



OFFICE OF INSPECTOR GENERAL

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

November 22, 2016

MEMORANDUM

TO: Board of Governors

FROM: Mark Bialek
Inspector General

SUBJECT: 2017 Budget Request for the Office of Inspector General

Action Requested

Approval of the 2017 budget for the Office of Inspector General (OIG), as follows:

1. An operating budget of \$34,256,095, which represents a 7.8 percent increase over our 2016 budget. The proposed budget includes an increase of \$457,565 in our information technology (IT) user fees, due primarily to an initiative to leverage the resources of the Board of Governors of the Federal Reserve System's (Board) Division of Information Technology to migrate OIG servers and storage devices to existing systems and services located in the Board's primary and contingency data centers.
2. An increase of 2 positions over the 2016 staffing level for a total of 132 positions, with an estimated cost in 2017 of \$370,198. The additional positions will allow the OIG to achieve its strategic plan objectives.
3. The carryover of multiyear capital from 2016 for the construction of additional office space in our San Francisco regional office at an estimated cost of \$281,000. The project was previously approved and had been anticipated for completion in 2016; however, due to delays beyond the control of the OIG, completion will be delayed to 2017. This project is funded by cost savings in multiyear capital previously budgeted for regional office build-outs; accordingly, no new funds are requested.
4. Approval of overexpenditure in the 2016 repairs and alterations account totaling \$363,730, pursuant to the Board's *Delegations of Administrative Authority* policy. This request is the result of a change in the accounting treatment from capitalization to operating expense of our collaboration space construction costs. We included the estimate

in our 2016 multicycle capital budget, which was approved, but the Board made a subsequent determination that the expense did not meet the accounting criteria for capitalization.

Discussion

The OIG's 2017 funding request serves to implement the goals and objectives identified in the OIG's strategic plan. Specifically, the OIG's *Strategic Plan 2017–2020* includes goals to deliver results that promote agency excellence; promote a diverse, skilled, and engaged workforce and foster an inclusive, collaborative environment; optimize external stakeholder engagement; and advance organizational effectiveness and model a culture of continuous improvement. Ultimately, every dollar the OIG spends is to enhance its oversight of the Board and the Consumer Financial Protection Bureau (CFPB).

This budget request was prepared in consultation with the Board's Division of Financial Management; however, it is submitted separately due to the independence of the OIG. We have reviewed this request with the Director of the Division of Financial Management and the CFPB's Acting 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 2017 Budget Components

Component	2016 operating plan	2017 budget request	Increase (decrease)	% increase (% decrease)
Personnel Services	\$23,876,580	\$25,760,015	\$1,883,435	7.9
Goods & Services	\$7,889,955	\$8,496,080	\$606,125	7.7
Operating	\$31,766,535	\$34,256,095	\$2,489,560	7.8
Single-Year Capital	\$0	\$0	0	0
Total Budget^a	\$31,766,535	\$34,256,095	\$2,489,560	7.8
Multiyear Capital ^b	\$3,224,000	\$3,224,000	0	0
Number of Positions	130	132	2	1.5

^aExcludes multiyear capital funds.

^bAmounts shown for 2016 and 2017 are previously approved funds; no new funds are being requested.

In accordance with its 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 2017, the OIG's goods and services budget request is \$8,496,080, which is an increase of \$606,125 (7.7 percent). Within this category, the increase in our Board IT user charge is driven primarily by the initiative to migrate our internal IT infrastructure to the Board. Also, we have included additional funding in our contractual professional services line for CFPB audit services, SharePoint administration services, graphic design services, diversity and inclusion initiatives, and temporary administrative support.

Our 2017 budget includes a total of \$25,760,015 for personnel services, which is an increase of \$1,883,435 (7.9 percent) over 2016. This increase is the result of the annualization of 2016 positions hired by midyear; the two new positions for 2017; and other salary drivers, such as merit pay, promotions, equity adjustments, and associated benefits increases.

Only an estimated \$370,198 of the \$1,883,435 increase in personnel services is attributable to the requested addition of 2 new positions for 2017, which will increase the authorized OIG personnel level to 132. In 2016, we continued to fill vacancies; we have hired 14 new employees to date, lowering our vacancy rate to 6.2 percent from 10.8 percent at the beginning of the year. Our current staffing level is 122, and recruiting activity continues at a robust pace. The 2 new OIG positions will be lapsed until March 2017.

One of the new positions is for an Information Security Officer in the Office of Information Technology, who will ensure that as we migrate our internal IT infrastructure to the Board, OIG applications and information are safe, secure, and in compliance with *Board Information Security Program* policies, procedures, and standards; will represent the OIG in Board information security activities and initiatives; and will coordinate the development and administration of the OIG's business recovery and continuity plan and preparedness. The second new position is for a Special Agent in the Office of Investigations' San Francisco regional office to address the increase in referrals and caseload facing the limited number of staff in that office, who cover a broad territory throughout the western United States.

The OIG is not requesting any new single-year or multiyear capital funding for 2017. During 2016, we completed the build-out of our New York permanent regional office space. We anticipated completing the construction of additional office space in our San Francisco regional office in 2016; however, due to other priority projects being executed by the U.S. General Services Administration, construction is scheduled to begin next month and will carry over into 2017. The total estimated cost of the project is \$281,000.

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.

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 2017

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
Elizabeth Reilly, Acting 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 OIG submits the following information related to its proposed 2017 budget:

- The OIG's proposed 2017 operating budget is \$34,256,095. We are not requesting additional single-year or multiyear capital funds.
- The portion of the budget needed for OIG training-related costs during 2017 is \$422,180.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$68,512.

I certify as the Inspector General for the Board and the CFPB that I believe that the amount I have requested for training satisfies all OIG training needs for calendar year 2017.

Attachment 2

Summary of the OIG's 2017 Budget Request

Category	2016 operating plan	2017 budget request	Increase (decrease)	% increase (% decrease)
Salaries	\$19,192,405	\$20,649,175	\$1,456,770	7.6
Retirement/Thrift Plans	\$2,961,313	\$3,186,399	\$225,086	7.6
Employee Insurance	\$1,722,862	\$1,924,441	\$201,579	11.7
Personnel Services	\$23,876,580	\$25,760,015	\$1,883,435	7.9
Postage & Shipping	\$4,000	\$5,000	\$1,000	25.0
Travel	\$752,007	\$745,000	(\$7,007)	(0.9)
Telecommunications	\$90,080	\$119,560	\$29,480	32.7
Printing & Binding	\$0	\$14,000	\$14,000	100
Stationery & Supplies	\$43,750	\$65,000	\$21,250	48.6
Software	\$405,682	\$251,605	(\$154,077)	(38.0)
Furniture & Equipment	\$289,251	\$317,124	\$27,873	9.6
Rentals	\$3,164,500	\$3,253,525	\$89,025	2.8
News, Data, & Research	\$159,931	\$58,631	(\$101,300)	(63.3)
Repairs & Alterations Bldg	\$0	\$30,000	\$30,000	100
Repairs & Maintenance F&E	\$60,000	\$37,304	(\$22,696)	(37.8)
Contractual Professional Svcs	\$428,860	\$931,500	\$502,640	117.2
Tuition/Registration/Memberships	\$501,000	\$498,880	(\$2,120)	(0.4)
All Other	\$245,000	\$8,000	(\$237,000)	(96.7)
Depreciation	\$1,343,891	\$1,301,383	(\$42,508)	(3.2)
IT User Charge	\$402,003	\$859,568	\$457,565	113.8
Goods & Services	\$7,889,955	\$8,496,080	\$606,125	7.7
Total Operating Funds	\$31,766,535	\$34,256,095	\$2,489,560	7.8
Single-Year Capital Funds	\$0	\$0	0	0
Total Budget	\$31,766,535	\$34,256,095	\$2,489,560	7.8