing within the Federal Reserve System and between the Federal Reserve System and other supervisory agencies and designated FMUs.

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

First quarter 2020

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 Board's Budget Process

First quarter 2020

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 is assessing the design and implementation of the Board's processes for formulating and executing its annual operating budget.

Evaluation of the Board's Postemployment Restriction for Senior Examiners

First quarter 2020

The Intelligence Reform and Terrorism Prevention Act of 2004 prohibits specific employees who meet the definition of *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 the postemployment restriction that expanded the definition of *senior examiner*. We are assessing the implementation of these updates and the effectiveness of controls that seek to ensure compliance with the postemployment restriction.

Evaluation of the Board's Protective Services Unit (PSU)

First quarter 2020

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)* and designated two entities to provide oversight of the PSU: the Internal Oversight Committee (IOC) and the OIG as the external oversight function. The IOC is responsible for ensuring that the PSU has a system of management controls in place and is maintaining the appropriate administrative records to document compliance with the *Uniform Regulations*. We are assessing the IOC's November 2018 evaluation of the PSU's operations and will then identify additional areas for further OIG assessment.

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

Second quarter 2020

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. For the second phase of our cybersecurity oversight activities, we are assessing the Board's cybersecurity supervision of the largest and most systemically important financial institutions—those institutions in the Board's Large Institution Supervision Coordinating Committee portfolio.

Evaluation of the Board Economic Divisions' Research Planning Processes

Third quarter 2020

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 are assessing these divisions' processes to plan certain research activities and identifying any opportunities to enhance the processes' effectiveness.



Board: Projects in Development

Audit of the Board's Physical Infrastructure Projects ^{NEW}

Building a productive, collaborative work environment through the tailored use of space, technology, and design is one of the Board's strategic goals. To achieve this goal, the Board approved the development of a long-term strategic space plan and will renovate multiple buildings to create a modern, safe, and efficient workplace. These renovation projects are multiyear efforts that involve significant resources and could pose challenges because of their size, complexity, and interdependence. We are initiating a scoping phase to review the Board's processes for planning and managing multiple building renovations as well as procuring and administering various contracts to carry out the renovations. During the scoping phase for this audit, we will further develop our objectives, scope, and methodology.



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.

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 Compliance With the Digital Accountability and Transparency Act of 2014 (DATA Act) ISSUED

Third quarter 2019

Enacted on May 9, 2014, the 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 Processes for Leveraging the Federal Risk and Authorization Management Program ISSUED

Third 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 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.

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.

Evaluation of the Bureau's Periodic Monitoring of Supervised Institutions

First quarter 2020

To supplement its onsite examinations of supervised institutions, the Bureau conducts periodic offsite monitoring of all the depository institutions within its

supervisory jurisdiction and certain nondepository institutions, including credit reporting agencies. This evaluation is assessing the Bureau's approach to periodic monitoring, including its implementation of periodic monitoring across the agency's regional offices.

Security Control Review of the Bureau's High-Value Assets

First quarter 2020

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.



Bureau: Projects in Development

All projects are currently in the initiated or planned stage.



Bureau: Planned Projects

Audit of Certain Bureau Processes for Hiring, Promotions, and Other Internal Placements NEW

The Bureau's fiscal year 2018–2022 strategic plan states that to accomplish its mission, the agency needs to maintain a sustainable, high-performing, diverse, inclusive, and engaged workforce. The strategic plan further states that by identifying and adopting leading practices to select, develop, and retain employees, the Bureau can ensure that its workforce has the experience and skills needed to realize its strategic goals. In August 2019, the Bureau lifted its 21-month hiring freeze, and it anticipates that it will add positions during the remainder of 2019 and in 2020. Our audit will assess the efficiency of certain processes for hiring, promotions, and other internal placements before, during, and after the hiring freeze, as well as the related effects, if any, on the Bureau.

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 IPIA.

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.

Review of the Bureau's Budget Process NEW

The Dodd-Frank Act created the Bureau's unique funding structure, which is outside the congressional appropriations process. The funding structure requires the Board to transfer to the Bureau a quarterly sum "determined by the Director to be reasonably necessary to carry out the authorities of the Bureau under Federal consumer financial law, taking into account such other sums made available to the Bureau from the preceding year (or quarter of such year)." We plan to review the effectiveness of controls over the Bureau's budget development and execution processes, including compliance with applicable laws, regulations, and internal policies and procedures.