



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

December 18, 2012

MEMORANDUM

TO: Board of Governors

FROM: Mark Bialek 

SUBJECT: 2013 Budget Request for the Office of Inspector General

Action Requested

Approval of the 2013 operating and capital budget for the Office of Inspector General (OIG), totaling \$27,132,988, as follows:

1. An operating budget of \$26,902,988. Notably, the OIG's 2013 budget includes a number of expenses that were previously included in the budget of the Management Division of the Board of Governors of the Federal Reserve System (Board). These expenses include leasing costs of \$2,341,000 for the OIG's International Square office space; operating expenses of \$1,278,699 for leasing and related costs for the OIG's new regional offices; transportation subsidies of \$48,556; academic assistance costs of \$57,419; Blackberry costs of \$56,280; relocation expenses of \$150,000; accrued annual leave costs of \$443,000; depreciation of International Square of \$701,000; and additional office supply costs of \$22,600 due to the shutdown of the Board's supply center. The 2013 operating budget also provides for 115 positions, an increase of 2 positions over the 2012 authorized staffing level of 113 positions. Additionally, the budget request includes a new initiative to have the Board's information technology group (IT) revise the OIG's website. The estimated total cost from IT is \$354,758.
2. A capital budget of \$230,000, which includes the purchase of four cars for our regional offices and software to enhance our information technology operating environment, as well as the installation of audit software purchased at the end of 2012. We note that the OIG has previously approved multiyear capital funds for items such as the build-out of regional office space and an ongoing software project.

The OIG's budget is prepared in consultation with the Management Division; however, it is submitted separately due to the independence of the office.

By copy, I am contemporaneously submitting this budget request to the Director of the Consumer Financial Protection Bureau (CFPB) pursuant to section 6(f) of the Inspector General Act of 1978, as amended (5 U.S.C. app. 3). I have reviewed this request with the Director and Chief Financial Officer (CFO) of the CFPB, and also understand that the CFO for the CFPB has had the opportunity to discuss this matter with the Board CFO.

Overview of the OIG's 2013 Budget Components

Component	2012 OpPlan	Proposed 2013 budget	Increase (Decrease)	% increase (% decrease)
Operating	\$20,584,322	\$26,902,988	\$6,318,666	30.7%
Capital	\$810,000	\$230,000	(\$580,000)	(71.6%)
Total budget^a	\$21,394,322	\$27,132,988	\$5,738,666	26.8%
Positions	113	115	2	1.8%
Multiyear capital	\$2,230,000	---	---	---

^a Excludes multiyear capital funds previously approved by the Board. Of note, the 2013 OIG budget includes \$5,098,554 in expenses that were previously (or would have traditionally been) covered by the Management Division. If these newly transferred costs had been retained by the Board, the effective increase of the OIG budget for 2013 would be only 3 percent.

Discussion

In 2013, the OIG will continue to address its expanded roles under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) by (1) providing oversight of the Board's numerous responsibilities regarding financial stability and related financial regulatory reform, such as regulating systemically significant nonbank financial institutions; (2) continuing our oversight responsibilities as the OIG for the CFPB; and (3) fulfilling our role as a member of the Council of Inspectors General on Financial Oversight, which monitors the activities of the Financial Stability Oversight Council and performs related assessments.

To meet new requirements while continuing to address existing mandates, our 2013 budget includes a total of \$16,926,639 for personnel services, an increase of \$893,196 (5.6 percent) over our 2012 personnel services budget. We are making significant progress in hiring staff to fill our previously authorized positions, having hired 25 new employees in 2012. We expect to fill most of our remaining vacancies in the first quarter of 2013 (12 offers are currently pending), after which we will assess our staffing requirements going forward. This budget request includes two new positions for 2013 to address specific deficiencies identified during our workforce planning efforts: (1) a junior editor who will also provide web support and (2) a strategic initiatives/media liaison representative who will provide support and serve as a backup to existing staff.

Following approval of our supplemental budget request in 2012, we will complete our efforts to establish regional offices in Chicago, San Francisco, New York, and Miami in the first quarter of 2013. We are in varying stages of identifying suitable office space and having the space modified to meet our operating requirements.

As stated above, the OIG's 2013 budget includes a number of expenses that were previously included in the budget of the Management Division.¹ These costs, which have now been transferred to the OIG budget, include leasing costs of \$2,341,000 for the OIG's International Square office space; 2013 operating costs of \$1,278,699 for leasing and build-out of the OIG's new regional offices; transportation subsidies of \$48,556; academic assistance costs of \$57,419; Blackberry costs of \$56,280; relocation expenses of \$150,000; accrued annual leave costs of \$443,000; depreciation of International Square of \$701,000; and additional office supply costs of \$22,600 due to the shutdown of the Board's supply center. These costs form the basis of the substantial increase to the OIG's budget over 2012.

The OIG's travel budget for 2013 increases to \$1,044,000 to address anticipated full staffing within the OIG as well as the impact of the new requirement for the OIG to budget for projected relocation costs. Repairs and maintenance is up 191.1 percent due to an increase in the number of cars the OIG needs to support its larger investigative staff. Contractual professional services increases 9.4 percent despite significant underspending in this account in 2012. The OIG did not complete certain initiatives in 2012, such as migrating investigative data to a new investigative database and having a network consultant conduct an independent review of the OIG's information technology system. In addition, the OIG intends to redesign its website to be more responsive to our stakeholders. This effort will result in our IRM user charges and our furniture and equipment account increasing by a total of \$354,758.

The OIG's training budget is the result of mandatory training requirements applicable to the majority of the OIG's staff. The OIG underspent in this area in 2012 in part due to slower-than-anticipated hiring to fill vacancies. However, the OIG hired 25 employees in 2012 and anticipates filling its remaining vacancies within the first quarter of 2013. In addition, the OIG has taken steps to enhance its management structure, resulting in a significant increase in its number of managers, and will be focusing on succession planning in the coming year, which will necessitate additional management and leadership training for staff.

The OIG is decreasing its budget for software by 16.0 percent, due to the cyclical nature of some information technology charges. Additionally, the OIG's capital budget decreases for 2013 from \$810,000 to \$230,000; the 2013 capital budget includes the purchase of four vehicles for our regional offices and a software purchase to enhance our information technology environment, as well as the installation of audit software purchased at the end of 2012.

In summary, the OIG's proposed 2013 operating budget of \$26,902,988 plus its capital budget of \$230,000 represent a net increase of \$5,738,666 (or 26.8 percent) over our 2012 total budget, exclusive of multiyear capital funds. However, when considered exclusive of Board transferred costs of \$5,098,554, the total OIG budget is only 3.0 percent above the 2012 request. We believe that the proposed budget will allow us to perform our legislated mandate of conducting audits,

1. The Inspector General Act of 1978, as amended, requires the designated federal entity to provide the OIG "with appropriate and adequate office space at central and field office locations . . . , together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein."

investigations, and other reviews of the Board and the CFPB to help improve the economy, efficiency, and effectiveness of their programs and operations, as well as to prevent and detect fraud, waste, and abuse. While changing events may impact budget implementation and necessitate adjustments going forward, we will continue to be diligent in managing our resources, and we will inform the Board and CFPB of any changes that significantly impact our operations.

In accordance with requirements of the Inspector General Reform Act, a summary statement regarding this budget request is included as enclosure 1. A summary table of our proposed 2013 budget request is included as enclosure 2. Please contact me if you have any questions or wish to discuss this matter further.

cc: The Honorable Richard Cordray
Bill Mitchell
Stephen Agostini

Enclosure 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(f)(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.

Consistent with these requirements, the OIG of the Board and the CFPB submits the following information relating to the OIG's proposed 2013 budget:

- The OIG's proposed 2013 operating budget is \$26,902,988 and proposed capital budget is \$230,000.
- The portion of this amount needed for OIG training-related costs during 2013 is \$921,226.
- The portion of this amount needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency for 2013 is \$75,807.

I certify as the Board's Inspector General that I believe that the amount I have requested for training satisfies all OIG training needs for calendar year 2013.

Enclosure 2: Summary of the OIG's 2013 Budget Request

Category	OpPlan 2012	Budget request 2013	Difference	% increase over 2012 OpPlan
Salaries	\$13,179,343	\$13,842,739	\$663,396	5.0%
Retirement/Thrift Plan	\$1,872,800	\$2,034,400	\$161,600	8.6%
Employee Insurance	\$981,300	\$1,049,500	\$68,200	6.9%
Personnel Services	\$16,033,443	\$16,926,639	\$893,196	5.6%
Postage & Shipping	---	\$15,000	\$15,000	---
Travel	\$813,850	\$1,044,000	\$230,150	28.3%
Telecommunications	---	\$376,690	\$376,690	---
Stationery & Supplies	\$33,900	\$89,000	\$55,100	162.5%
Software	\$492,591	\$413,572	(\$79,019)	(16.0%)
Non-Cap Furniture & Equipment	\$820,514	\$931,300	\$110,786	13.5%
Rentals	\$5,000	\$2,784,842	\$2,779,842	55,596.8%
Books & Subscriptions	\$38,500	\$41,150	\$2,650	6.9%
Repairs & Alterations Bld	---	\$186,812	\$186,812	---
Repairs & Maintenance F&E	\$59,500	\$173,212	\$113,712	191.1%
Contractual Prof Svcs	\$1,372,656	\$1,501,649	\$128,993	9.4%
Tuition/Registration	\$650,008	\$921,226	\$271,218	41.7%
All Other	\$25,200	\$146,812	\$121,612	482.6%
Depreciation	\$206,205	\$1,070,271	\$864,066	419.0%
IRM User Charge	\$32,955	\$280,813	\$247,858	752.1%
Goods & Services	\$4,550,879	\$9,976,349	\$5,425,470	119.2%
Total Operating Funds	\$20,584,322	\$26,902,988	\$6,318,666	30.7%
Single-year Capital Funds	\$810,000	\$230,000	(\$580,000)	(71.6%)
Total Budget	\$21,394,322	\$27,132,988	\$5,738,666	26.8%