



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

November 26, 2013

MEMORANDUM

TO: Board of Governors

FROM: Mark Bialek
Inspector General

SUBJECT: 2014 Budget Request for the Office of Inspector General

Action Requested

Approval of the 2014 budget for the Office of Inspector General (OIG), as follows:

1. An operating budget of \$26,902,903 (which constitutes a zero percent net increase over our 2013 budget).
2. An increase of 5 positions over the 2013 staffing level of 115 positions, with an estimated cost of \$643,140. This increase is based upon a workforce planning analysis of the OIG's functional needs for 2014. We have reduced our goods and services budget by \$1,325,147 (13.3%), enabling OIG to cover the cost of funding these positions.
3. A single year capital budget of \$69,000, which includes a vehicle for our Washington, DC, investigative staff and two items of information technology equipment.
4. Additional multiyear capital funds of \$1,044,000. The OIG has previously received approval of multiyear capital funds of \$2,180,000 for items related to the build-out of regional office space based upon estimates at the time. We now have identified the actual space we will be occupying, with estimated cost of build-out of \$3,224,000.

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

By copy, I am 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). This request has been reviewed by the Chief Financial Officer (CFO) of the CFPB, and I understand that the CFPB CFO has had the opportunity to discuss this matter with the Board CFO.

Overview of the OIG's 2014 Budget Components

Component	2013 OpPlan	Proposed 2014 budget	Increase (Decrease)	% increase (% decrease)
Personnel Services	\$16,926,639	\$18,251,701	\$1,325,062	7.8%
Goods & Services	\$9,976,349	\$8,651,202	(\$1,325,147)	(13.3%)
Operating	\$26,902,988	\$26,902,903	(\$85)	(0.0%)
Single-Year Capital	\$230,000	\$69,000	(\$161,000)	(70.0%)
Combined budget¹	\$27,132,988	\$26,971,903	(\$161,085)	(0.6%)
Multiyear capital	\$2,230,000	\$1,044,000	\$1,044,000	46.8%
Positions	115	120	5	4.3%

1. Single-year 2014 budget, excludes multiyear capital funds

Discussion

Consistent with our statutory responsibilities, the OIG provides independent oversight by conducting audits, evaluations, investigations, and other reviews of the programs and operations of the Board and the CFPB. The OIG makes recommendations to improve economy, efficiency, and effectiveness of Board and CFPB programs, as well as detects fraud, waste, and abuse in those programs. Additionally, the OIG is 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.

Our 2014 budget includes a total of \$18,251,701 for personnel services, which is an increase of \$1,325,062 (7.8 percent) over our 2013 personnel services budget. This budget request includes five new positions for 2014, at an estimated cost of \$643,140, to address specific resource gaps identified during our workforce planning efforts. In 2013, we made significant progress filling vacancies, having hired 28 new employees. Moreover we expect to fill most of our remaining vacancies in the first quarter of 2014.

We have established regional offices in Chicago, San Francisco, New York, and Miami, and in 2014 we hope to complete the build-out of the office space identified in each location. We are in varying stages of having the spaces modified to meet our operating requirements. Costs associated with the regional offices have been higher than expected and delays have been encountered due to the lack of availability of office space at Federal Reserve Banks, except for in Miami.

As a result of closely scrutinizing actual expenses and improving cost projection, we have identified \$182,600 savings in travel; \$401,548 savings in contractual professional services; and, \$188,226 savings in training. Additional cuts in telecommunications, software, and non-capital furniture and equipment have identified combined savings of \$777,042. A significant expense in the OIG's budget that is outside of our direct control is depreciation, which totals \$1,185,229.

The OIG's single-year capital budget for 2014 includes \$40,000 for a vehicle for our Washington, DC, investigative staff that is needed to facilitate our investigative efforts. Additionally, we have budgeted for two needed items of information technology equipment at a total cost of \$29,000.

In summary, the OIG's proposed 2014 operating budget of \$26,902,903, plus the single-year capital budget of \$69,000 represents a net decrease of \$161,085 (or -0.6 percent) over our 2013 budget, exclusive of multiyear capital funds. The OIG proposed budget will allow us to meet our statutory objectives and internal strategic initiatives. Although future 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 2014 budget request is included as enclosure 2. Please contact me if you have any questions or wish to discuss this matter further.

cc: Honorable Richard Cordray
Bill Mitchell
Stephen Agostini

Enclosure 1: Inspector General Summary Statement per 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 2014 budget:

- The OIG's proposed 2014 operating budget is \$26,902,903; proposed single-year capital budget is \$69,000; and proposed additional funds for multiyear capital is \$1,044,000.
- The portion of this amount needed for OIG training-related costs during 2014 is \$733,000.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is approximately \$70,000.

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 2014.

Enclosure 2: Summary of the OIG's 2014 Budget Request

Category	OpPlan 2013	Budget request 2014	Difference	% increase over 2013 OpPlan
Salaries	\$13,842,739	\$14,764,301	\$921,562	6.7%
Retirement/Thrift Plan	\$2,034,400	\$2,283,000	\$248,600	12.2%
Employee Insurance	\$1,049,500	\$1,204,400	\$154,900	14.8%
Personnel Services	\$16,926,639	\$18,251,701	\$1,325,062	7.8%
Postage & Shipping	\$15,000	\$15,000	\$0	0.0%
Travel	\$1,044,000	\$861,400	(\$182,600)	(17.5%)
Telecommunications	\$376,690	\$97,220	(\$279,470)	(74.2%)
Stationery & Supplies	\$89,000	\$116,400	\$27,400	30.8%
Software	\$413,572	\$254,550	(\$159,022)	(38.5%)
Non-Cap Furniture & Equipment	\$931,300	\$592,750	(\$338,550)	(36.4%)
Rentals	\$2,784,842	\$2,966,178	\$181,336	6.5%
Books & Subscriptions	\$41,150	\$36,650	(\$4,500)	(10.9%)
Repairs & Alterations Bld	\$186,812	\$118,651	(\$68,161)	(36.5%)
Repairs & Maintenance F&E	\$173,212	\$186,868	\$13,656	7.9%
Contractual Prof Svcs	\$1,501,649	\$1,100,101	(\$401,548)	(26.7%)
Tuition/Registration	\$921,226	\$733,000	(\$188,226)	(20.4%)
All Other	\$146,812	\$133,888	(\$12,924)	(8.8%)
Depreciation	\$1,070,271	\$1,185,229	\$114,958	10.7%
IRM User Charge	\$280,813	\$253,317	(\$27,496)	(9.8%)
Goods & Services	\$9,976,349	\$8,651,202	(\$1,325,147)	(13.3%)
Total Operating Funds	\$26,902,988	\$26,902,903	(\$85)	(0.0%)
Single-year Capital Funds	\$230,000	\$69,000	(\$161,000)	(70.0%)
Combined 2014 Single-Year Budget	\$27,132,988	\$26,971,903	(\$161,085)	(0.6%)