



*Bureau of Consumer Financial Protection
Independent Audit of Selected Operations
and Budget*

March 26, 2021

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EXECUTIVE SUMMARY

March 26, 2021

The Honorable Dave Uejio
Acting Director
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

Dear Mr. Uejio:

This report presents the results of our work conducted to address the performance audit objectives relative to the Bureau of Consumer Financial Protection (hereinafter referred to as “CFPB” or “Bureau”). The scope of our work related to our audit objectives covered fiscal year 2019, our procedures were performed during the period June 29, 2020 to March 12, 2021, and our results, reported herein, are as of March 26, 2021.

We conducted this performance audit in accordance with *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 that 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) fiscal year 2019 budget process, relative to its policies and procedures established over budget formulation, execution, and



monitoring; (2) Office of Human Capital's benefit program relative to its policies and procedures for employee expense reimbursement of professional licenses, certifications and memberships; and (3) corrective actions taken to resolve the findings and recommendations included in CFPB's *2018 Independent Audit of Selected Operations and Budget*, which was performed by KPMG.

As a result of the work performed to meet our audit objectives and as our report further describes in the *Findings and Recommendations* section, we identified the following findings in the budget process and human capital benefit program, respectively:

- A. Controls over the monitoring and review of stale obligations, and
- B. Monitoring of employee expense reimbursement submissions related to professional licenses, certifications, and memberships.

Our recommendations to CFPB for the budget process are for the:

- Office of the Chief Financial Officer, in coordination with the Office of Procurement, to continue to assess the root causes of ineffective internal controls that address the review of stale obligations in its corrective action plans, to help design an effective internal control environment that is suitable to CFPB business processes. The review should consider both the effectiveness of the semi-annual open obligation review, and CORs adherence to the existing policies and procedures to evaluate the validity of stale obligations; and
- Office of the Chief Financial Officer and the Office of Procurement consider the need for additional training based on the results of the analysis of root causes.

We recommend for the Office of Human Capital to:

- Develop standard operating procedures to ensure the consistent entry of data within the electronic credential expense reimbursement log and the adequate maintenance of such data once captured in the log;
- Implement periodic review controls over the data in the electronic credential expense reimbursement log to ensure the accuracy and completeness of the log and to ensure consistency with the corresponding expense reimbursement system data; and
- Provide training to the Office of Human Capital Talent Management team members on the new procedures.



As a result of our procedures, we note that we closed the control deficiency reported in our prior year audit related to untimely de-obligation of stale obligations and issued a new control deficiency and recommendations as part of Finding A in the preceding paragraph.

KPMG 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 Bureau of Consumer Financial Protection, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

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 which 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 that is 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 five primary divisions:

- *Consumer Education and External Affairs* – 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, they hear directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback. The division also manages the Bureau’s relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability;
- *Supervision, Enforcement, and Fair Lending* – helps ensure compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate;
- *Research, Markets, and Regulations* – 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:

- Fiscal year 2019 budget process, relative to its policies and procedures established over budget formulation, execution, and monitoring;
- Office of Human Capital's benefit program relative to its policies and procedures of employee expense reimbursement for professional licenses, certifications and memberships; and
- Corrective actions taken to resolve the findings and recommendations included in CFPB's *2018 Independent Audit of Selected Operations and Budget*.

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 that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

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 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 practices¹ 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, *Standards for Internal Control in the Federal Government*, dated September 2014 (GAO Greenbook); and
 - CFPB's policies and procedures relevant to the audit objectives.
4. *Findings and Recommendations* – The results of our audit work were the basis for our audit findings and recommendations. These findings and recommendations were communicated to CFPB management. We met with CFPB management to discuss our findings, recommendations, the content of the auditor's report, and steps related to the final reporting process.

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

RESULTS

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 also 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 Dodd-Frank 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 2019 and 2018, the CFPB's annual transfers from the Board totaled approximately \$468 million and \$381 million, respectively.

¹ While not required to comply with OMB regulations, CFPB uses OMB requirements and guidance as indicators of leading practices.

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 the 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, senior management reviews three times a year, 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 further supplemented with a semi-annual review of open obligations to confirm the validity of the open status.

The CFPB has established and maintains an operating reserve to protect the Bureau's ability to carry out its authority and 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 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 a further understanding of the budget formulation, execution and monitoring process through discussions with management of the OCFO and select CFPB divisions;
- 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 2019 budget was discussed with the program offices, was reviewed and approved by CFPB's Director, and was widely communicated throughout the organization;
- Obtaining an understanding of the budget execution and monitoring process through discussions with OCFO management and select CFPB offices;
- Reviewing CFPB's support for its mid-year budget review;
- Selecting a sample of budgetary transactions and obtaining supporting documentation;
- Reviewing the user controls noted in the Bureau of the Fiscal Service Organization Control report under Statement on Standards for Attestation (SSAE) No. 18: *Report on the Bureau of the Fiscal Service Administrative Resource Center's Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2018 to June 30, 2019* (Fiscal Service SSAE 18 report) issued by KPMG, which performed this SSAE No. 18 attestation for the Bureau of the Fiscal Service; and

- Reviewing the CFPB analysis of the Fiscal Service SSAE 18 report.

Refer to **Finding A** in the *Finding and Recommendations* section of this report and management's **Corrective Actions Taken to Resolve the FY 2018 Audit Report Findings and Recommendations** section of this report for our findings and recommendations related to our budget process audit objective.

Human Capital Benefit Program

CFPB provides benefits to its employees for the reimbursement of expenses related to professional licenses, certifications, and memberships ("credentials") fees. The CFPB has established and implemented policies and procedures for this process, including eligibility, maximum amounts for reimbursement, the reimbursement request approval process, and monitoring of reimbursement expenses. In FY 2019, approximately 430 CFPB employees sought reimbursement under the benefit, with total reimbursements of \$152 thousand.

Eligibility and Maximum Reimbursement Amount

In order to be eligible for reimbursement, employees must be in a position with a term of more than one year, and either have a full-time work schedule or a part-time work schedule of at least 30 hours per week. The benefit provides employees up to \$500 annually for credentials that are related to their job responsibilities, and for those employees occupying attorney positions, a separate additional reimbursement of one State Bar due, regardless of amount.

Reimbursement Approval Process

For employees seeking reimbursement for the credential fees, they must complete the Credential Request and Justification Form. The form requests the employee's information, credential information, description of link to employees' current position and duties, and the expected benefits to CFPB and the employee. The employee submits this form and appropriate supporting documentation to their supervisor who then determines if the credential is relevant to the employee's position duties. If the supervisor approves of the credential, the employee then submits the form to the Office of Human Capital Talent Management Team (OHC TM) for final review and approval. The OHC TM team member reviews each request form to ensure that all sections are completed, both employee and supervisor have signed the form, and sufficient supporting documentation has been included. If after the review, the team member determines the request is not complete, they will notify the employee specifying the additional information required. Once all requirements have been satisfied, the OHC TM team member approves and signs the form, and returns it to the employee.

For employees holding an attorney position, the OHC TM notifies them of their eligibility for one state bar dues reimbursement. Included within the notification e-mail is a Bar Membership Dues Reimbursement Statement of Approval document that provides the required approval support for submission of a reimbursement.

Once an employee has received the fully approved credential form, or the State Bar approval document, the employee must create a voucher within CFPB's expense reimbursement system. The employee's supervisor, or designated back up, is notified of the voucher upon submission and reviews the voucher to ensure that the supporting documentation has been appropriately uploaded. If all the requirements are met, the supervisor approves the voucher in the system and the employee is reimbursed.

Monitoring

OHC TM is responsible for monitoring compliance and conducting periodic reviews of the benefit eligibility. To accomplish this, OHC TM logs each credential reimbursement request form submitted by an employee into an electronic log. The OHC TM uses the log to determine if the employee has previously requested reimbursement, and if so, whether adequate funding remains of their \$500 annual benefit allowance to reimburse the credential fee expense. If an employee is not eligible for a full reimbursement due to exceeding the maximum allowance, they are notified that they will only be approved for the remaining amount of their allowance. Furthermore, to monitor the eligibility for State Bar dues reimbursement, OHC TM runs a report of all employees in an attorney position from the payroll system on a quarterly basis. OHC TM then utilizes this list to notify employees of their eligibility.

Our methodology and approach for evaluating the human capital benefit program included the following procedures:

- Interviewing relevant CFPB human capital benefit program personnel regarding how the expense reimbursement program operates, as well as internal policies and procedures for administering the program;
- Reviewing relevant policies and procedures for the program;
- Obtaining an understanding of the controls in place at CFPB over the logging and approval of employee reimbursement requests;
- Selecting a sample of paid reimbursement requests and obtaining the related supporting documentation of the credential; and
- Comparing CFPB policies and procedures over the program to the applicable requirements and guidance listed in the GAO Greenbook.

Refer to **Finding B** in the *Finding and Recommendations* section of this report for our finding and recommendations related to the human capital benefit program audit objective.

Corrective Actions Taken to Resolve the FY 2018 Audit Report Findings and Recommendations

CFPB developed a corrective action plan to address the prior year finding included in the *2018 Independent Audit of Operations and Budget*² report. Our methodology and approach for evaluating the corrective actions process included the following procedures:

- Reviewed the findings and related recommendations included in the *2018 Independent Audit of Operations and Budget*, which were defined as either a risk of deficiency or non-compliance or a deficiency in internal control;
- Obtained and reviewed the corrective action plan (CAP) developed by CFPB for the findings mentioned above; and
- Reviewed documentation supporting the CFPB actions specified in the CAP and how the actions taken address the prior year findings.

² *2018 Independent Audit of Selected Operations and Budgets*, KPMG, April 4, 2019

The table below captures the status of the prior year findings based on the results of our 2019 performance audit procedures:

2018 Findings	2018 Finding Type	2019 Status
Untimely de-obligation of stale obligations	Control Deficiency	<p>CLOSED</p> <p>Based on the result of our procedures over the status of our prior years finding and fiscal year 2019 budget function, we decided to close the prior year finding and issue a new finding with updated cause and recommendations. Refer to Finding A in the <i>Findings and Recommendations</i> section of this report.</p>
Insufficient Controls Over the Review and Monitoring of Program Participants	Control Deficiency	<p>CLOSED</p> <p>CFPB implemented policies and procedures to address the finding in FY 2019. We obtained the policies and procedures and noted they addressed the recommendations issued in FY 2018. As a result, we closed the finding.</p>

Findings and Recommendations

Our 2019 performance audit identified two internal control deficiency³ findings, which are presented below. We discussed the results of the performance audit with CFPB's CFO, the audit focus area leads, and the Contracting Officer Representative (COR) for the audit contract.

A. Controls over the monitoring and review of stale obligations

Background and Condition:

In our previous audit report⁴, we issued a finding related to the untimely de-obligation of stale obligations (i.e., open obligations of at least 3 years). CFPB created a corrective action plan to address the four recommendations issued in our report. In FY 2019, CFPB continued to implement its corrective action plan by holding direct meetings with individual CORs, updating procurement policies and guidance to address protocols for validating open obligations, and performing an analysis to identify if specific offices require additional training. Additionally, management began assessing potential validation testing of the new policies and procedures that had been implemented. Although progress had been made to address the corrective actions, we continued to note that control deficiencies remain in the validation of stale obligations. Based on our procedures performed, we noted that potentially stale obligations remained obligated in FY 2019. Specifically, we noted that of our sample of 15 obligations selected for testing, 3 obligations were more than three years old, and management could not provide adequate documentation supporting their open status.

Criteria:

- COO-CFP-006, Policy for Recording Commitments and Obligations
- COO-PROC-02-2018, Contract Closeout
- GAO *Standards for Internal Control in the Federal Government*, Principle 16
- For leading practices, the Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

³ *Government Auditing Standards*, 2018 Revision – Paragraph 8.53. “A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel to achieve control objectives and address related risks. A deficiency in design exists when a necessary control is missing or is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in implementation exists when a control is properly designed but not implemented correctly in the internal control system. A deficiency in operating effectiveness exists when a properly designed control does not operate as designed or the person performing the control does not have the necessary competence or authority to perform the control effectively.”

⁴ *2017 Independent Audit of Selected Operations and Budgets*, KPMG, March 26, 2018

Cause and Effect:

CFPB implemented additional guidance for use by the CORs during the semi-annual open obligation review. However, during the review, CORs in certain offices did not consistently respond to the request for validation of stale obligations by the OCFO. Accordingly, OCFO was unable to conclude if stale obligations could be de-obligated. Stale obligations potentially prevent the release of additional funds for use by CFPB for other operational requirements and offer the opportunity for improper payments to be made against obligations that should have been closed out.

Recommendations:

To continue to improve controls over its budget execution function with respect to obligations, we recommend:

1. The Office of the Chief Financial Officer, in coordination with the Office of Procurement, to continue to assess the root causes of ineffective internal controls that address the review of stale obligations in its corrective action plans, to help design an effective internal control environment that is suitable to CFPB business processes. The review should consider both the effectiveness of the semi-annual open obligation review, and CORs adherence to the existing policies and procedures to evaluate the validity of stale obligations; and
2. The Office of the Chief Financial Officer and the Office of Procurement consider the need for additional training based on the results of the analysis of root causes.

B. Monitoring of Employee Expense Reimbursement Submissions

Background and Condition:

CFPB's OHC TM is responsible for approving and monitoring the \$500 credential benefit. This responsibility includes confirmation that an employee has not exhausted their annual benefit before approval of the reimbursement request. Currently, OHC TM utilizes an electronic credential log to track the submission of each employee's request for reimbursement, enabling them to maintain a record of the total reimbursements approved for the employee and confirm an employee will not exceed their \$500 benefit. During our procedures, we noted controls over the review of data entry into the log were not appropriately designed. Specifically, we selected a sample of 15 employee reimbursement requests that had been paid from the expense reimbursement system, and noted the following:

- 2 credential reimbursement request form's information did not agree with the information that had been recorded in the credential log; and

- 6 credential reimbursement request forms had not been logged into the credential log.

Criteria:

- CFPB Professional Licenses, Certifications and Memberships Procedures, dated 10/24/2014
- GAO *Standards for Internal Control in the Federal Government*, Principle 12

Cause and Effect:

CFPB has not developed a formal operating procedure to handle the recording, maintenance and review of the log. Additionally, the logging process is manual and prone to errors if no procedures are followed. Finally, this process was exacerbated with turnover of personnel. Insufficient policies and procedures over the review of credential reimbursement log data could result in employees being reimbursed inappropriately or reimbursed above their \$500 annual maximum.

Recommendations:

To improve controls over the human capital benefit program, we recommend that Office of Human Capital:

1. Develop standard operating procedures to ensure the consistent entry of data within the electronic credential expense reimbursement log and the adequate maintenance of such data once captured in the log;
2. Implement periodic review controls over the data in the electronic credential expense reimbursement log to ensure the accuracy and completeness of the log and to ensure consistency with the corresponding expense reimbursement system data; and
3. Provide training to the Office of Human Capital Talent Management team members on the new procedures.

Appendix A – CFPB’s Management Response

Management Responses

We provided a draft of this report to CFPB management for review and comment. CFPB’s responses to our findings and recommendations are included in a letter from CFPB’s Chief Financial Officer dated March 26, 2021 (refer to Appendix A). CFPB’s responses were not subjected to the auditing procedures applied in the performance audit objectives relative to CFPB; accordingly, we expressed no opinion on these responses.

Bureau of Consumer Financial Protection
1700 G Street NW
Washington, D.C. 20552

March 26, 2021

Mr. Jorge Asef-Sargent
KPMG, L.L.P.
1801 K Street, NW
Suite 12000
Washington, DC 20006



Dear Mr. Asef-Sargent,

Thank you for the opportunity to review and comment on KPMG, L.L.P.'s report "*Bureau of Consumer Financial Protection Independent Audit of Selected Operations and Budget*," for Fiscal Year 2019 dated March 26, 2021. We have reviewed the audit report and concur with the recommendations contained therein. As noted in the report, the Bureau has fully remediated the finding from the 2018 Independent Audit conducted by your firm related to our Transit Subsidy Program. Additionally, we note the finding from FY17 related to Untimely Deobligation of Stale Obligations has been closed and re-issued for FY19, with updated conditions and recommendations.

We agree with the identified condition and accompanying recommendation in the 2019 audit report related to the Professional Licenses, Certifications, and Memberships Human Capital Benefit Program. My colleagues are already preparing to implement the proposed recommendations from the Budget and Human Capital audit focus areas. The comments on the recommendations in this letter provide additional detail on planned actions to enhance the controls in both audit focus areas.

Thank you again for your review.

Sincerely,

Dana M. James
Dana James
Acting Chief Financial Officer

consumerfinance.gov

A. Auditor's Recommendations Related to CFPB's Controls over the monitoring and review of stale obligations

Recommendations: The Auditor recommends that CFPB:

1. The Office of the Chief Financial Officer, in coordination with the Office of Procurement, continue to assess the root causes of ineffective internal controls that address the review of stale obligations in its corrective action plans and help design an effective internal control environment that is suitable to CFPB business processes. The review should consider both the effectiveness of the semi-annual open obligation review, and CORs adherence to the existing policies and procedures to evaluate the validity of stale obligations; and
2. The Office of the Chief Financial Officer and the Office of Procurement consider the need for additional training based on the results of the analysis of root causes.

CFPB Response:

The CFPB agrees with the condition noted in the report and the recommendations above. In particular:

1. The Bureau will continue to work with program offices and CORs throughout the Bureau to review open obligations and de-obligate balances as applicable.
2. The Bureau will continue to evaluate existing processes and enhance those processes to ensure the controls are effective.
3. The Bureau will also continue to evaluate the need for, and implement as necessary, additional training.

B. Auditor's Recommendations Related to CFPB's Controls over the monitoring of Employee Expense Reimbursement Submissions related to Professional Licenses, Certifications, and Memberships.

Recommendations: The Auditor recommends that CFPB:

1. Develop standard operating procedures to ensure the consistent entry of data within the electronic credential expense reimbursement log and the adequate maintenance of such data once captured in the log;
2. Implement periodic review controls over the data in the electronic credential expense reimbursement log to ensure the accuracy and completeness of the log and to ensure consistency with the corresponding expense reimbursement system data; and
3. Provide training to the Office of Human Capital Talent Management team members on the new procedures.

CFPB Response:

The CFPB agrees with the condition noted in the report and the recommendations above. In particular:

1. The Bureau Office of Human Capital (OHC) will develop standard operating procedures to outline specific, thorough, and consistent data entry for capture in the OHC credential log.
2. The OHC will determine a process and repeatable timeframe for periodic review of the OHC credentials log for accuracy, and to compare with sample data from records in the expense reimbursement system.
3. The OHC will provide training on the new operating procedures for OHC Talent Management team members who populate, and work with the OHC credentials log.