

GAO-IG Act Reporting

Annual Report



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1. Introduction

On January 3, 2019, the Good Accounting Obligation in Government Act (GAO-IG Act or Act) was enacted as Public Law number 115-414. This report is published by the Bureau of Consumer Financial Protection (Bureau or CFPB) in compliance with that law.¹

The GAO-IG Act requires agencies to annually submit a report to Congress on the status of certain open public audit recommendations. To comply with the requirements of the Act, this report contains the following sections: (1) Open Government Accountability Office (GAO) recommendations, and (2) Open Office of the Inspector General of the Board of Governors of the Federal Reserve System (FRB) and the Consumer Financial Protection Bureau (OIG) recommendations.

The GAO-IG Act also requires agencies to disclose discrepancies between its report and reports issued by the GAO and OIG. The Bureau is not aware of any discrepancy between this report and public reports issued by GAO or OIG.

1.1 Background

The Bureau was established on July 21, 2010, under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Bureau was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in Section 105 of Title 5, United States Code. As an Executive agency and under the Dodd-Frank Act, the Bureau is subject to external audits and reviews, some of which are legislatively mandated, others of which are conducted at the discretion of the oversight body.

Audits and reviews conducted by GAO and OIG can be categorized as follows:

- GAO Annual Financial Statement Audit: Annual audit is to determine whether the Bureau's financial statements were fairly presented and whether the Bureau's management maintained effective internal control over financial reporting. The annual

¹ The GAO-IG Act requires agencies to "submit reports on outstanding recommendations in the annual budget justification submitted to Congress." The Bureau does not submit a budget justification to Congress and has published this report as a standalone document.

GAO financial statement audit is a requirement of the Dodd-Frank Act, 12 U.S.C. §5496a(b).

- **GAO Subject Matter Engagements:** These engagements are performed at the request of congressional members, committees or subcommittees, may be mandated by public laws or committee reports, or undertaken at GAO's own initiative.
- **OIG:** Conducts audits, investigations, and other reviews of the Bureau's program functions. Section 1081 of the Dodd-Frank Act amended the Inspector General Act of 1978 to create one Inspector General for both the FRB and the Bureau and to provide the OIG with all of the authorities and responsibilities provided by the IG Act with respect to the Bureau.

2. Recommendations

From the inception of the Bureau in July 2010 through December 31, 2020, GAO and OIG have issued a total of 389 recommendations to the Bureau. To date, 336 or 86% have been closed. There are currently 53 open GAO and OIG recommendations, 44 of which are public.

- Of the total 389 recommendations, 92 were issued by GAO and 297 were issued by OIG. Of the 297 findings issued by OIG, 263 or 89% have been closed. Of the 92 recommendations issued by GAO, 73 or 79% have been closed.
- In fiscal year 2020, 24 recommendations were issued to the Bureau under 12 reports from GAO and OIG.

2.1 GAO Recommendations

Table 1 provides a list of all 19 open GAO recommendations.

TABLE 1: OPEN GAO RECOMMENDATIONS

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|--|-------------|--|--|----------------------|
| Management Report: Improvements Needed in CFPB's Internal Controls and Accounting Procedures (GAO-16-522R) | 6/13/2016 | To provide reasonable assurance that the property, equipment, and software transactions are properly tracked and capitalized or expensed as appropriate, the Director of CFPB direct the program offices to require vendors to provide detailed invoices with costs broken out by project. | Not applicable. Implementation in progress | FY21 |

² The GAO-IG Act requires agencies to provide a justification for GAO recommendations it has “decided not to implement.” As applicable, this information is provided in the justification column.

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|--|-------------------|--|--|----------------------|
| <p>Student Loans: Oversight of Service members' Interest Rate Cap Could Be Strengthened (GAO-17-4)</p> | <p>11/15/2016</p> | <p>To better ensure that service members with private student loans benefit from the SCRA interest rate cap, the Director of the Consumer Financial Protection Bureau and the Attorney General of the Department of Justice should coordinate with each other, and with the four federal financial regulators, as appropriate, to determine the best way to ensure routine oversight of SCRA compliance for all nonbank private student loan lenders and servicers. If CFPB and DOJ determine that additional statutory authority is needed to facilitate such oversight, CFPB and DOJ should develop a legislative proposal for Congress.</p> | <p>The Bureau has written agreements (MOUs) in place for interagency coordination and information sharing with the DOJ, the federal prudential regulators, and most state regulators. The Bureau's Office of Servicemember Affairs also meets regularly with the DOJ. Of course, the Bureau is always interested in improving cooperation and coordination with our interagency partners and will continue to build upon these mechanisms and relationships. Based on the extensive coordination already occurring among these agencies, however, the Bureau believes that it has complied with the recommendation, and that it may be closed.</p> | <p>NA</p> |
| <p>PRIVATE DEPOSIT INSURANCE: Credit Unions Largely Complied with Disclosure Rules, but Rules Should Be Clarified (GAO-17-259)</p> | <p>3/29/2017</p> | <p>To help state credit union supervisors and privately insured credit unions better interpret Regulation I and inform consumers when an institution is not federally insured, CFPB should issue guidance to clarify whether drive-through windows require disclosures.</p> | <p>At this time, the issues identified by the GAO do not appear to present significant risk of consumer harm and the Bureau has seen no indication of consumer or industry concerns related to this issue. At this time, the Bureau has not added this item to our rulemaking program.</p> | <p>NA</p> |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|---|-------------|--|---|----------------------|
| PRIVATE DEPOSIT INSURANCE: Credit Unions Largely Complied with Disclosure Rules, but Rules Should Be Clarified (GAO-17-259) | 3/29/2017 | To help state credit union supervisors and privately insured credit unions better interpret Regulation I and inform consumers when an institution is not federally insured, CFPB should issue guidance to describe what constitutes clear and conspicuous disclosure, including minimum signage dimensions and font size for disclosures. | At this time, the issues identified by the GAO do not appear to present significant risk of consumer harm and the Bureau has seen no indication of consumer or industry concerns related to this issue. At this time, the Bureau has not added this item to our rulemaking program. | NA |
| PRIVATE DEPOSIT INSURANCE: Credit Unions Largely Complied with Disclosure Rules, but Rules Should Be Clarified (GAO-17-259) | 3/29/2017 | To help state credit union supervisors and privately insured credit unions better interpret Regulation I and inform consumers when an institution is not federally insured, CFPB should issue guidance to explain and provide examples of which communications are advertising. | At this time, the issues identified by the GAO do not appear to present significant risk of consumer harm and the Bureau has seen no indication of consumer or industry concerns related to this issue. At this time, the Bureau has not added this item to our rulemaking program. | NA |
| COMMUNITY BANKS AND CREDIT UNIONS: Regulators Could Take Additional Steps to Address Compliance Burdens (GAO-18-213) | 2/27/2018 | The Director of CFPB should issue public information on its plans for reviewing regulations applicable to banks and credit unions, including information describing the scope of regulations the timing and frequency of the reviews, and the extent to which the reviews will be coordinated with the federal depository institution regulators as part of their periodic EGRPRA reviews. | Not applicable. Implementation in progress | TBD |
| Financial Technology: Additional Steps by Regulators Could Better Protect Consumers and Aid Regulatory Oversight (GAO-18-254) | 3/22/2018 | The Director of the Consumer Financial Protection Bureau should engage in collaborative discussions with other relevant financial regulators in a group that includes all relevant stakeholders and has defined agency roles and outcomes to address issues related to consumers' use of account aggregation services. | Not applicable. Implementation in progress | TBD |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|---|-------------|--|--|----------------------|
| Financial Technology: Agencies Should Provide Clarification on Lenders' Use of Alternative Data (GAO-19-111) | 12/19/2018 | The Director of the Bureau of Consumer Financial Protection should, in coordination with the federal banking regulators and with input from relevant stakeholders, communicate in writing to fintech lenders on the appropriate use of alternative data in the underwriting process, including issues to consider when selecting types of alternative data to use. | Not applicable. Implementation in progress | FY21 |
| Dodd-Frank Regulations: Consumer Financial Protection Bureau Needs a Systemic Process to Prioritize Consumer Risks (GAO-19-158) | 12/21/2018 | The Director of CFPB should implement a systematic process for prioritizing risks to consumers and considering how to use the bureau's available policy tools—such as rulemaking, supervision, enforcement, and consumer education—to address these risks. Such a process could incorporate principles from the prior One Bureau process, such as an assessment of the extent of potential harm to consumers in financial markets, to prioritize the most significant risks. | Not applicable. Implementation in progress | FY21 |
| Consumer Data Protection: Actions Needed to Strengthen Oversight of Consumer Reporting Agencies (GAO-19-196) | 2/21/2019 | The Director of CFPB should identify additional sources of information, such as through registering CRAs or leveraging state information, that would help ensure the agency is tracking all CRAs that meet the larger participant threshold. | Not applicable. Implementation in progress | FY21 |
| Consumer Data Protection: Actions Needed to Strengthen Oversight of Consumer Reporting Agencies (GAO-19-196) | 2/21/2019 | The Director of CFPB should assess whether its process for prioritizing CRA examinations sufficiently incorporates the data security risks CRAs pose to consumers, and take any needed steps identified by the assessment to more sufficiently incorporate these risks. | Not applicable. Implementation in progress | FY21 |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|---|-------------|---|---|----------------------|
| PRIVATE STUDENT LOANS: Clarification from CFPB Could Help Ensure More Consistent Opportunities and Treatment for Borrowers (GAO-19-430) | 5/24/2019 | The Director of CFPB should provide written clarification to nonbank private student loan lenders on their authorities under the Fair Credit Reporting Act to offer private student loan rehabilitation programs that include removing information from credit reports. | The CFPB informed GAO on May 6, 2019 that the Bureau does not intend to act on the recommendation. The Bureau has previously noted: "Where a financial institution chooses to offer the type of private student loan rehabilitation program specified in section 623(a)(1)(E)(i) of FCRA, it can obtain the legal protections offered by that provision, though a financial institution supervised by a Federal banking agency must seek written approval of the appropriate Federal banking agency concerning the terms and conditions of the program. There is no similar Congressional directive for a financial institution that is not supervised by a Federal banking agency to seek the Bureau's approval. Nor does section 623(a)(1)(E) indicate that any consequences would flow from any such Bureau approval or withholding of approval." Our position remains the same and we recommend closing the matter. | NA |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|---|-------------|--|--|----------------------|
| PRIVATE STUDENT LOANS: Clarification from CFPB Could Help Ensure More Consistent Opportunities and Treatment for Borrowers (GAO-19-430) | 5/24/2019 | The Director of CFPB, after consulting with the prudential regulators and relevant industry groups, should provide written clarification on what information in a consumer's credit report constitutes a private student loan reported "default" that may be removed after successful completion of a private student loan rehabilitation program. | The CFPB continues to believe it is premature to act on this recommendation. In July 2020 the Consumer Data Industry Association (CDIA) issued updated guidance regarding private student loan furnishing, including guidance that addresses the rehabilitation of defaulted private education loans. This guidance was developed in consultation with other interested parties with regard to private student loans. The CFPB continues to monitor such work and implementation of the guidance. However, to date the CFPB is not aware of any private student loan lenders who are subject to the legislation and who have offered rehabilitation programs and implemented the guidance through either their in-house or third-party servicing operations. The Bureau will continue to monitor the private student loan marketplace and evaluate whether additional guidance or other clarification from the CFPB is required. | NA |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|--|-------------|--|---|----------------------|
| Consumer Reporting Agencies: CFPB Should Define Its Supervisory Expectations (GAO-19-459) | 7/16/2019 | The Director of CFPB should communicate to CRAs its expectations regarding reasonable procedures for assuring maximum possible accuracy of consumer report information. | CFPB continues to commit significant resources through the supervision and enforcement of CRAs to enforce the FCRA. The Bureau believes this recommendation should be closed. | NA |
| Consumer Reporting Agencies: CFPB Should Define Its Supervisory Expectations (GAO-19-459) | 7/16/2019 | The Director of CFPB should communicate to CRAs its expectations regarding reasonable investigations of consumer disputes. | CFPB continues to commit significant resources through the supervision and enforcement of furnishers to enforce the FCRA. The Bureau believes this recommendation should be closed. | NA |
| Federal Rulemaking: Selected Agencies Should Clearly Communicate Practices Associated with Identity Information in the Public Comment process (GAO-19-483) | 7/26/2019 | The Director of the Consumer Financial Protection Bureau (CFPB) should finalize its draft policy for posting comments and their identity information, particularly for duplicate comments, and clearly communicate it to the public on the CFPB website. | Not applicable. Implementation in progress | FY21 |
| Reverse Mortgages: FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing (GAO-19-702) | 9/25/2019 | The CFPB Director should work with FHA to complete an agreement for sharing the results of CFPB examinations of HECM servicers with FHA. | Not applicable. Implementation in progress | FY21 |
| INFORMATION MANAGEMENT: Selected Agencies Need to Fully Address Federal Electronic Recordkeeping Requirements (GAO-20-59) | 2/27/2020 | Establish a time frame to develop an inventory of electronic information systems used to store agency records that includes all of the required elements. | Not applicable. Implementation in progress | FY21 |

| Report Title | Report Date | Recommendation | Justification ² | Estimated Completion |
|---|-------------|---|---|----------------------|
| CONSUMER PRIVACY: Better Disclosures Needed on Information Sharing by Banks and Credit Unions (GAO-21- 36) | 10/22/2020 | The Director of CFPB, in consultation with the other federal financial regulators, should update the model privacy form and, in doing so, consider whether it is feasible to include more comprehensive information about third parties with whom financial institutions share consumer personal information. | Not applicable. Implementation in progress | TBD |

2.2 OIG Recommendations

Table 2 provides a list of all 25³ open public OIG recommendations.

TABLE 2: OPEN OIG RECOMMENDATIONS

| Report Title | Report Date | Recommendation | Explanation ⁴ | Estimated Completion |
|---|-------------|---|--|----------------------|
| 2014 Audit of the CFPB's Information Security Program (2014-IT-C-020) | 11/14/2014 | Strengthen the CFPB's vulnerability management practices by implementing an automated solution and process to periodically assess and manage database and application-level security configurations. | Not applicable. Implementation in progress | FY21 |
| 2017 Audit of the CFPB's Information Security Program (2017-IT-C-019) | 10/31/2017 | Develop and implement a tiered approach for implementing multifactor authentication that considers system risk levels and user roles and uses lessons learned to inform broader adoption. | Not applicable. Implementation in progress | FY21 |
| 2017 Audit of the CFPB's Information Security Program (2017-IT-C-019) | 10/31/2017 | Ensure that a risk appetite statement and associated risk tolerance levels are defined and used to develop and maintain an agency wide risk profile. | Not applicable. Implementation in progress | FY21 |
| The CFPB Can Further Strengthen Controls Over Certain Off boarding Processes and Data (2018-MO-C-001) | 1/22/2018 | Finalize the building access system upgrade to ensure that PIV badges and site badges are automatically deactivated in the building access system and that PIV badges are automatically deactivated in the USAccess system upon an individual's separation. | Not applicable. Implementation in progress | FY21 |

³ Open non-public recommendations are not included in this report.

⁴ The GAO-IG Act requires "an explanation of the reasons why no final action or action not recommended was taken with respect to each audit report to which the public recommendation for corrective action pertains." As applicable, this information is provided in the Explanation column

| Report Title | Report Date | Recommendation | Explanation ⁴ | Estimated Completion |
|---|-------------|---|--|----------------------|
| The CFPB Can Further Strengthen Controls Over Certain Offboarding Processes and Data (2018-MO-C-001) | 1/22/2018 | Once upgrades to the offboarding system have been fully implemented, develop a process to periodically reconcile new separation data in the offboarding system with one of the CFPB's human resources systems to ensure that the separation data are current, accurate, and complete. | Not applicable. Implementation in progress | TBD |
| Report on the Independent Audit of the Consumer Financial Protection Bureau's Privacy Program (2018-IT-C-003) | 2/14/2018 | Develop, document, and implement a formal process for monitoring compliance with physical security requirements around portable media such as laptops, thumb drives, and smart phones, as well as around passwords and hard copies of sensitive PII. | Not applicable. Implementation in progress | FY21 |
| 2018 Audit of the Bureau's Information Security Program (2018-IT-C-018) | 10/31/2018 | Strengthen configuration management processes by a. remediating configuration-related vulnerabilities in a timely manner. b. ensuring that optimal resources are allocated to perform vulnerability remediation activities. | Not applicable. Implementation in progress | FY21 |
| 2018 Audit of the Bureau's Information Security Program (2018-IT-C-018) | 10/31/2018 | Develop and implement a process to ensure the timely application of patches and security updates for Bureau-issued mobile phones. | Not applicable. Implementation in progress | FY21 |
| 2018 Audit of the Bureau's Information Security Program (2018-IT-C-018) | 10/31/2018 | Determine whether established processes and procedures for management of user-access agreements and rules-of-behavior forms for privileged users are effective and adequately resourced and make changes as needed. | Not applicable. Implementation in progress | FY21 |
| The Bureau Can Improve the Effectiveness of Its Life Cycle Processes for FedRAMP (2019-IT-C-009) | 7/17/2019 | Ensure that established SA&A processes are a. performed prior to the deployment of all FedRAMP cloud systems used by the Bureau. b. used to make an agency-specific authorization decision for the system that is in production and noted in our report. | Not applicable. Implementation in progress | FY21 |

| Report Title | Report Date | Recommendation | Explanation ⁴ | Estimated Completion |
|--|-------------|--|--|----------------------|
| The Bureau Can Improve the Effectiveness of Its Life Cycle Processes for FedRAMP (2019-IT-C-009) | 7/17/2019 | Ensure that a. continuous monitoring information provided by the PMO or the CSP, as appropriate, is obtained and reviewed in a timely manner for all FedRAMP cloud systems used by the Bureau. b. for any gaps identified, including for incident response and contingency testing, a risk assessment is performed to determine appropriate responses. | Not applicable. Implementation in progress | FY21 |
| The Bureau Can Improve the Effectiveness of Its Life Cycle Processes for FedRAMP (2019-IT-C-009) | 7/17/2019 | Evaluate and implement, as appropriate, options to obtain additional assurance that electronic media sanitization performed by CSPs renders sensitive Bureau data unrecoverable when assets are decommissioned. | Not applicable. Implementation in progress | FY21 |
| 2019 Audit of the Bureau's Information Security Program (2019-IT-C-015) | 10/31/2019 | Ensure that established SA&A processes are performed prior to the deployment of all cloud systems used by the Bureau. | Not applicable. Implementation in progress | FY21 |
| 2019 Audit of the Bureau's Information Security Program (2019-IT-C-015) | 10/31/2019 | Ensure that user-access agreements are consistently utilized to approve and maintain access to Bureau systems for nonprivileged users. | Not applicable. Implementation in progress | FY21 |
| 2019 Audit of the Bureau's Information Security Program (2019-IT-C-015) | 10/31/2019 | Perform a risk assessment to determine a. the optimal deployment of the Bureau's technology for monitoring and controlling data exfiltration to all network access points. b. appropriate access to internet storage sites. | Not applicable. Implementation in progress | FY22 |
| 2019 Audit of the Bureau's Information Security Program (2019-IT-C-015) | 10/31/2019 | Ensure that system-level BIAs are conducted, as appropriate, and that the results are incorporated into contingency planning strategies and processes. | Not applicable. Implementation in progress | FY21 |

| Report Title | Report Date | Recommendation | Explanation ⁴ | Estimated Completion |
|--|-------------|--|--|----------------------|
| The Bureau's Office of Enforcement Has Centralized and Improved Its Final Order Follow-Up Activities, but Additional Resources and Guidance Are Needed (2020-SR-C-002) | 3/2/2020 | Develop a plan to help ensure that Enforcement's compliance team has the resources needed to conduct follow-up activities on final orders in accordance with expectations. | Not applicable. Implementation in progress | FY21 |
| The Bureau's Office of Enforcement Has Centralized and Improved Its Final Order Follow-Up Activities, but Additional Resources and Guidance Are Needed (2020-SR-C-002) | 3/2/2020 | Ensure that Enforcement develops comprehensive guidance addressing the expectations for the compliance team's final order follow-up activities. As part of this guidance, define expectations for retaining documents related to Enforcement's final order follow-up activities. | Not applicable. Implementation in progress | FY21 |
| Testing Results for the Bureau's Plan of Action and Milestones Process (2020-IT-C-014) | 4/29/2020 | Ensure that system owners are accurately estimating and accounting for costs associated with remediating security weaknesses listed in POA&Ms. | Not applicable. Implementation in progress | FY21 |
| Testing Results for the Bureau's Plan of Action and Milestones Process (2020-IT-C-014) | 4/29/2020 | Work with system owners to ensure that evidence to close system-level cybersecurity weaknesses listed in POA&Ms are submitted in a timely manner and that the weaknesses' status is accurately reflected in the Bureau's automated solution. | Not applicable. Implementation in progress | FY21 |
| The Bureau Can Improve Its Periodic Monitoring Program to Better Target Risk and Enhance Training for Examiners (2020-SR-C-015) | 6/24/2020 | Finalize plans to enhance training on periodic monitoring. This training should a. reinforce the documentary expectations for completing sections of the periodic monitoring template. b. clarify the purpose of periodic monitoring and how it factors into SEFL's annual prioritization process and the broader supervision program. | Not applicable. Implementation in progress | FY21 |

| Report Title | Report Date | Recommendation | Explanation ⁴ | Estimated Completion |
|--|-------------|---|--|----------------------|
| Results of Scoping and Suspension of the Evaluation of the Bureau's Personnel Security Program (2020-MO-C-018) | 8/17/2020 | Develop measurable objectives to evaluate the PSO's efforts to reduce the agency's adjudication backlog | Not applicable. Implementation in progress | FY21 |
| Results of Scoping and Suspension of the Evaluation of the Bureau's Personnel Security Program (2020-MO-C-018) | 8/17/2020 | Develop a plan with measurable objectives to assess and monitor the PSO's management of the background investigation process. | Not applicable. Implementation in progress | FY21 |
| Results of Scoping and Suspension of the Evaluation of the Bureau's Personnel Security Program (2020-MO-C-018) | 8/17/2020 | Develop a process to a. periodically receive name change reports from the OHC and ensure that such changes are made in the PSO's case management system. b. perform periodic reconciliations against official personnel records to ensure the completeness and accuracy of the employee data in the PSO's case management system. | Not applicable. Implementation in progress | FY21 |
| 2020 Audit of the Bureau's Information Security Program (2020-IT-C-021) | 11/2/2020 | Ensure that a. change control policies and procedures address separation of duties in the change management life cycle. B. separation of duties is enforced in the Bureau's change control tool. | Not applicable. Implementation in progress | FY21 |