




Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

MEMORANDUM

DATE: December 19, 2019

TO: Board of Governors

FROM: Mark Bialek 
Inspector General

SUBJECT: 2020 Budget Request for the Office of Inspector General

Action Requested

The Office of Inspector General (OIG) recommends that the Board of Governors approve the following:

1. An operating budget of \$46,556,312 for 2020, or \$28,864,913 in addition to earned income from the Bureau of Consumer Financial Protection (Bureau). Without the one-time adjustments discussed in this memorandum, the OIG’s 2020 budget will grow 5.2 percent over the 2019 budget, as shown in table 1.
2. A single-year capital budget of \$795,000 for 2020, which includes the purchase of three replacement vehicles for our Office of Investigations, a new audit management system for our Office of Audits and Evaluations, new information technology (IT) equipment, and regional office network equipment.

Discussion

Our 2020 funding request will allow us to implement activities in support of the last year of our *Strategic Plan 2017–2020*. Specifically, our strategic plan includes goals to deliver results that promote agency excellence; promote a diverse, skilled, and engaged workforce and foster an inclusive, collaborative environment; optimize stakeholder engagement; and advance organizational effectiveness and model a culture of continuous improvement. We will soon begin developing our next strategic plan.

This budget request was prepared in consultation with the Board of Governors of the Federal Reserve System’s (Board) Division of Financial Management; however, we are submitting our request separately to the Board because of our independence. We have reviewed this request with the Director of the Division of Financial Management and the Chief Financial Officer of the Bureau. We are providing a copy of this budget request to the Bureau Director pursuant to section 6(g)(1) of the Inspector General Act of 1978, as amended (5 U.S.C. app. 3).

Table 1. Overview of the OIG's 2020 Budget Components

Component	2019 operating budget ^a	2020 initial budget request	Increase (decrease) 2019 to 2020 initial budget	% increase (decrease) 2019 to 2020 initial budget	One-time adjustments ^b	2020 final budget request	Increase (decrease) 2019 to 2020 final budget	% increase (decrease) 2019 to 2020 final budget
Personnel services	\$27,417,787	\$28,451,257	\$1,033,470	3.8	n.a.	\$28,451,257	\$1,033,470	3.8
Goods and services	\$7,948,585	\$ 8,752,569	\$803,984	10.1	(\$4,612,515)	\$4,140,053	(\$3,808,531)	(47.9)
Support and overhead allocations	n.a.	n.a.	n.a.	n.a.	\$13,965,001	\$13,965,001	\$13,965,001	n.a.
Total operating expenses	\$35,366,372	\$37,203,825	\$1,837,454	5.2	\$9,352,486	\$46,556,312	\$11,189,940	31.6
Operating income	n.a.	n.a.	n.a.	n.a.	(\$17,691,398)	(\$17,691,398)	(\$17,691,398)	n.a.
Operating budget	\$ 35,366,372	\$37,203,825	\$1,837,454	5.2	(\$8,338,912)	\$28,864,913	(\$6,501,459)	(18.4)
Single-year capital	\$204,000	\$795,000	\$591,000	289.7	n.a.	\$795,000	\$591,000	289.7
Multiyear capital	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Number of positions	133	133	0	0.0	n.a.	133	0	0.0

Note. Components may not sum to totals and may not yield percentages shown because of rounding.

n.a. not applicable

^a Includes the approval of one officer position approved through a Board memorandum in 2019.

^b Starting in 2020, there will be a net zero transfer of support and overhead costs from the Board's operating budget to the OIG's operating budget, which will result in net additional expenses of \$9.4 million to the OIG's operating budget. In addition, the OIG operating budget will incorporate earned income from the Bureau, which will result in \$17.7 million in income reflected in the OIG operating budget and netted against expenses to produce the OIG's operating budget request from the Board.

In accordance with our statutory responsibilities, we provide independent oversight by conducting audits, evaluations, investigations, and other reviews of the programs and operations of the Board and the Bureau. We make recommendations to improve the economy, efficiency, and effectiveness of Board and Bureau programs, and we prevent and detect fraud, waste, and abuse in those programs. Additionally, we are a member of the Council of Inspectors General on Financial Oversight, which focuses on concerns that apply to oversight of the broader financial sector and evaluates the Financial Stability Oversight Council.

Operating Budget

For 2020, our personnel services budget request is \$28,451,257, which is an increase of \$1,033,470 (3.8 percent) from 2019, with no request for new positions. This increase is the result of adjustments to our vacancy/lapse rate to reflect more recent net employment trend data, employee promotions, and anticipated increases in spending for certain employee benefits. In total, our staffing activity resulted in a net increase of 1 to our staffing level, and our current staffing level is 122, which represents an 8.3 percent vacancy rate. We are working diligently to fill our 11 vacant positions.

For 2020, our goods and services budget request is \$4,140,053, which is a net decrease of \$3,808,531 (47.9 percent) from 2019. This decrease results from one-time adjustments that will transfer \$4.6 million in direct costs for facilities rent and IT user charges from the OIG operating budget to the Board operating budget. Setting aside the one-time adjustments, our anticipated goods and services spending in 2020 is expected to increase as compared with our 2019 budget because of additional needs for software, furniture and equipment, travel, and contractual professional services.

Finally, our 2020 budget includes the following additional one-time adjustments to create a more complete picture of OIG operating costs and incorporate earned income into the budget process:

- \$14.0 million addition: Net zero transfer of costs from the Board operating budget to the OIG operating budget for Board support and overhead expenses attributable to the OIG, including IT, facilities, law enforcement, and human resources, that will be allocated to the OIG primarily based on our share of the average number of personnel employed by the Board.
- \$17.7 million reduction: Annually, the OIG conducts an analysis to determine the allocation of work attributed to the Board and to the Bureau. For 2018, the allocation to the Board and to the Bureau was 62 percent and 38 percent, respectively. Based the 2020 initial budget of \$37,203,825 as shown in table 1, the Board's allocation would be \$23,066,372 (62 percent) and the Bureau's allocation would be \$14,137,453 (38 percent). With one-time adjustments that incorporate Board support and overhead expenses, total operating expenses are \$46,556,312, with the Board's allocation being \$28,864,913 (62 percent) and the Bureau's allocation being \$17,691,398 (38 percent). Earned income from the Bureau will be incorporated into the budget process. This income has been collected in prior years but has not been offset against the total budget request.

Capital

We are requesting \$795,000 for new single-year capital funding for 2020. This funding will be used to replace three vehicles because of their age and increased repair costs, to replace our outdated audit

management system, to upgrade or replace existing IT equipment for our electronic crimes lab, and to replace or upgrade network equipment in two of our regional offices to enhance connectivity.

Closing

Our proposed budget will allow us to meet our statutory requirements and internal strategic initiatives. We continue to promote budget discipline, resulting in a constrained budget. We will remain diligent in managing our resources, and we will inform the Board and the Bureau 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 2020 budget request is included as attachment 2. Please contact me if you have any questions or wish to discuss this matter further.

Attachments

cc: Kathy Kraninger, Director, Bureau of Consumer Financial Protection
Ricardo A. Aguilera, Chief Financial Officer, Board of Governors of the Federal Reserve System
Elizabeth Reilly, Chief Financial Officer, Bureau of Consumer Financial Protection

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(g)(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, we submit the following information related to our proposed 2020 budget:

- The OIG's proposed 2020 operating budget is \$46,556,312, or \$28,864,913 in addition to earned income from the Bureau. We are requesting \$795,000 in single-year capital funds.
- The portion of the budget needed for OIG training-related costs during 2020 is \$368,165.
- The portion of the budget needed to support the operation of the Council of the Inspectors General on Integrity and Efficiency is \$116,709.

I certify as the Inspector General for the Board and the Bureau that I believe the amount I have requested for training satisfies all OIG training needs for calendar year 2020.

Attachment 2

Summary of the OIG's 2020 Budget Request

Category	2019 operating budget (in \$)	2020 operating budget (in \$)	Increase (decrease) (in \$)	% increase (% decrease)
Salaries	22,017,886	22,849,440	831,554	3.8
Retirement/thrift plans	3,478,423	3,593,056	114,633	3.3
Employee insurance	1,921,478	2,008,760	87,282	4.5
Personnel services	27,417,787	28,451,257	1,033,470	3.8
Postage and shipping	3,925	4,271	346	8.8
Travel	791,760	920,659	128,899	16.3
Telecommunications	188,106	181,752	(6,354)	(3.4)
Printing and binding	0	0	0	0.0
Supplies	60,804	60,212	(592)	(1.0)
Software	336,115	389,203	53,088	15.8
Furniture and equipment (F&E)	291,170	400,088	108,918	37.4
Rentals	3,288,977	3,371,936	82,959	2.5
Data, news, and research	62,660	50,000	(12,660)	(20.2)
Repairs and alterations—building	40,000	10,000	(30,000)	(75.0)
Repairs and maintenance—F&E	19,000	35,457	16,457	86.6
Contractual professional svcs.	799,120	1,040,864	241,744	30.3
Training and dues	402,900	499,187	96,287	23.9
All other	10,000	10,000	0	0.0
Depreciation/amortization	1,038,586	1,163,479	124,893	12.0
IT user charge	615,461	615,461	0	0.0
Goods and services, initial	7,948,585	8,752,569	803,984	10.1
Rentals	n.a.	(3,350,404)	(3,350,404)	n.a.
Depreciation/amortization	n.a.	(951,651)	(951,651)	n.a.
IT user charge	n.a.	(615,461)	(615,461)	n.a.
Contractual professional svcs.	n.a.	305,000	305,000	n.a.
Goods and services, final	7,948,585	4,140,053	(3,808,531)	(47.9)
Board support and overhead	n.a.	13,965,001	n.a.	n.a.
Total operating expenses	35,366,372	46,556,312	11,189,940	31.6
Operating income	n.a.	(17,691,398)	n.a.	n.a.
Total budget request	35,366,372	28,864,913	(6,501,459)	(18.4)
Single-year capital funds	204,000	795,000	591,000	289.7

Note. Components may not sum to totals and may not yield percentages shown because of rounding.

n.a. not applicable