



Consumer Financial Protection Bureau

Independent Audit of Selected Operations

and Budget

November 2, 2023

Premier Group Services Inc.
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EXECUTIVE SUMMARY

November 2, 2023

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Mr. Chopra:

This report presents the results of our work conducted to address the performance audit objectives relative to the Consumer Financial Protection Bureau (hereinafter referred to as “CFPB” or “Bureau”). The scope of our work related to our audit objectives covered the fiscal year 2021. Our procedures were performed during the period October 19, 2022 to October 31, 2023, and our results, reported herein, are as of November 2, 2023.

We conducted this performance audit by *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

In addition to *Government Auditing Standards*, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (AICPA). This performance audit did not constitute an audit of financial statements, or an attestation level report as defined under *Government Auditing Standards* and the AICPA standards for attestation engagements.

As specified by CFPB, our audit objectives were to review and assess CFPB’s (1) corrective actions taken to resolve the findings and recommendations included in CFPB’s *2020 Independent Audit of Selected Operations and Budget*, which was performed by KPMG; (2) Fiscal year 2021 budget process, relative to

its policies and procedures established over budget formulation, execution, and monitoring; (3) Enterprise Architecture (EA) program, with an emphasis on how CFPB uses EA as a strategic asset to inform investments and align with the Bureau's strategic plan.

As a result of the work performed to meet our audit objectives, no exception is noted related to the fiscal year 2021 budget process.

As a result of our procedures, CFPB uses EA as a strategic asset to inform investments and align with the Bureau's strategic plan.

As a result of our procedures, we closed the control deficiency reported in KPMG's prior year audit related to Controls over the monitoring and review of stale obligations.

Premier Group cautions that projecting the results of our report to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or because compliance with controls may deteriorate.

This report is intended solely for the information and use of the Consumer Financial Protection Bureau, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Premier Group Services, Inc.

BACKGROUND

The Bureau of Consumer Financial Protection (CFPB) was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act) 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, with a mission to regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws and to educate and empower consumers to make better informed financial decisions. The CFPB has a diverse mandate, including roles that were previously covered by seven different agencies responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies that previously administered statutes transferred to the CFPB are the Board of Governors of the Federal Reserve System; the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Federal Trade Commission, and the Department of Housing and Urban Development.

To accomplish its mission, the CFPB developed a workforce with a broad and diverse depth of public and private industry experience spread across the country, with its headquarters in Washington, D.C., and regional offices in New York, Chicago, San Francisco, and Atlanta. The CFPB is organized into six primary divisions:

- *Consumer Response and Education*¹ - provides, through a variety of initiatives and methods, including offices on specific populations, information to consumers to allow them to make financial decisions that are best for them. Additionally, this division hears directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback. This division unifies how CFPB listens to consumers through the Consumer Response function and how CFPB assists consumers through the Financial Education function.
- *External Affairs*² - builds and fosters diverse relationships with external stakeholders to protect the interests of consumers in the financial marketplace and to capture policy-making considerations for the bureau.
- *Supervision, Enforcement, and Fair Lending* – helps ensure compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.

¹ In the fiscal year 2021, the Division of Consumer Response and Education and the Division of External Affairs were part of a unified division known as 'Consumer Education and External Affairs.'

² In the fiscal year 2021, the Division of External Affairs and the Division of Consumer Response and Education were part of a unified division known as 'Consumer Education and External Affairs.'

- *Research, Monitoring, and Regulations*³ – conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations.
- *Legal Division* – helps ensure the Bureau’s compliance with all applicable laws and provides advice to the Director and the Bureau’s divisions; and
- *Operations* – builds and sustains the CFPB’s operational infrastructure to support the entire organization.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives and Scope

As specified by the CFPB, the objectives of our performance audit were to evaluate CFPB’s:

- Corrective actions taken to resolve the findings and recommendations included in CFPB’s *2020 Independent Audit of Selected Operations and Budget*, which was performed by KPMG;
- Fiscal year 2021 budget process, relative to its policies and procedures established over budget formulation, execution, and monitoring; and
- Enterprise Architecture (EA) program, with an emphasis on how CFPB uses EA as a strategic asset to inform investments and align with the Bureau’s strategic plan.

Methodology and Approach

We conducted our performance audit in accordance with the performance audit standards in *Government Auditing Standards*. In addition to *Government Auditing Standards*, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. Our responsibility is to provide findings and recommendations based on the results of our audit. We believe the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

³ In the fiscal year 2021, the Division of Research, Monitoring, and Regulations was a part of a division known as 'Research, Markets, and Regulations.'

Our methodology consisted of the following four-phased approach:

1. *Project Initiation and Planning* – We met with relevant CFPB personnel to (1) reaffirm CFPB’s and our collective understanding of the performance audit objectives and scope, (2) highlight our methodology and approach to meet the audit objectives, (3) request certain information from CFPB needed to perform our audit, and (4) gain an understanding of the status of corrective actions plans related to our prior year findings and recommendations.
2. *Data Gathering* – We interviewed relevant CFPB personnel to obtain an understanding of processes, controls, and available documentation for each audit objective. For each audit objective, we researched leading practices, obtained and reviewed relevant documentation, selected samples for detailed testing and further analysis when appropriate, and documented the work performed and the results of our audit procedures.
3. *Analysis Using Established Criteria* – Our evaluation criteria were developed from a variety of sources, including:
 - requirements and technical guidance published by the Office of Management and Budget (OMB) and used by CFPB as leading practices⁴ at the time of our audit (e.g., OMB Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, dated July 15, 2016);
 - OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*, dated September 20, 2013;
 - OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*;
 - United States Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, dated September 2014 (GAO Greenbook); and
 - CFPB’s policies and procedures that are relevant to the audit objectives.

The sections below present an overview of each of the audit objectives and the relevant procedures performed with respect to each area.

RESULTS

⁴ While not required to comply with OMB regulations, CFPB uses OMB requirements and guidance as indicators of leading practices.

CFPB's Budget Process

Pursuant to the Dodd-Frank Act (“the Act”), the CFPB is funded principally by transfers from the Federal Reserve System, up to a limit set forth in the Act. In addition, pursuant to the Act, the CFPB is authorized to collect and use, for specified purposes, civil penalties collected from any person or entity in any judicial or administrative action brought under federal consumer financial law.

The CFPB budget process consists of budget formulation (including budget submission and approval), budget execution, and budget monitoring (including reporting). The CFPB and the Federal Reserve have entered into an inter-agency agreement for the continued funding of the operations of the CFPB as set forth in Section 1017(b) of the Act. Under this agreement, the Federal Reserve will transfer funds quarterly to the CFPB based on notification by the Director of the amounts needed. During fiscal years 2021 and 2020, the CFPB’s annual transfers from the Board totaled approximately \$616 million and \$537 million, respectively.

The annual budget formulation process begins approximately 18 months before the beginning of the fiscal year in which the budget will be executed. This is a collaborative effort between the Office of Chief Financial Officer (OCFO) and CFPB divisions and their offices. To facilitate a standardized and consistent budget formulation process, the OCFO has developed policies and procedures, including templates for gathering relevant data. The program or division is required to support the amounts requested and link to the CFPB goals set by the Director.

The CFPB’s Operations Division is responsible for coordinating activities for budget formulation across the Bureau. Working in collaboration with other CFPB divisions, the OCFO has primary responsibility for developing the budget (including staffing estimates) consistent with statutory requirements, performance goals, and CFPB priorities. The CFPB Director has final approval authority over the budget. Once the annual budget is approved by the Director, it is distributed internally, communicated to OMB (but not subject to approval by OMB) and posted on the CFPB website.

To execute its budget, CFPB exercises administrative control of funds through several measures. A financial plan is developed for each division and distributed at the beginning of each fiscal year. Within the fiscal year financial plan, each division is allocated a staffing headcount and personnel funding target as well as non-personnel funding. Divisions are expected to adhere to their financial plan allocations and to work

collaboratively with the OCFO to request any additional funding and/or staffing if needed throughout the year. The OCFO has established policies and procedures for the approvals of requisitions and commitments related to CFPB's funds.

To process budgetary transactions and enforce funds controls, CFPB has entered into an interagency agreement for accounting services with the U.S. Department of the Treasury's Bureau of the Fiscal Service. Accounting services provided to CFPB include recording financial transactions, such as budget authority, allocations, collections, accounts receivable, commitments, obligations, accruals, accounts payable, disbursements, and journal entries. The Bureau of the Fiscal Service's automated accounting systems provide budgeting and funds control at various organizational and spending levels, which are established at the request of the customer agency. To complement these funds controls, the CFPB has established additional monitoring controls, such as monthly budget execution summary reports and the mid-year budget review. In addition, the OCFO has established policies and procedures to perform a quarterly accrual analysis of individual obligations to determine if goods and services were received. This review is supplemented with a monthly review of open obligations to confirm the validity of the open status.

The CFPB has established and maintains an operating reserve to protect its ability to carry out its authority and help ensure the stability of its mission, programs, and ongoing operations in the event of unanticipated and unbudgeted one-time funding needs. This reserve is intended to provide a source of funds internal to the CFPB for unexpected situations, such as sudden increases in expense, one-time unbudgeted expenses, unanticipated delays in funding, and uninsured losses. The CFPB's Operating Reserve Policy has been implemented in concert with its other governance and financial policies and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans. Additionally, maintenance of such a reserve is expected to minimize or eliminate the need to request fund transfers from the Board of Governors of the Federal Reserve (Board) outside the predetermined schedule, which could place an undue burden on the Federal Reserve System.

Our methodology and approach for evaluating the budget formulation, execution and monitoring process included the following procedures:

- Interviewing relevant CFPB budget personnel within the individual division/program offices and the OCFO regarding formulation, execution, and monitoring.
- Reviewing the policies and procedures for budget formulation, execution, and monitoring.

- Obtaining an understanding of the budget execution and monitoring process through discussions with OCFO management and select CFPB offices.
- Reviewing documents used to support the budget formulation process.
- Comparing the CFPB budget formulation, execution, and monitoring process to the applicable requirements and guidance in OMB Circular A-11 as an indicator of leading practices.
- Reviewing documents to support the fact that the fiscal year 2021 budget was discussed with the program offices, was reviewed and approved by CFPB’s Director, and was widely communicated throughout the organization.
- Reviewing CFPB’s support for its mid-year budget review.
- Selecting a sample of budgetary transactions and obtaining supporting documentation.
- Reviewing audit report of *the Consumer Financial Protection Bureau Independent Audit of Selected Operations*, issued by KPMG, for fiscal years 2017, 2018, 2019, and 2020.

Our 2021 performance audit identified no exception related to the fiscal year 2021 budget process.

EA Program

The CFPB uses a time-phased Enterprise Architecture (EA) to set strategy and provide mission support. Similar to blueprints used in the construction industry, architectures are used to align CFPB business priorities and operations with the technologies most responsible for delivering results. The Enterprise Architecture includes guidelines and standards used to identify, align, and integrate improvement initiatives to support CFPB’s current state, as well as a roadmap for transitioning to CFPB’s target operations over time. CFPB guidelines include a preference for the adoption of cloud services and for the integration of pervasive and layered “zero trust” security capabilities that seek to verify the appropriate level of access to data and services throughout our environments. Additional guidelines include support for a mobile workforce that can perform work anywhere at any time and a user experience that includes seamless and integrated access to CFPB services and information.

The objectives of EA are to (1) improve CFPB strategy identification and execution, (2) Thoughtful assessment of technology choices, and (3) Increase operations and project delivery performance. The portfolio services provided by EA include EA services, which consist of developing and maintaining architectures to support current and planned CFPB operations in line with CFPB Strategic and Operating Plans, identifying potential improvement opportunities, and proposing solutions and technology in line with CFPB priorities and

operations. Moreover, EA also provides solution architecture services and research and evaluates potential new CFPB technologies.

The CFPB's Enterprise Architecture description contains five architecture domains--business, data, application, technology, and security. EA services provided keep consistent with the CFPB's strategic planning, which shows the relative priority of the business operations/processes as they map to CFPB strategic priorities like the CFPB Strategic Plan, Dodd-Frank, etc., the relative degree of current technologies supporting for CFPB business operations and gaps that are weighted based on the priority of the business operation area and the degree of current technology support and gaps)

Our methodology and approach for evaluating how CFPB uses EA as a strategic asset to inform investments and align with the Bureau's strategic plan included the following procedures:

- Interviewing relevant CFPB EA program personnel within the individual division.
- Reviewing the policies and procedures related to EA program.
- Obtaining a further understanding of the EA program operation through discussions with management of the EA program office (T&I division).
- Reviewing documents used to support EA program-related process.
- Reviewing CFPB's support for its EA Program review.
- Selecting a sample of EA program transactions and procedures and obtaining supporting documentation.

As a result of our procedures, we concluded that CFPB uses EA as a strategic asset to inform investments and align with the Bureau's strategic plan.

Corrective Actions Taken to Resolve the FY 2020 Audit Report Findings and Recommendations

CFPB developed corrective action plans to address the prior year's findings in the *2020 Independent Audit of Operations and Budget*⁵ report. Our methodology and approach for evaluating the corrective actions process included the following procedures:

- Reviewed the findings and related recommendations included in the *2020 Independent Audit of Operations and Budget*, which were defined as either a risk of deficiency or non-compliance or a

⁵ *2020 Independent Audit of Selected Operations and Budget*, KPMG, August 15, 2022

deficiency in internal control.

- Obtained and reviewed the corrective action plans (CAP) developed by CFPB for the findings mentioned above and
- Reviewed documentation supporting the CFPB actions specified in the CAP and how the actions are taken to address the prior year's findings.

The table below captures the status of the prior year's findings based on the results of our 2021 performance audit procedures:

2020 Findings	2020 Finding Type	2021 Status
Controls over the monitoring and review of stale obligations	Control Deficiency	CLOSED CFPB implemented CAP to address the matters noted in our prior year's report. Accordingly, we determined the finding to be closed.