

Current as of
October 1, 2016

Work Plan

status of audit and evaluation projects



OFFICE OF INSPECTOR GENERAL

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

Overview

The *Work Plan* presents the audits and evaluations that the Office of Inspector General (OIG) is conducting to assist the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB) in fulfilling their respective missions. Our statutory mandates are our highest priority, and with our remaining resources, we focus on those programs and operations in which potential deficiencies pose the highest risk to the Board and the CFPB in achieving their strategic goals, objectives, and priorities; meeting budgetary and financial commitments; and complying with applicable laws, regulations, and guidance.

The *Work Plan* is updated quarterly. Each project is categorized as *initiated*, *in development*, or *planned*.

- **Initiated:** The project is underway; the description of the project includes the calendar quarter in which we expect to complete the project.
- **In development:** The project team is determining the project's scope and completion date.
- **Planned:** The project has been identified by our office, and formal work has not yet begun.

For a list of completed projects, please view the [Audit Reports page](#) on our website.

The OIG may be required to perform unanticipated work based on congressional requests, OIG Hotline complaints, new statutory mandates, or other input. Such work, as well as resource constraints, may result in our deferring, canceling, or modifying projects. Our effectiveness depends on our flexibility to address other priorities as they arise.

For congressional, media, or other inquiries, please email oig.media@frb.gov or call John Manibusan at 202-973-5043.

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Board: Initiated Projects

with calendar quarter of expected completion

Evaluation of the Effectiveness of the Board's Continuous Monitoring Supervisory Activity

Fourth quarter 2016

The OIG initiated this evaluation to assess the effectiveness of continuous monitoring as a supervisory activity for large, complex financial institutions, including Large Institution Supervision Coordination Committee firms and large banking organizations.

Board guidance defines continuous monitoring activities as nonexamination supervisory activities designed to develop and maintain an understanding of the supervised institution and its risk profile, policies, and practices. Our evaluation seeks to identify potential opportunities to improve the efficiency and effectiveness of this supervisory activity.

Evaluation of the Examination Approach Used to Assess Office of Foreign Assets Control (OFAC) Compliance

Fourth quarter 2016

In the past few years, there have been high-profile instances of foreign banking organizations (FBOs) operating in the United States that were facilitating payments to prohibited entities on OFAC's list of specially designated nationals. The Federal Financial Institutions Examination Council's *Bank Secrecy Act/ Anti-Money Laundering Examination Manual* contains specific examination procedures for assessing OFAC compliance programs. This evaluation seeks to assess the effectiveness of the Board's and the Federal Reserve Banks' approach to examining the OFAC compliance programs for FBOs operating in the United States. Our objective is to evaluate the Board's approach to assessing OFAC compliance for FBOs.

Evaluation of the Federal Reserve System's Practices for Addressing Divergent Views and Making Supervisory Decisions for Large Bank Holding Companies

Fourth quarter 2016

In response to a request from the Board, the OIG is conducting an evaluation of the Federal Reserve System's practices for addressing divergent views and making supervisory decisions regarding large bank holding companies with total assets in excess of \$50 billion, known as Large Institution Supervision Coordinating Committee (LISCC) firms, and large banking organizations (LBOs).

Our objectives are to (1) assess the methods for Federal Reserve System decisionmakers to obtain material information necessary to ensure that decisions and conclusions resulting from supervisory activities at LISCC firms and LBOs are appropriate, supported by the record, and consistent with applicable policies and (2) determine whether there are adequate channels for Federal Reserve System decisionmakers to be aware of supervision staff's divergent views about material issues regarding LISCC firms and LBOs. As a part of our project, we are also evaluating the effectiveness of continuous monitoring as a supervisory tool for LISCC firms and LBOs.

This project is an evaluation conducted pursuant to the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* and is not a criminal, civil, or administrative investigation. Unlike investigations conducted by law enforcement officials that may assess the actions of individual employees, auditors conduct evaluations that assess the effectiveness and efficiency of agency programs and operations. Our evaluations typically result in reports issued to Board officials that often include recommendations designed to improve the efficiency and effectiveness of the agency's operations, programs, and policies.

Security Control Review of the Division of Research and Statistics' General Support System

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the Division of Research and Statistics' (R&S) general support system.

The specific objectives of our audit are to evaluate (1) the effectiveness of the R&S general support system's security controls and techniques and (2) R&S's compliance with Board and FISMA information security policies, procedures, standards, and guidelines.

2016 Audit of the Board's Information Security Program

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires that each agency Inspector General conduct an annual independent evaluation of its respective agency's information security program and practices. To meet FISMA requirements, we are conducting an audit of the Board's information security program, and our objective is to evaluate the effectiveness of the Board's (1) security controls and techniques for select information systems and (2) information security policies, procedures, standards, and guidelines. We will use the results from our audit to respond to the U.S. Department of Homeland Security's 2016 FISMA reporting metrics for Inspectors General.

Audit of the Board's Financial Statements as of and for the Years Ended December 31, 2016 and 2015

First quarter 2017

The OIG contracted with an independent public accounting firm to audit the financial statements of the Board. The OIG is overseeing the activities of the independent public accounting firm to ensure compliance with generally accepted government

auditing standards and Public Company Accounting Oversight Board auditing standards related to internal controls over financial reporting.

Audit of the Federal Financial Institutions Examination Council's (FFIEC) Financial Statements as of and for the Years Ended December 31, 2016 and 2015

First quarter 2017

The Board performs the accounting function for the FFIEC, and the OIG contracted with an independent public accounting firm to audit the financial statements of the FFIEC. The OIG is overseeing the activities of the independent public accounting firm to ensure compliance with generally accepted government auditing standards.

Audit of the Martin Building Architecture and Engineering Contract Management

First quarter 2017

The Martin Building project is one of the Board's largest contracting efforts and comprises construction of a visitors' center, construction of a conference center, and renovation of the Martin Building. The Board's *Strategic Plan 2016-19* notes that the renovation of the Martin Building represents a critical step for the Board and that continuing the renovations is a strategic initiative. This audit is assessing the Board's processes and controls over architecture and engineering design services for the Martin Building project.

Evaluation of the Board's Oversight of Cybersecurity Threats to Financial Institutions

First quarter 2017

The growing sophistication and volume of cybersecurity threats presents a serious risk to all financial institutions. Financial institutions are required to develop and maintain effective information security programs that are tailored to the complexity of each institution's operations and that include steps to protect the security and confidentiality of customer information. The Federal Reserve Banks employ examiners who specialize in information technology supervision to conduct the bulk of their information security examination activities. Federal Reserve System staff members have developed guidance to define expectations for

information security and data breach management; some of this guidance was developed collaboratively with other banking regulators.

We are focusing our review on how the Federal Reserve System's examination process has evolved and whether it is providing adequate oversight of financial institutions' information security controls and cybersecurity threats.

Security Control Review of the Board's Public Website

First quarter 2017

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the Board's public website (<https://www.federalreserve.gov>). The specific objectives of our audit are to (1) evaluate the adequacy of selected security controls for protecting the Board's public website from compromise; (2) determine the extent and efficiency of the Board's efforts to identify and assess vulnerabilities on publicly accessible web applications and to mitigate the most severe vulnerabilities; and (3) where appropriate, assess efforts to control or reduce the number of publicly accessible web applications.

Board: Projects in Development

Audit of the Board's Organizational Governance

Governance refers to the processes and structures implemented by the Board to inform, direct, manage, and monitor its activities to achieve its organizational objectives. Governance addresses the processes for assigning roles and responsibilities, decisionmaking, direction, accountability, controls, and behavior within an organization. Strong governance systems increase the likelihood that organizations will efficiently and effectively meet their objectives. While the Board remains accountable for governance, it may delegate certain responsibilities and authorities. We will review certain of the Board's delegated responsibilities and authorities for administrative activities to ensure that key roles and responsibilities, including decisionmaking authority, are defined and that processes are in place to ensure accountability and efficient, effective Board operations.

Board: Planned Projects

Board Security Control Reviews

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems, including third-party systems. To meet this requirement, we will conduct security control reviews of a sample of the Board's major applications and general support system components throughout the year. We will use automated audit scanning tools to assist with conducting the security control reviews.

Effectiveness of Consolidated Supervision Within the Large Banking Organization Portfolio

This evaluation will focus on the effectiveness of Board and specific Federal Reserve Bank supervisory activities for large banking organizations that have more than \$50 billion in total assets but are non-Large Institution Supervision Coordinating Committee firms. We will assess the Board's and the Federal Reserve Banks' oversight activities for banks and financial holding companies in situations in which another federal banking agency serves as the primary federal regulator of the underlying bank. We will evaluate (1) the degree of reliance that the relevant Federal Reserve Bank supervisory teams place on the primary federal regulator in executing consolidated supervision and (2) the effectiveness of interagency coordination.

Evaluation of Systemically Important Financial Institutions Supervision Teams: Preserving and Transferring Institutional Knowledge Within and Between Supervisory Teams

Preserving and transferring institutional knowledge contributes to effective supervision, particularly in light of examiner rotation requirements, examiner turnover, and the Board's and the Federal Reserve Banks' evolving supervisory responsibilities. This evaluation will assess Board guidance and the controls implemented by the Federal Reserve Banks of New York, San Francisco, Richmond, and Boston (the Reserve Banks responsible for supervising the systemically important financial institution portfolio)

to evaluate the best practices for preserving and transferring institutional knowledge (1) within a supervisory team and (2) from an existing supervisory team to a new team.

Evaluation of the Board's Law Enforcement Unit (LEU) ^(NEW)

The Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers* (Uniform Regulations) requires that the LEU establish an Internal Oversight Committee to complete inspections and evaluations of the unit. The Uniform Regulations also requires that the OIG conduct continuing reviews and evaluations of law enforcement programs and operations as part of our external oversight function. To fulfill this requirement, we will evaluate the LEU's compliance with components of the Board's Uniform Regulations and internal policies and procedures. Our work will consider reviews performed by the Internal Oversight Committee, as well as other aspects of the LEU's operations.

Failed Bank Reviews

Section 38(k) of the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, requires that the Inspector General of the appropriate federal banking agency review the agency's supervision of a failed institution when the associated losses to the Deposit Insurance Fund are above the materiality threshold or are at or below the threshold but exhibit unusual circumstances warranting an in-depth review. In such cases, the Inspector General must prepare a report in a manner consistent with the requirements of a material loss review. For losses to the Deposit Insurance Fund that occurred on or after January 1, 2014, the materiality threshold is \$50 million.

CFPB: Initiated Projects

with calendar quarter of expected completion

Audit of the CFPB's Advisory Board and Councils

Fourth quarter 2016

The Dodd-Frank Act requires the CFPB to establish a Consumer Advisory Board to provide consultation to the agency in performing its functions and to inform the CFPB about emerging trends in the consumer finance industry. In addition to the Consumer Advisory Board, the CFPB has established a Community Bank Advisory Council, a Credit Union Advisory Council, and an Academic Advisory Council. We are auditing the CFPB's administration of its advisory board and councils as well as its compliance with applicable laws and regulations. We are also assessing the effectiveness of the activities of the advisory board and councils.

Audit of the CFPB's Encryption of Data on Mobile Devices

Fourth quarter 2016

In support of our annual Federal Information Security Modernization Act of 2014 independent evaluation requirements, we will assess the effectiveness of the CFPB's processes and technologies for encrypting sensitive data stored on mobile devices, such as laptops and cellular phones. Specifically, this audit is evaluating (1) the effectiveness of the CFPB's techniques for encrypting data on mobile devices and (2) the strength of the encryption methods and the password complexity and reset rules that are applied.

Evaluation of the CFPB Enforcement Office's Processes for Protecting Confidential Information

Fourth quarter 2016

The Enforcement office within the Division of Supervision, Enforcement, and Fair Lending routinely possesses confidential information as a result of the agency exercising its enforcement powers under title X, subtitle E, of the Dodd-Frank Act. For example, the CFPB can issue civil investigative demands to compel document production when the CFPB has reason to believe that a violation of federal consumer financial law has occurred. This evaluation

is assessing the Enforcement office's regulations, policies, and procedures for safeguarding confidential information and the effectiveness of its controls designed to maintain the confidentiality of such information.

Evaluation of the CFPB's DATA Act Implementation Readiness ^(NEW)

Fourth quarter 2016

Enacted on May 9, 2014, the Digital Accountability and Transparency Act of 2014 (DATA Act) generally requires federal agencies to start reporting certain financial and spending data in accordance with the act by May 2017. The CFPB has determined that its Consumer Financial Civil Penalty Fund is subject to the DATA Act and that one specific DATA Act requirement, section 3(b)(4) of the act, applies to the Bureau fund. We are conducting an evaluation of the CFPB's implementation of the DATA Act to gain an understanding of the processes and controls that the CFPB is implementing to comply with the requirements of the DATA Act.

Evaluation of the CFPB's Use of Vendors to Support Analysis of Fair Lending Compliance

Fourth quarter 2016

This evaluation is focusing on the CFPB's use of external vendors to support and conduct analysis of fair lending compliance. Among other responsibilities, the CFPB is charged with providing oversight and enforcement of federal laws intended to ensure the fair, equitable, and nondiscriminatory access to credit, among other responsibilities. The agency relies on external vendors to help fulfill this responsibility. Our objective is to assess whether the CFPB effectively mitigates the risk associated with the use of vendors to support fair lending analysis, particularly with respect to potential conflicts of interest.

Evaluation of the Effectiveness of the CFPB's Examination Workpaper Documentation

Fourth quarter 2016

The CFPB's *Supervision and Examination Manual* (version 2.0) summarizes the agency's expectations for workpaper documentation to support the results of its examination activity. The manual describes the following three principal purposes for workpaper documentation: (1) providing a record of the work performed that supports examination results, (2) maintaining the evidence necessary to support supervisory agreements or formal enforcement actions, and (3) facilitating internal quality control reviews. This evaluation is assessing the CFPB's policies and procedures for documenting examination results, the training programs and materials used to implement workpaper documentation expectations, and the extent to which each of the CFPB's regions meets those expectations.

Risk Assessment of the CFPB's Purchase Card Program

Fourth quarter 2016

The Government Charge Card Abuse Prevention Act of 2012 requires the OIG to conduct periodic risk assessments of purchase card or convenience check programs. The objective of this risk assessment is to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the CFPB's purchase card program in order to determine an overall risk level for the program. We will use the results of our risk assessment to determine the frequency and scope of future audits.

Risk Assessment of the CFPB's Travel Card Program

Fourth quarter 2016

The Government Charge Card Abuse Prevention Act of 2012 requires the OIG to conduct periodic audits or reviews of travel card programs. Our risk assessment of the CFPB's travel card program will identify and analyze the risks of illegal, improper, or erroneous purchases and payments. We will use the results of our risk assessment to determine the frequency and scope of future audits.

Security Control Review of the CFPB's Active Directory

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting an audit to assess the administration and security design effectiveness of Active Directory at the CFPB. Specifically, we are focusing our review on the effectiveness of controls related to risk assessment, continuous monitoring, access, and configuration.

Security Control Review of the CFPB's Public Website

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the CFPB's public website (<http://www.consumerfinance.gov>). The CFPB uses its public website to share information about the agency and consumer finance issues. In addition, the CFPB's public website interacts with other systems that are internal or external to the agency. Our specific audit objective is to evaluate the adequacy of certain control techniques designed to protect the website and its data from unauthorized access, modification, destruction, or disclosure.

Security Control Review of the CFPB's SQL Environment

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems. As part of meeting this requirement, we are conducting a security control review of the CFPB's SQL Server operating environment. Our specific audit objective is to evaluate the adequacy of certain

control techniques designed to protect data within the system from unauthorized access, modification, destruction, or disclosure.

2016 Audit of the CFPB's Information Security Program

Fourth quarter 2016

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires that each agency Inspector General conduct an annual independent evaluation of its respective agency's information security program and practices. To meet FISMA requirements, we are conducting an audit of the CFPB's information security program, and our objective is to evaluate the effectiveness of the CFPB's (1) security controls and techniques for select information systems and (2) information security policies, procedures, standards, and guidelines. We will use the results from our audit to respond to the U.S. Department of Homeland Security's 2016 FISMA reporting metrics for Inspectors General.

Audit of the CFPB's Contract Solicitation, Selection, and Award Process

First quarter 2017

The CFPB's Office of Procurement uses its staff, as well as resources from the U.S. Department of the Treasury's Bureau of the Fiscal Service, to enter into contracts for goods and services on behalf of the CFPB. The CFPB's procurement process follows the requirements established by the *Federal Acquisition Regulation*, the primary regulation governing the acquisition of supplies and services by all federal executive agencies. We are assessing the CFPB's compliance with the *Federal Acquisition Regulation* and CFPB policy, as well as the effectiveness of the CFPB's internal controls related to contract solicitation, selection, and award processes, including awards made on behalf of the CFPB by the Bureau of the Fiscal Service.

Evaluation of the CFPB's Compliance With the Requirements for Issuing Civil Investigative Demands (CIDs)

Second quarter 2017

Section 1052(c) of the Dodd-Frank Act authorizes the CFPB to issue CIDs when the agency has reason to believe that a person has documentary materials,

tangible things, or any other information relevant to a possible violation of federal consumer financial law. These CIDs may be issued to produce documents, produce tangible things, or compel testimony. Section 1052(c) contains a series of compliance requirements related to the use of CID authority, ranging from mandatory content requirements to procedures for issuing CIDs. This evaluation is assessing the CFPB's (1) policies and procedures for issuing CIDs, (2) training programs and materials related to the issuance of CIDs, and (3) compliance with section 1052(c)'s requirements, applicable regulations, and the agency's policies and procedures for issuing CIDs.

Evaluation of the Effectiveness of the CFPB's Management of Examiner Commissioning and Training

Third quarter 2017

CFPB examiners review compliance with federal consumer financial laws in certain institutions. In October 2014, the CFPB issued a policy implementing the agency's examiner commissioning program. The OIG is undertaking this evaluation to determine whether the CFPB is effectively managing examiner commissioning and training. Our work will include reviewing applicable policies, procedures, and agency practices; reviewing the curriculum for the examiner commissioning training program; meeting with CFPB officials and staff members; and reviewing documentation associated with the examiner commissioning training program.

CFPB: Projects in Development

Audit of the CFPB's Offboarding Process ^(NEW)

Recent events at federal agencies have highlighted the importance of an effective employee separation process to mitigate reputational, security, and other risks to federal agencies. To help mitigate these risks, the CFPB has developed offboarding guidance for when an employee separates from the agency. Our audit will assess the CFPB's offboarding process to determine whether controls are in place and operating effectively to mitigate key agency risks.

CFPB: Planned Projects

Audit of the CFPB's Privacy Data and Personally Identifiable Information (PII) Program

As part of its mission, the CFPB collects, handles, and stores several types of consumer financial information and PII. We will review the extent to which the CFPB has assessed the risks associated with the collection, maintenance, storage, and disposal of privacy data and PII and applied appropriate information security controls and protection over the data to mitigate those risks. We will focus on (1) CFPB systems that house PII, (2) access to PII, (3) disposal and destruction mechanisms, (4) the handling of privacy incidents, (5) privacy training, and (6) National Institute of Standards and Technology privacy controls.

CFPB Security Control Reviews

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014, requires that each agency Inspector General evaluate a representative subset of the agency's information systems, including third-party systems. To meet this requirement, we will conduct security control reviews of a sample of the CFPB's major applications and general support system components throughout the year. We will use automated audit scanning tools to assist with conducting the security control reviews.

Evaluation of the CFPB's Risk Assessment Framework for Prioritizing Examination Activities

This evaluation will assess the Division of Supervision, Enforcement, and Fair Lending's risk assessment framework and methodology for prioritizing its examination activities at its supervised institutions. As part of our initial evaluation of the supervision program, we developed an understanding of the division's institution product line approach to prioritizing its supervisory activities and how that approach affects its staffing assignments within the CFPB's regions. We will conduct an in-depth assessment of the risk assessment framework, the prioritization process, and the way in which those priorities cascade to the regions. We will also assess the regional approaches to executing these priorities.

