



Office of Inspector General

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

MEMORANDUM

DATE: December 17, 2020

TO: Board of Governors

FROM: Mark Bialek 
Inspector General

SUBJECT: 2021 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 \$50,108,896 for 2021, as shown in table 1 by parent account, which represents a 7.6 percent increase from the 2020 total operating budget and includes funding for 6 new authorized positions.
2. A single-year capital budget of \$72,000 for 2021, as shown in table 1 by category, to purchase one new specialty vehicle for our Office of Investigations (OI).
3. An increase of 6 in the OIG's authorized position count to 140, as shown in table 1, to address staffing needs.
4. An approximately \$405,000 personnel services overexpenditure in the 2020 operating budget under the Board of Governors of the Federal Reserve System's *Delegations of Administrative Authority* policy.¹
5. Revisions to section B in the Board's *Delegation of Administrative Authority* policy to align the inspector general delegations with the delegations changes proposed in the Board's 2021 budget memorandum; these revisions are discussed in the *Delegations of Administrative Authority* section below.

¹ Projected spending is based on actual expenses incurred through August 2020, current staffing levels, approved personnel actions, and anticipated spending for the last 4 months of the year. The forecast was revised in October 2020 to incorporate significant changes to employee leave usage expectations.

Discussion

Our 2021 funding request will allow us to implement activities in support of our *Strategic Plan 2017–2020*, which we have extended due to the uncertainty that we and the agencies we oversee are facing as a result of the COVID-19 pandemic. Our strategic plan includes goals 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 because of our independence. We have reviewed this request with the director of the Division of Financial Management and the chief financial officer of the Bureau of Consumer Financial Protection. We are providing a copy of this budget request to the Bureau director pursuant to section 6(g)(1) of the Inspector General Act of 1978, as amended (5 U.S.C. app. 3).

Table 1. Overview of the OIG’s 2021 Budget

Parent account	2020 budget ^a	2021 budget request	Increase (decrease)	% increase (% decrease)
Personnel services	\$28,451,257	\$30,890,887	\$2,439,630	8.6
Goods and services	\$18,105,054	\$19,218,009	\$1,112,955	6.1
Total operating budget	\$46,556,311	\$50,108,896	\$3,552,585	7.6
Category	2020 budget ^a	2021 budget request	Increase (decrease)	% increase (% decrease)
Equipment purchases and lifecycle replacements	\$550,000	\$72,000	(\$478,000)	(86.9)
Automation projects	\$245,000	\$0	(\$245,000)	(100.0)
Single-year capital	\$795,000	\$72,000	(\$723,000)	(90.9)
Authorized positions	134	140	6	4.5

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

^a Includes one officer position approved through a Board memorandum in 2020.

In accordance with our statutory responsibilities, we provide independent oversight by conducting audits, evaluations, investigations, and other reviews of the programs and operations of the Board and the Bureau. We make recommendations to improve the economy, efficiency, and effectiveness of Board and Bureau 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 (attachment 1), 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 in the OIGs, and 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. We are also a member of the Pandemic Response Accountability Committee, which provides transparency into the federal government's COVID-19 pandemic response spending.

Operating Budget

In preparing our 2021 operating budget, we closely examined our accounts to ensure that, excluding the new positions we are requesting, we would meet the Board's budget guidance. Attachment 2 shows our preliminary 2021 budget, which reflects a 6.5 percent growth rate and, separately, the effect of the new positions on our personnel, goods and services, and operating income accounts, to show our final growth rate. Attachment 3 shows our 2020–2021 budget growth by account. The following paragraphs explain the primary drivers of our 2021 budget.

For 2021, our personnel services budget request is \$30,890,887, which is an increase of \$2,439,630 (8.6 percent) over our 2020 budget and includes funding for 6 new positions. The New Positions section below explains the need for each position we are requesting. Separate from any new positions, our personnel services budget is expected to increase as the result of adjustments to our vacancy/lapse rate to reflect more-recent net employment trend data, employee promotions, and anticipated increases in spending for certain retirement benefits. Through October, our 2020 hiring activity resulted in a net increase of 3 to our staffing level, bringing us to 125 staff members and a 6.7 percent vacancy rate. Candidates have accepted offers for 2 of our vacancies, and we are working diligently to fill the remaining vacant positions.

For 2021, our goods and services budget request is \$19,218,009, which is an increase of \$1,112,955 (6.1 percent) from 2020. This increase is the result of the new positions we are requesting, as explained in the New Positions section below; these positions will have accompanying increases in travel, training, and support and overhead expenses. Our 2020 spending decreased significantly because of the COVID-19 pandemic, specifically in travel and contractual professional services. We canceled or delayed contractor support because of the need to address new pandemic-related priorities and the inability to conduct certain contract work remotely. The budget includes a gradual step-up approach to travel expenses, which is aligned with similar assumptions used by the Board and the Federal Reserve Banks. We expect to return to normal spending levels for contractual professional services and travel over time.

The 2021 total operating budget is \$50,108,896. In 2021, we expect to receive \$15,032,669 in earned operating income from the Bureau, which reduces the expected funding 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 Bureau. For 2021, we anticipate the allocation to the Board and to the Bureau to be 70 percent and 30 percent, respectively, due to increased oversight and investigative responsibilities related to the Board's programs created in response to the COVID-19 pandemic. Based on the 2021 budget of \$50,108,896 as shown in table 1, we estimate the Board's allocation will be \$35,076,227 (70 percent) and the Bureau's allocation will be \$15,032,669 (30 percent). We began incorporating earned income from the Bureau into the budget process with the 2020 budget. 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 (i.e., personnel services and goods and services).

New Positions

We propose adding 6 authorized positions, bringing the office to 140 positions. The principal drivers for these additions are the COVID-19 pandemic response and the continually increasing importance of and risk associated with cybersecurity and information technology operations. Two of the positions are designated to reside in our Office of Audits and Evaluations (OAE); 2 are in the Office of Investigations (OI); and the remaining 2 are in the Office of Information Technology (OIT), which is also in the process of undergoing a reorganization.

Increased staffing in OAE will enable us to provide appropriate coverage of pandemic-related matters. We have learned during past crises that it is critical to our mission that we continue performing audits in non-crisis-related areas. At our current staffing level, our ability to put together teams we consider adequate to timely conduct work in both pandemic- and non-pandemic-related areas is limited. Adding two new positions and backfilling positions currently vacant due to attrition at the lower levels of the audit organization will enable us to avoid delays in all facets of our work and to focus our resources on near-term risk.

Similarly, we propose adding one criminal investigator position and one analyst position in OI. The criminal investigator will be located in our Miami field office, where we currently have two investigators and one supervisor. OI's case volume has grown tremendously as a result of the pandemic; we have opened more than 60 new cases during the current year, and the rate of case openings continues to increase. In Miami, our supervisor is working six cases, which is a typical full caseload for a staff-level investigator, in addition to carrying out his supervisory duties. Many investigative operations require more than one person at a time; when the office has only two available investigators and both have full caseloads, investigations are delayed. Such delays affect not only the timely administration of justice, but also our ability to support and cooperate with law enforcement partners who are necessary to both investigate and prosecute our cases. The substantial increase in new cases has also resulted in our headquarters analyst receiving nearly double the number of support requests. These requests often involve significant research in multiple databases or the analysis of data obtained through searches and other techniques. Our analyst is also tasked with providing administrative support to all four field offices for equipment, vehicles, weapons, and other similar needs. An additional analyst is needed to support our current and anticipated pace of activity through the foreseeable future.

In 2020, OIT established a technical services group that performs testing, scanning, and other related activities to support our FISMA audits as well as to identify and address other risks in key operating systems. One of the new positions would head this group at an FR-28 level and be tasked with technical program oversight as well as ensuring that the group adheres to appropriate auditing standards in performing its work. The second new position in OIT would be an experienced journeyman auditor to increase the number of senior auditor staff to three, which would enable us to undertake a greater number of audits annually outside our FISMA mandate. Given the critical importance of ensuring that the Board's and the Bureau's information and systems are protected, these audits will enable us to better address risk at a system level or in an operational context.

The budget effects of these positions are included in attachment 2.

Capital

We are requesting \$72,000 for new single-year capital funding within the equipment purchases and lifecycle replacements category for 2021. These funds will be used to purchase one new sport utility vehicle for OI headquarters staff, which will have law enforcement–related specifications such as storage for law enforcement equipment, light and siren installation, and emergency vehicle features. The new vehicle will provide staff with the ability to carry out their investigative responsibilities and conduct required law enforcement training.

Overexpenditure

For 2020, we forecast that we will exceed personnel services in the operating budget by \$405,000 due to higher-than-anticipated expenses related to the Federal Employee Retirement System special retirement plan for certain OIG employees and higher accrued annual leave expenses because employees used less annual leave during the COVID-19 pandemic. The inspector general does not have the delegated authority under the Board’s *Delegations of Administrative Authority* policy to approve this overexpenditure; thus, we request that the Board approve this overexpenditure as part of the overall budget approval.

Delegations of Administrative Authority

The 2021 Board budget memorandum includes revisions to the delegations of administrative authority to parallel the language used in the Board’s budget. Staff from the OIG and the Division of Financial Management coordinated on similar revisions to the inspector general’s delegations. Specifically, if approved by the Board and the Bureau, the OIG’s operating budget will allocate expenses by parent account (i.e., personnel services and goods and services), and the OIG’s single-year capital budget will allocate expenses by category. We recommend that Board and the Bureau update the inspector general’s delegations of administrative authority to use terminology that is consistent with these terms used in the OIG’s budget. These recommended changes are incorporated in the revised section B of the *Delegations of Administrative Authority* policy, provided in attachment 4. If approved, we will also seek approval for the changes from the director of the Bureau because the delegations apply to both the Board and the Bureau and prior delegations were jointly approved by both entities.

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 Bureau 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 2021 budget is included as attachment 2, a summary table of our proposed 2021 budget request is included as attachment 3, and recommended changes to section B of the *Delegations of Administrative Authority* policy are in attachment 4. Please contact me if you have any questions or wish to discuss this matter further.

Attachments

cc: Kathy Kraninger, Director, Bureau of Consumer Financial Protection
Ricardo A. Aguilera, Chief Financial Officer, Board of Governors of the Federal Reserve System
Elizabeth Reilly, Chief Financial Officer, Bureau of Consumer Financial Protection

Attachment 1

**Inspector General Summary Statement per the
Inspector General Reform Act**

The Inspector General Reform Act (Pub. L. 110-409) was signed by the president on October 14, 2008. Section 6(g)(1) of the Inspector General Act of 1978, 5 U.S.C. app. 3, was amended to require certain specifications concerning OIG budget submissions each fiscal year.

In accordance with these requirements, we submit the following information related to our proposed 2020 budget:

- The OIG's proposed 2021 operating budget is \$50,108,896, excluding the earned operating income from the Bureau. The proposed 2021 single-year capital budget is \$72,000.
- The portion of the budget needed for OIG training-related costs during 2021 is \$426,750.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$103,914.

I certify as the inspector general for the Board and the Bureau that I believe the amount I have requested for training satisfies all OIG training needs for calendar year 2021.

Attachment 2

Effect of New Positions on the OIG's 2021 Budget

Component	2020 budget ^a	2020 forecast	2021 budget request	Increase (decrease), 2020 forecast to 2021 budget		Increase (decrease), 2020 budget to 2021 budget	
				\$	%	\$	%
Personnel services	\$28,451,257	\$28,690,251	\$30,049,335	1,359,084	4.7	1,598,078	5.6
Goods and services	\$18,105,054	\$16,880,965	\$18,484,009	1,603,044	9.5	378,955	2.1
Total operating budget, initial	\$46,556,311	\$45,571,216	\$48,533,344	2,962,128	6.5	1,977,033	4.2
<i>Additions due to new positions:</i>							
Salaries	n.a.	n.a.	\$660,083	660,083	n.a.	660,083	n.a.
Retirement/thrift plans	n.a.	n.a.	\$119,268	119,268	n.a.	119,268	n.a.
Employee insurance & other benefits	n.a.	n.a.	\$62,200	62,200	n.a.	62,200	n.a.
Travel	n.a.	n.a.	\$16,000	16,000	n.a.	16,000	n.a.
Training	n.a.	n.a.	\$18,000	18,000	n.a.	18,000	n.a.
Support and overhead	n.a.	n.a.	\$700,000	700,000	n.a.	700,000	n.a.
Total operating budget, final	\$46,556,311	\$45,571,216	\$50,108,896	4,537,680	10.0	3,552,585	7.6
Operating income	(\$17,691,398)	(\$12,649,696)	(\$15,032,669)	(2,382,973)	18.8	2,658,729	(15.0)
Estimated operating budget (Board portion)	\$28,864,913	\$32,921,519	\$35,076,227	2,154,707	6.5	6,211,314	21.5

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

n.a. not applicable

^a Includes one officer position approved through a Board memorandum in 2020.

Attachment 3**Summary of the OIG's 2021 Budget Request**

Budgeted summary account	2020 budget (in \$)	2021 budget (in \$)	Increase (decrease) (in \$)	% increase (% decrease)
Salaries	22,849,440	24,417,196	1,567,755	6.9
Retirement/thrift plans	3,593,056	4,319,375	726,319	20.2
Employee insurance	2,008,760	2,154,316	145,556	7.2
Personnel services	28,451,257	30,890,887	2,439,630	8.6
Postage and shipping	4,271	600	(3,671)	(86.0)
Travel	920,659	461,362	(459,297)	(49.9)
Telecommunications	181,752	202,000	20,248	11.1
Supplies	60,212	88,000	27,788	46.2
Software	389,203	400,923	11,720	3.0
Furniture and equipment (F&E)	400,088	190,138	(209,951)	(52.5)
Rentals	21,532	19,017	(2,516)	(11.7)
Data, news, and research	50,000	77,262	27,262	54.5
Repairs and alterations—building	10,000	11,000	1,000	10.0
Repairs and maintenance—F&E	35,457	17,727	(17,730)	(50.0)
Contractual professional svcs.	1,345,864	1,522,837	176,973	13.1
Training and dues	499,187	577,364	78,177	15.7
All other	10,000	5,000	(5,000)	(50.0)
Depreciation/amortization	211,828	224,780	12,952	6.1
Support and overhead	13,965,001	15,420,000	1,454,999	10.4
Goods and services	18,105,054	19,218,009	1,112,955	6.1
Total operating budget	46,556,311	50,108,896	3,552,585	7.6
Operating income	(17,691,398)	(15,032,669)	2,658,729	(15.0)
Estimated operating budget (Board portion)	28,864,913	35,076,227	6,211,314	21.5
Category				
Equipment purchases and lifecycle replacements	550,000	72,000	(478,000)	(86.9)
Automation projects	245,000	0	(245,000)	(100.0)
Single-year capital	795,000	72,000	(723,000)	(90.9)

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

Attachment 4**Revised Section B of the *Delegations of Administrative Authority Policy*****Section B: Board and Director of the Consumer Financial Protection Bureau Delegations to the Inspector General**

Delegation of Responsibilities. The principles embodied in the Inspector General Act of 1978 and subsequent amendments preclude the Board and the Director of the CFPB from redelegating the responsibility for providing general supervision for the inspector general. To facilitate the operations of the Office of Inspector General (OIG), however, the Board and the Director of the CFPB delegate to the inspector general the responsibility and authority to

- (1) approve, with regard to the office's operating budget, reallocations among ~~cost centers and budget parent~~ accounts (as set forth in the OIG's authorized budget) or overexpenditures of ~~the amount budgeted in each parent account budgeted funds in a particular cost center or budget account~~ if (1) each reallocation or overexpenditure does not exceed \$200,000, ~~(2) the total of all such changes combined does not exceed a cumulative limit of the higher of 1 percent of the office's operating budget approved by the Board and the CFPB for the budget period or \$500,000 per budget period,~~ (3) ~~the reallocation does not move funds between personnel services and goods and services accounts,~~ and (24) the inspector general has reason to believe that ~~savings in one or more other budget categories will have the result that~~ the office's overall operating budget will not be exceeded;
- ~~(2) approve the reallocation of functions from one cost center to another to promote efficient staff operations (such as an office reorganization) if the reallocation does not increase the office's operating budget or total authorized positions (in which case, the funds or positions transferred do not count against the delegation limits);~~
- (2) approve, with regard to the office's single-year capital budget, reallocations among ~~cost centers and budget accounts~~ categories (as set forth in the OIG's authorized budget) ~~if the total of all such changes combined does not exceed the lesser of 5 percent of the office's single-year capital budget approved by the Board and the CFPB for the budget period or \$100,000 for each budget period (if 5 percent of the office's single-year capital budget is less than \$10,000, the limit is \$10,000)~~ as long as the office's single-year capital budget will not be exceeded;
- (3) abolish positions and create new positions so long as the office's total position authorization for that budget period does not change and so long as no additional funding is required in the current budget period;

- (4) approve all personnel actions, in accordance with Board policies, for non-officer Board employees within the office, which relate to promotions, salary increases, and performance awards such as cash awards and variable pay;
- (5) approve domestic and foreign travel of Board employees within the office, including the inspector general's own travel expenses, in accordance with Board policies, and approve the inspector general's own leave use;
- (6) maintain information security associated with the data and computer facilities under the office's control, in accordance with policies established by the Board; and procure goods and services directly, within the approved operating and capital budgets, for use in conducting the operations of the office when, in the opinion of the inspector general, operational necessity warrants. In all other cases, normal Board procurement procedures will be used if the office uses the Board to procure the items or services.