



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

December 12, 2014

**MEMORANDUM**

**TO:** Board of Governors

**FROM:** Mark Bialek  
Inspector General

**SUBJECT:** 2015 Budget Request for the Office of Inspector General

**Action Requested**

The Office of Inspector General (OIG) requests approval of its 2015 budget, as follows:

1. An operating budget of \$28,974,426 (which represents a 7.7 percent increase over our 2014 budget).
2. An increase of 5 positions over the 2014 staffing level for a total of 125 positions, with an estimated cost in 2015 of approximately \$360,000. The additional positions will allow the OIG to achieve objectives outlined in its strategic plan.
3. A single-year capital budget of \$160,000 to purchase information technology equipment to enhance our operating environment through the use of virtual storage capabilities and to allow for the OIG to meet larger data demands in the future.
4. The construction of a collaboration space within the OIG at an estimated cost of \$376,000, to be funded by cost savings in multiyear capital previously budgeted for regional office build-outs.

Pursuant to the Board of Governors of the Federal Reserve System's (Board) *Delegations of Administrative Authority* policy, approval is also requested for the reallocation of approximately \$600,000 of 2014 funds from goods and services to personnel services. This request does not alter the 2014 funding level for the OIG. The OIG is under its total budget allocation in 2014. The OIG's personnel services account, however, was underfunded due to several factors beyond our control, such as higher-than-expected retirement expenses (as a result of the Board's budget system using two-year-old data to project the expenses) and unfunded salary equity adjustments for OIG employees. (In its 2014 budget, the Board included an initiative to provide funding for

officer and staff equity adjustments; however, due to the independence of the OIG's budget, such funding was not provided to the OIG.)

The 2015 funding requested by the OIG serves to implement the goals, objectives, and activities identified in the OIG's strategic plan. Specifically, the OIG's strategic plan includes goals to deliver timely, high-quality products and services that promote agency improvement; increase employee engagement; cultivate leadership; foster a skilled, knowledgeable workforce; optimize stakeholder engagement; and enhance the capacity of the OIG to accomplish expanded oversight while improving operational effectiveness. Ultimately, every dollar the OIG spends is to enhance its provision of oversight of the Board and the Consumer Financial Protection Bureau (CFPB).

This 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 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 with the Board's Director of the Division of Financial Management and the Chief Financial Officer of the CFPB.

### Overview of the OIG's 2015 Budget Components

Component	2014 OpPlan	Proposed 2015 budget	Increase (Decrease)	% Increase (% decrease)
Personnel Services	\$18,251,701	\$21,054,971	\$2,803,270	15.4%
Goods & Services	\$8,651,202	\$7,919,455	(\$731,747)	(8.5%)
<b>Operating</b>	<b>\$26,902,903</b>	<b>\$28,974,426</b>	<b>\$2,071,523</b>	<b>7.7%</b>
Single-Year Capital	\$69,000	\$160,000	\$91,000	131.9%
<b>Total budget<sup>1</sup></b>	<b>\$26,971,903</b>	<b>\$29,134,426</b>	<b>\$2,162,523</b>	<b>8.0%</b>
Multiyear capital <sup>2</sup>	\$3,224,000	\$3,224,000	\$0	0%
Positions	120	125	5	4.2%

1. Excludes multiyear capital funds.

2. Amounts reflected for 2014 and 2015 are total project costs—funding for a new capital project in 2015 is offset by a decrease in the OIG's other multiyear activity, resulting in no change to the OIG's total multiyear capital budget.

### 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 the 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.

For 2015, the OIG's goods and services budget is reduced by 8.5 percent. The details of these reductions are summarized in enclosure 2. We note, however, significant Board-charged

expenses in the OIG's budget that are outside of our direct control, to include depreciation totaling \$1,243,729 and IRM user charges totaling \$275,907. We have also included a placeholder in our budget for a SharePoint redesign project that will be performed internally by the Board's information technology staff, which has provided the OIG an estimated cost of \$300,000.

By the end of 2014, we will have completed the build-out of permanent regional office space in Chicago, San Francisco, and Miami. In 2015, we will continue the build-out of our permanent office space in New York. With the exception of our Miami office, which is located in the Miami Branch of the Federal Reserve Bank of Atlanta, we encountered delays in identifying appropriate regional office space due to a lack of available office space at Federal Reserve Banks. However, the Federal Reserve Bank of New York has recently signed a letter of intent for the OIG regional office in New York. We anticipate completing the build-out of the New York regional office sometime in the third quarter of 2015.

Our 2015 budget includes a total of \$21,054,971 for personnel services, which is an increase of \$2,803,270 (15.4 percent) over 2014. The majority of this increase is due to the cost of right-sizing the OIG's personnel services budget. In both 2013 and 2014, the OIG's personnel services budget was underfunded due to factors such as higher-than-expected retirement expenses as a result of the Board's budget system essentially using two-year-old data to project the expenses and unfunded salary equity adjustments for OIG employees. In its 2014 budget, the Board included an initiative to provide funding for officer and staff equity adjustments; however, due to the independence of the OIG's budget, such funding was not provided to the OIG. The increase is also attributable to accrued annual leave expenses in the amount of \$281,591 included in the OIG's budget for 2015, which were not included in the OIG's 2014 budget and were previously funded by the Board. Additionally, the Board's move to a variable pay system for all employees has resulted in an increase in 2015 personnel budget expenses.

Only an estimated \$360,000 of the \$2,803,270 increase in personnel services is attributable to the requested addition of 5 new positions for 2015, which will increase the authorized OIG personnel level to 125. This increase in positions is based on an analysis of our progress in meeting the goals and objectives set forth in our strategic plan. In 2014, we continued our steady pace of filling vacancies, hiring 15 new employees and promoting or laterally filling 4 positions. Our current staffing level is 111, and pending activity indicates the majority of our existing vacancies will be filled in the first quarter of 2015. The 5 new positions are lapsed until July 2015.

The 5 positions we are requesting are (1) two positions in audits and evaluations to help us accomplish more audits focused on the Board's and the CFPB's core mission areas related to supervision and regulation; (2) two positions in the investigative area to enhance stakeholder outreach and engagement and to improve the quality and timeliness of investigative work; and (3) one writer-editor position to support OIG editing, review, and report processing functions and help improve our external and internal communications, to meet our goal of delivering timely, high-quality products.

The OIG's single-year capital budget for 2015 is \$160,000 for information technology equipment that will enhance the data storage capabilities within our information technology operating

environment. As our work has increased, our data storage requirements are increasing significantly, but we are relying on data storage technology and servers that are several years old. The existing, older servers are increasingly experiencing hardware problems, which causes us downtime.

The OIG's proposed budget will allow us to meet our statutory objectives and internal strategic initiatives. We have promoted a budget discipline that has resulted in a constraining budget. We will remain diligent in managing our resources, and we will inform the Board and the 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 2015 budget request is included as enclosure 2. Please contact me if you have any questions or wish to discuss this matter further.

#### Enclosures

cc: 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 for the Board and the CFPB submits the following information relating to the OIG's proposed 2015 budget:

- The OIG's proposed 2015 operating budget is \$28,974,426 and single-year capital budget is \$160,000. We are not requesting additional multiyear capital funds.
- The portion of this amount needed for OIG training-related costs during 2015 is \$629,196.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$71,146.

I certify as the Board's and the CFPB's Inspector General that I believe that the amount I have requested for training satisfies all OIG training needs for calendar year 2015.

**Enclosure 2: Summary of the OIG's 2015 Budget Request**

<b>Category</b>	<b>OpPlan 2014</b>	<b>Budget Request 2015</b>	<b>Difference</b>	<b>% increase over 2014 OpPlan</b>
Salaries	\$14,764,301	\$17,282,599	\$2,518,298	17.1%
Retirement/Thrift Plan	\$2,283,000	\$2,542,986	\$259,986	11.4%
Employee Insurance	\$1,204,400	\$1,229,386	\$24,986	2.1%
<b>Personnel Services</b>	<b>\$18,251,701</b>	<b>\$21,054,971</b>	<b>\$2,803,270</b>	<b>15.4%</b>
Postage & Shipping	\$15,000	\$7,550	(\$7,450)	(49.7%)
Travel	\$861,400	\$777,780	(\$83,620)	(9.7%)
Telecommunications	\$97,220	\$174,486	\$77,266	79.5%
Stationery & Supplies	\$116,400	\$48,750	(\$67,650)	(58.1%)
Software	\$254,550	\$405,803	\$151,253	59.4%
Non-Cap Furniture & Equipment	\$592,750	\$399,846	(\$192,904)	(32.5%)
Rentals	\$2,966,178	\$2,928,716	(\$37,462)	(1.3%)
Data, News & Research (formerly Books & Subscriptions)	\$36,650	\$128,150	\$91,500	249.7%
Repairs & Alterations Bld	\$118,651	\$0	(\$118,651)	(100.0%)
Repairs & Maintenance F&E	\$186,868	\$86,678	(\$100,190)	(53.6%)
Contractual Prof Svcs	\$1,100,101	\$389,264	(\$710,837)	(64.6%)
Tuition/Registration	\$733,000	\$629,196	(\$103,804)	(14.2%)
All Other	\$133,888	\$423,600	\$289,712	216.4%
Depreciation	\$1,185,229	\$1,243,729	\$58,500	4.9%
IRM User Charge	\$253,317	\$275,907	\$22,590	8.9%
<b>Goods &amp; Services</b>	<b>\$8,651,202</b>	<b>\$7,919,455</b>	<b>(\$731,747)</b>	<b>(8.5%)</b>
<b>Total Operating Funds</b>	<b>\$26,902,903</b>	<b>\$28,974,426</b>	<b>\$2,071,523</b>	<b>7.7%</b>
<b>Single-Year Capital Funds</b>	<b>\$69,000</b>	<b>\$160,000</b>	<b>\$91,000</b>	<b>131.9%</b>
<b>Total Budget</b>	<b>\$26,971,903</b>	<b>\$29,134,426</b>	<b>\$2,162,523</b>	<b>8.0%</b>