



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

December 9, 2015

MEMORANDUM

TO: Board of Governors

FROM: Mark Bialek
Inspector General

SUBJECT: 2016 Budget Request for the Office of Inspector General

Action Requested

Approval of the 2016 budget for the Office of Inspector General (OIG), as follows:

1. An operating budget of \$31,766,535, which represents a 9.6 percent increase over our 2015 budget.
2. An increase of 5 positions over the 2015 staffing level for a total of 130 positions, with an estimated cost in 2016 of \$342,950. The additional positions will allow the OIG to achieve its strategic plan objectives.
3. The carryover of multiyear capital from 2015 for the construction of collaboration space within the OIG's headquarters at a new estimated cost of \$524,000, as well as new construction of additional offices in our San Francisco regional office at an estimated cost of \$275,000. These projects will be funded by cost savings in multiyear capital previously budgeted for regional office build-outs; accordingly, no new funds are requested.

The OIG's 2016 funding request serves to implement the goals, objectives, and activities identified in the OIG's strategic plan. Specifically, the OIG's *Strategic Plan 2013–2016* 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 oversight of the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB).

This budget request was prepared in consultation with the Division of Financial Management; however, it is submitted separately due to the independence of the OIG. We have reviewed this request with the Board's Director of the Division of Financial Management and the CFPB's Chief Financial Officer. We are providing a copy of 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).

Overview of the OIG's 2016 Budget Components

Component	2015 operating plan	2016 budget request	Increase (decrease)	% increase (% decrease)
Personnel Services	\$21,054,971	\$23,876,580	\$2,821,609	13.4
Goods & Services	\$7,919,455	\$7,889,955	(\$29,500)	(0.37)
Operating	\$28,974,426	\$31,766,535	\$2,792,109	9.6
Single-Year Capital	\$160,000	\$0	(\$160,000)	(100)
Total Budget¹	\$29,134,426	\$31,766,535	\$2,632,109	9.0
Multiyear Capital ²	\$3,224,000	\$3,224,000	\$0	0
Number of Positions	125	130	5	4.0

¹Excludes multiyear capital funds.

²Amounts shown for 2015 and 2016 are previously approved funds—no new funds are being requested.

Discussion

In accordance 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, and we detect 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 2016, the OIG's goods and services budget decreased by 0.37 percent. We note, however, significant Board-charged expenses in the OIG's budget that are outside our direct control, including depreciation totaling \$1,343,891 as well as IRM user charges totaling \$402,003, which include the hosting of the OIG's website and the continuation of a SharePoint redesign project by the Board's information technology staff.

By the end of 2015, we will have completed the build-out of permanent regional office space in all four of our field locations: Chicago, Miami, New York, and San Francisco. The Miami and New York offices are located in the Reserve Bank buildings, and the Chicago and San Francisco offices are in U.S. General Services Administration buildings. An opportunity arose this year to procure adjoining space in our San Francisco regional office to allow for additional offices;

construction will begin in early 2016 at an estimated cost of \$275,000. Construction of our headquarters collaboration space was delayed because of other Board renovation projects and staff relocations into leased space. The estimate of \$376,000 noted in our 2015 budget request has been revised to \$524,000. We do not anticipate the need to request additional funding for these projects. Cost savings incurred in the regional office build-outs will be used to fund the new construction of additional offices in San Francisco and the headquarters collaboration space.

Our 2016 budget includes a total of \$23,876,580 for personnel services, which is an increase of \$2,821,609 (13.4 percent) over 2015. This increase is the result of a number of small percentage increases: the Board's reclassification of relocation and transportation subsidy costs into the employee benefits line; the annualization of 2015 positions hired at midyear; the five new positions for 2016; and other salary drivers, such as merit pay, promotions, and equity adjustments, and the associated benefits increases.¹

Only an estimated \$342,950 of the \$2,821,609 increase in personnel services is attributable to the requested addition of 5 new positions for 2016, which will increase the authorized OIG personnel level to 130. This increase in positions is based on an analysis of our progress in meeting our strategic plan goals and objectives. In 2015, we continued our steady pace of filling vacancies, hiring 16 new employees and promoting or laterally filling 3 positions. Our current staffing level is 117, and hiring activity and organizational restructuring indicate that the majority of our existing vacancies will be filled by the second quarter of 2016. Of the 5 new positions, 1 is lapsed until July 2016 and 1 is lapsed until October 2016.

The five positions we are requesting are (1) two Senior Auditor positions in the Office of Audits and Evaluations, to allow for the completion of additional projects each year related to financial management and internal controls as well as management and operations, and to provide developmental opportunities to assist in succession planning efforts; (2) a Special Agent position in the Office of Investigations, to focus on digital forensics and electronic crimes and to aid in leadership development and succession planning within the technical operations unit; (3) a Paralegal position, to support the Office of Legal Services' current workload of providing comprehensive and timely advice, legal support, and strategic perspective to all OIG offices; and (4) a Quality Assurance Reviewer, to support the objectives of evaluating OIG performance in order to identify areas of improvement and to allow for succession planning in the Quality Assurance functional area.

The OIG is not requesting any single-year capital funding for 2016 and is in discussions to move the management of our information technology infrastructure to the Board's Division of Information Technology.

The OIG's proposed budget will allow us to meet our statutory requirements and internal strategic initiatives. We have promoted a budget discipline that has resulted in a constrained budget. 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.

1. Personnel costs may be adjusted based on final Boardwide decisions regarding variable pay and equity adjustments.

In accordance with requirements of the Inspector General Reform Act, a summary statement regarding this budget request is included as attachment 1. A summary table of our proposed 2016 budget request is included as attachment 2. Please contact me if you have any questions or wish to discuss this matter further.

Attachments

cc: Richard Cordray, Director, Consumer Financial Protection Bureau
William Mitchell, Chief Financial Officer and Director, Division of Financial Management,
Board of Governors of the Federal Reserve System
Stephen Agostini, Chief Financial Officer, Consumer Financial Protection Bureau

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(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.

In accordance with these requirements, the Board-CFPB OIG submits the following information related to the OIG's proposed 2016 budget:

- The OIG's proposed 2016 operating budget is \$31,766,535. We are not requesting additional single-year or multiyear capital funds.
- The portion of the budget needed for OIG training-related costs during 2016 is \$400,000.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$95,300.

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 2016.

Attachment 2

Summary of the OIG's 2016 Budget Request

Category	2015 operating plan	2016 budget request	Increase (decrease)	% increase (% decrease)
Salaries	\$17,282,599	\$19,192,405	\$1,909,806	11.1
Retirement/Thrift Plan	\$2,542,986	\$2,961,313	\$418,327	16.5
Employee Insurance	\$1,229,386	\$1,722,862	\$493,476	40.1
Personnel Services	\$21,054,971	\$23,876,580	\$2,821,609	13.4
Postage & Shipping	\$7,550	\$4,000	(\$3,550)	(47.0)
Travel	\$777,780	\$752,007	(\$25,773)	(3.3)
Telecommunications	\$174,486	\$90,080	(\$84,406)	(48.4)
Stationery & Supplies	\$48,750	\$43,750	(\$5,000)	(10.3)
Software	\$405,803	\$405,682	(\$121)	(0.03)
Non-Cap Furniture & Equipment	\$399,846	\$289,251	(\$110,595)	(27.7)
Rentals	\$2,928,716	\$3,164,500	\$235,784	8.1
Data, News & Research	\$128,150	\$159,931	\$31,781	24.8
Repairs & Maintenance F&E	\$86,678	\$60,000	(\$26,678)	(30.8)
Contractual Prof Svcs	\$389,264	\$428,860	\$39,596	10.2
Tuition/Registration	\$629,196	\$501,000	(\$128,196)	(20.4)
All Other	\$174,022	\$245,000	\$70,978	40.8
Depreciation	\$1,243,729	\$1,343,891	\$100,162	8.1
IRM User Charge	\$525,485	\$402,003	(\$123,482)	(23.5)
Goods & Services	\$7,919,455	\$7,889,955	(\$29,500)	(0.37)
Total Operating Funds	\$28,974,426	\$31,766,535	\$2,792,109	9.6
Single-Year Capital Funds	\$160,000	\$0	(\$160,000)	(100)
Total Budget	\$29,134,426	\$31,766,535	\$2,632,109	9.0