



Office of Inspector General

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

MEMORANDUM

DATE: December 6, 2023

TO: Board of Governors

FROM:

Mark Bialek
Inspector General

A handwritten signature in black ink, appearing to read 'Mark Bialek', is written over the printed name and title.

SUBJECT: 2024 Budget Request for the Office of Inspector General

Action Requested

The Office of Inspector General requests that the Board of Governors approve the following:

1. A total operating budget of \$59,045,939 for 2024, as shown in table 1, which represents a 9.2 percent increase from the 2023 forecast (and a 9.1 percent increase from the 2023 operating budget) and includes funding for 10 new authorized positions. Excluding these new positions, this operating budget would represent a 5.7 percent increase from the 2023 forecast (and a 5.6 percent increase from the 2023 operating budget).
2. Ten new authorized positions to raise the OIG's count to 152 positions, as shown in table 1, to address staffing needs.
3. A single-year total capital budget of \$530,000 for 2024, as shown in table 1, to replace vehicles for our Office of Investigations (OI), replace end-of-life video teleconferencing (VTC) equipment in our New York regional office, and improve the leased space of our San Francisco regional office.
4. An overrun not to exceed \$300,000 (0.6 percent) of the 2023 operating budget, as discussed in the 2023 Budget Performance section below, under the Board of Governors of the Federal Reserve System's *Delegations of Administrative Authority* policy.

Discussion

Our 2024 funding request will allow us to implement activities in support of our new strategic plan for 2024 through 2027, which we plan to issue in January of 2024 and which will include goals similar to our current strategic plan to deliver results that promote agency excellence; promote a diverse, skilled, and engaged workforce and foster an inclusive, collaborative environment; optimize stakeholder engagement; and advance organizational effectiveness and model a culture of continuous improvement.

This budget request was prepared in consultation with the Board’s Division of Financial Management; however, we are submitting our request separately to the Board of Governors because of our independence. We have reviewed this request with the chief financial officers of the Board and the Consumer Financial Protection Bureau. We are providing a copy of this budget request to the CFPB director pursuant to section 6(g)(1) of the Inspector General Act of 1978 (5 U.S.C. § 406(g)(1)).

Table 1. Overview of the OIG’s 2024 Budget

Component	2023 budget	2023 forecast	2024 budget	Increase (decrease), 2023 forecast to 2024 budget		Increase (decrease), 2023 budget to 2024 budget	
				\$	%	\$	%
Personnel services	\$33,000,686	\$33,190,058	\$ 35,064,167	1,874,109	5.6	2,063,481	6.3
Goods and services	\$21,114,282	\$20,893,854	\$ 22,102,528	1,208,674	5.8	988,246	4.7
Total without new positions	\$54,114,969	\$54,083,913	\$57,166,695	3,082,783	5.7	3,051,727	5.6
Cost of new authorized positions	n.a.	n.a.	\$1,879,244	n.a.	n.a.	n.a.	n.a.
Total operating budget	\$54,114,969	\$54,083,913	\$59,045,939	4,962,026	9.2	4,930,971	9.1

Category	2023 budget	2023 forecast	2024 budget	Increase (decrease), 2023 forecast to 2024 budget		Increase (decrease), 2023 budget to 2024 budget	
				\$	%	\$	%
Equipment purchases and life cycle replacements	\$235,512	\$106,923	\$305,000	198,077	185.3	69,488	29.5
Building improvements	\$0	\$0	\$225,000	225,000	n.a.	225,000	n.a.
Total single-year capital	\$235,512	\$106,923	\$530,000	423,077	395.7	294,488	125.0
Authorized positions	142	142	152	10	7.0	10	7.0

Note: Components may not sum to totals because of rounding.

For 2024, the Board and the OIG migrated to a new chart of accounts as part of the NextGen transformation project, which provided new cloud-based automation solutions for the Board’s human capital, finance, and procurement functions. For comparability, all reporting periods have been adjusted. These changes did not affect budget totals.

n.a. not applicable.

In accordance with our statutory responsibilities, we provide independent oversight by conducting audits, evaluations, investigations, and other reviews relating to the programs and operations of the Board and the CFPB. We make recommendations to improve the economy, efficiency, and effectiveness of Board and CFPB programs and operations, and we prevent and detect fraud, waste, and abuse. We are a member of the Council of the Inspectors General on Integrity and Efficiency, which focuses on integrity, economy, and effectiveness issues that transcend individual government agencies and aids in the establishment of a professional, well-trained, and highly skilled workforce across the inspector general community. We are also a member of the Council of Inspectors General on Financial Oversight, which focuses on concerns that apply to oversight of the broader financial sector and evaluates the Financial Stability Oversight Council. In addition, we are a member of the Pandemic Response Accountability Committee, which provides transparency into the federal government's COVID-19 pandemic response spending.

Operating Budget

Personnel Services

For 2024, our personnel services budget request is \$36,223,411, which is an increase of \$3,033,352 (9.1 percent) over our 2023 forecast (and \$3,222,725 or 9.8 percent over our 2023 budget). Our personnel services budget is expected to increase as the result of the 10 requested new positions, increases to staff salaries and merit percentages for 2024, and a lower budgeted vacancy rate of 5.6 percent for 2024 (compared to 7.8 percent for 2023) to reflect recent employment trend data. This lower budgeted vacancy rate represents measured budget risk when considered against 2023 hiring and attrition trends.

Including the 10 requested positions, our total number of budgeted full-time equivalent positions (FTEs) for 2024 is 143, which is an increase of 7 (5.4 percent) over the 2023 forecast (and 7 or 5.1 percent over our 2023 budget). Table 2 presents FTEs for 2023 and 2024.

Table 2. OIG Full-Time Equivalent Positions

	2023 budget	2023 forecast	2024 budget	Increase (decrease), 2023 forecast to 2024 budget		Increase (decrease), 2023 budget to 2024 budget	
				#	%	#	%
FTEs without new positions	136	135	138	2	1.7	2	1.4
Increase due to new positions	n.a.	n.a.	5	5	n.a.	5	n.a.
Total FTEs	136	135	143	7	5.4	7	5.1

Note: Components may not sum to totals because of rounding.

n.a. not applicable.

Goods and Services

For 2024, our goods and services budget request is \$22,822,528, which is an increase of \$1,928,674 (9.2 percent) over our 2023 forecast (and \$1,708,246 or 8.1 percent over our 2023 budget). Our goods and services budget is expected to increase as the result of increases in contractual services, travel, and information technology (IT) equipment warranties.

Total

The 2024 total operating budget is \$59,045,939 as shown in table 1. In 2024, we expect to receive \$20,075,619 (34 percent) in earned operating income from the CFPB, with the remaining funding (\$38,970,320 or 66 percent) contributed by the Board. Annually, we conduct an analysis to determine the allocation of work that will be attributed to the Board and to the CFPB. For 2024, we anticipate this allocation to be 66 percent Board and 34 percent CFPB. Our efforts to rebalance our work allocation between the two agencies continue as demands associated with the Board's pandemic response programs subside.¹

Capital Budget

For 2024, our single-year capital request is \$530,000. Of this total, \$280,000 will be used to replace seven vehicles from our OI fleet because of their age and increased repair costs. Four vehicle replacements were included in our 2023 capital budget and are in progress, but those vehicles will not be received until the 2024 budget period because of supply chain delays. The other three vehicles included in this request are additional replacements for 2024.

The capital budget request also includes \$25,000 to replace the VTC equipment in the conference room of our New York regional office. The VTC equipment will be at end-of-life in 2024 and will need to be replaced. Failure to update the technology would result in the VTC equipment not being able to connect to the network, preventing the regional office from communicating with the Board and other mission partners.

The remaining \$225,000 of the capital budget request will be used for leasehold improvements to prepare a new office space for our San Francisco regional office. OI will relocate its San Francisco operations to a different office space during 2024 when our current lease approaches the end of its term. The new office space will be safer for staff and improve efficiencies. This project will also involve operating budget expenses, such as furniture and moving costs, which are incorporated into the goods and services budget request above. The leasehold improvement cost estimate of \$225,000 is budgeted as a capital expenditure because of the capitalization threshold; however, these costs could become operating expenditures depending on actual construction spending. We will closely monitor construction costs during the budget execution process.

¹ In 2020, we began incorporating earned income from the CFPB into the budget process. This income had been collected in prior years but had not been included in the budget process. The income account is tracked separately from our parent accounts (meaning, personnel services and goods and services).

New Positions

We propose adding 10 authorized positions, bringing the office to 152 positions. The OIG has only added 2 authorized positions since 2021. For the reasons discussed below, OIG management believes that growth is necessary to ensure the execution of our mission. Management believes that the OIG needs more than 152 authorized positions, and we anticipate requesting new positions over the next several years. We believe that adding authorized positions over the course of several years will allow us to continue to provide consistent human resources, IT, and internal operations services. We are assessing our capacity to house new staff in our existing space. We will also reassess our growth needs in future years to take into account as yet unforeseen developments, as well as to validate our current expectations of what our needs will be based on those developments and our performance with our new staffing levels. Details on the 10 new positions are below.

Office of Audits and Evaluations

We request five new positions in our Office of Audits and Evaluations. These positions will allow our office to increase coverage of risk areas that cannot currently be timely addressed and bring resources to bear in a timelier way on significant operational and reputational risks at both the Board and the CFPB. We have been forced to halt or defer important projects to reorient resources to unanticipated projects, some of which have statutorily mandated time frames. Internally, increased work in some of our oversight areas has placed resource demands on other sections, which has resulted in decreased production in those other sections. These imbalances and inefficiencies are a direct result of our current staffing level when compared with the volume of high-priority work in our work plan. We currently have numerous high-profile oversight opportunities, and those opportunities are no longer predictably concentrated in one of our three section teams. The Board's increased use of Federal Reserve Banks to implement and execute Board programs and operations, the accumulation of deferred high-priority projects for an Office of Audits and Evaluations team while that team focused its attention on the Federal Reserve System's pandemic relief efforts, the breadth and pace of change at the Board regarding significant system implementation efforts, the shift to hybrid work, and the redesign of the Board's physical space, among other significant and ongoing changes, have increased the demands and expectations for Board oversight activities.

Additional resources will bring our audit and evaluation staff to a size that is similar to our federal financial agency OIG peers and other OIGs that oversee more than one agency. The prominence and profile of the agencies we oversee, the pace of change in both, and the public and congressional interest in their work calls for us to expand our staff. The new positions will allow growth in our Financial Management and Internal Controls and Management and Operations sections, allowing audit teams to remain agile and able to assist in other oversight areas when time-sensitive needs arise, such as the recent increase in reviews associated with bank failures.

Office of Information Technology

We request four new positions in our Office of Information Technology. These positions will strengthen and expand our oversight of the Reserve Banks' IT operations and emerging technologies and allow our office to conduct more oversight of the Reserve Banks' IT systems, programs, and processes that support Board-delegated functions or that represent a significant risk to the Board's ability to conduct its mission-essential functions. Our current resource level enables our office to execute its statutorily mandated work

in this area but leaves no room for discretionary work in areas that are significant yet not fully addressed through audits such as the annual Federal Information Security Modernization Act of 2014 audit. Moreover, these additional resources would focus on significant areas of operational IT risk, such as the Board's movement to cloud technologies, as well as oversight of the Board's and the CFPB's ongoing adoption and supervision of emerging technologies, such as artificial intelligence and machine learning. One of the new positions within the Office of Information Technology would also support the launch of an OIG-wide data literacy program and the build-out of our capability to incorporate emerging technologies into our audit, investigative, and internal operations.

Office of Investigations

We request one new position in OI. This position will allow our office to start succession planning efforts given mandatory retirement requirements for staff in the criminal investigator job series. A large percentage of our agents will be eligible to retire in the next few years, including 10 in 2024. OI must prepare for this turnover by developing younger agents immediately and building institutional knowledge before the departure of several senior special agents. Board policy does not allow the double encumbrance of positions (that is, the hiring of new staff in anticipation of the near-term retirement of an existing staff member). Recently, a senior special agent retired and because we were unable to hire a new agent before the retirement, we lost that senior special agent's institutional knowledge. The position we plan to establish in 2024 is intended to help OI avoid that circumstance. We will shortly be performing an analysis of OI's caseload and anticipated future needs to assess whether, in future years, we will seek additional positions for OI.

2023 Budget Performance

We expect we will operate close to our 2023 operating budget but may exceed the budget. The forecast amounts in this memorandum are based on actual expenses incurred through August 2023, current staffing levels, approved personnel actions, and anticipated spending for the last 4 months of the year. More recent spending, attrition, and leave balance data indicate that we may overrun our personnel services budget by an amount that is larger than the inspector general's delegated authority (\$200,000) and, as a result, may overrun our total operating budget. Therefore, we request the Board approve an overrun not to exceed \$300,000 (0.6 percent) of the 2023 operating budget.

Closing

Our proposed budget will allow us to meet our statutory requirements and internal strategic initiatives. We continue to promote budget discipline while fulfilling the mission of our office. We will remain diligent in managing our resources, and we will inform the Board and the CFPB of any changes that significantly affect our operations.

In accordance with requirements of the Inspector General Reform Act, a summary statement regarding this budget request is included as attachment 1. A table showing the effect of new positions on the OIG's 2024 budget is included as attachment 2. A summary table of our proposed 2024 budget request is included as attachment 3. Please contact me if you have questions or wish to discuss this matter further.

Attachments

cc: Rohit Chopra, Director, Consumer Financial Protection Bureau
Ricardo A. Aguilera, Chief Financial Officer, Board of Governors of the Federal Reserve System
Jafnar Gueye, Chief Financial Officer, Consumer Financial Protection Bureau

Attachment 1

Inspector General Summary Statement per the Inspector General Reform Act

Section 6(g)(1) of the Inspector General Act of 1978, 5 U.S.C. § 406(g)(1), requires certain specifications concerning OIG budget submissions each fiscal year.

In accordance with these requirements, we submit the following information related to our proposed 2024 budget:

- The OIG's proposed 2024 operating budget is \$59,045,939, excluding the earned operating income from the CFPB.
- The portion of the budget needed for OIG training-related costs during 2024 is \$397,233.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$151,522.

I certify as the inspector general for the Board and the CFPB that I believe the amount I have requested for training satisfies all OIG training needs for calendar year 2024.

Attachment 2

Effect of New Positions on the OIG's 2024 Operating Budget

Component	2023 budget	2023 forecast	2024 budget request	Increase (decrease), 2023 forecast to 2024 budget		Increase (decrease), 2023 budget to 2024 budget	
				\$	%	\$	%
Personnel services	\$33,000,686	\$33,190,058	\$35,064,167	1,874,109	5.6	2,063,481	6.3
Goods and services	\$21,114,282	\$20,893,854	\$22,102,528	1,208,674	5.8	988,246	4.7
Total operating budget, initial	\$54,114,969	\$54,083,913	\$57,166,695	3,082,783	5.7	3,051,727	5.6
<i>Additions due to new positions:</i>							
Salaries	n.a.	n.a.	\$932,470	932,470	n.a.	932,470	n.a.
Retirement, insurance, and benefits	n.a.	n.a.	\$226,774	226,774	n.a.	226,774	n.a.
Travel	n.a.	n.a.	\$40,000	40,000	n.a.	40,000	n.a.
Other expenses	n.a.	n.a.	\$40,000	40,000	n.a.	40,000	n.a.
Support and overhead allocations	n.a.	n.a.	\$640,000	640,000	n.a.	640,000	n.a.
Total operating budget, final	\$54,114,969	\$54,083,913	\$59,045,939	4,962,026	9.2	4,930,971	9.1
Operating income	(\$16,234,491)	(\$16,329,437)	(\$20,075,619)	(3,746,182)	22.9	(3,841,129)	23.7
Estimated operating budget (Board portion)	\$37,880,478	\$37,754,475	\$38,970,320	1,215,844	3.2	1,089,842	2.9

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

For 2024, the Board and the OIG migrated to a new chart of accounts as part of the NextGen transformation project, which provided new cloud-based automation solutions for the Board's human capital, finance, and procurement functions. For comparability, all reporting periods have been adjusted. These changes did not affect budget totals.

n.a. not applicable.

Attachment 3

Summary of the OIG's 2024 Budget Request

Budgeted summary account	2023 budget (in \$)	2023 forecast (in \$)	2024 budget request (in \$)	Increase (decrease), 2023 forecast to 2024 budget		Increase (decrease), 2023 budget to 2024 budget	
				\$	%	\$	%
Salaries	26,057,332	26,248,276	28,842,271	2,593,995	9.9	2,784,939	10.7
Outside agency help	252,526	223,477	252,178	28,700	12.8	(348)	(0.1)
Retirement, insurance, and benefits	6,690,828	6,718,305	7,128,962	410,657	6.1	438,134	6.5
Personnel services	33,000,686	33,190,058	36,223,411	3,033,352	9.1	3,222,725	9.8
Contractual services and professional fees	1,034,925	1,085,763	1,165,774	80,011	7.4	130,849	12.6
Rentals	26,726	26,187	26,787	600	2.3	61	0.2
Data, news, and research	106,084	91,666	100,116	8,450	9.2	(5,968)	(5.6)
Software	353,441	304,770	317,638	12,868	4.2	(35,803)	(10.1)
Furniture, equipment, postage, and supplies	476,595	421,972	343,224	(78,749)	(18.7)	(133,371)	(28.0)
Repairs and maintenance	61,536	57,451	98,605	41,153	71.6	37,068	60.2
Utilities	234,000	175,729	189,073	13,344	7.6	(44,927)	(19.2)
Travel	611,042	667,253	735,719	68,466	10.3	124,677	20.4
Other expenses	622,543	532,279	628,002	95,724	18.0	5,459	0.9
Depreciation/amortization	227,391	170,785	187,592	16,807	9.8	(39,799)	(17.5)
Support and overhead	17,360,000	17,360,000	19,030,000	1,670,000	9.6	1,670,000	9.6
Goods and services	21,114,282	20,893,854	22,822,528	1,928,674	9.2	1,708,246	8.1
Total operating budget	54,114,969	54,083,913	59,045,939	4,962,026	9.2	4,930,971	9.1
Operating income	(16,234,491)	(16,329,437)	(20,075,619)	(3,746,182)	22.9	(3,841,129)	23.7
Estimated operating budget (Board portion)	37,880,478	37,754,475	38,970,320	1,215,844	3.2	1,089,842	2.9
Category							
Equipment purchases and life cycle replacements	235,512	106,923	305,000	198,077	185.3	69,488	29.5
Building improvements	0	0	225,000	225,000	n.a.	225,000	n.a.
Single-year capital	235,512	106,923	530,000	423,077	395.7	294,488	125.0

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

For 2024, the Board and the OIG migrated to a new chart of accounts as part of the NextGen transformation project, which provided new cloud-based automation solutions for the Board's human capital, finance, and procurement functions. For comparability, all reporting periods have been adjusted. These changes did not affect budget totals.

n.a. not applicable.