March 8, 2021

Bureau of Consumer Financial Protection

2021 Major Management Challenges for the Bureau

Office of Inspector General
Board of Governors of the Federal Reserve System
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MEMORANDUM

DATE: March 8, 2021

TO: Dave Uejio
Acting Director
Bureau of Consumer Financial Protection

FROM: Mark Bialek Fred Gibson for
Inspector General

SUBJECT: *2021 Major Management Challenges for the Bureau*

We are providing you with the major management challenges facing the Bureau of Consumer Financial Protection in 2021. These challenges represent what we believe to be the areas that, if not addressed, are most likely to hamper the Bureau's accomplishment of its strategic objectives.

We identified the Bureau's major management challenges by assessing key themes from our discussions with management and our understanding of the agency's programs and operations. Notably, in 2020, the COVID-19 pandemic required multiple branches of the federal government as well as state and local governments to take actions to control the spread of the virus and stabilize the economy. The Bureau plays a vital role in enforcing federal consumer protection laws and protecting consumers from abuse, especially during challenging economic times. We have adapted aspects of the management challenges to highlight the operational challenges presented by the pandemic response. The major management challenges, in order of significance, are as follows:

- Ensuring That an Effective Information Security Program Is in Place
- Managing Human Capital and Ensuring Employee Safety
- Remaining Adaptable to External Developments While Continuing to Refine the Supervision and Enforcement Strategy
- Managing Consumer Complaints

We monitor the Bureau's efforts to address the management challenges we identify each year. Our monitoring work includes following up on open recommendations and conducting related audit and evaluation work. For information on our ongoing and planned audit and evaluation work, please see our *Work Plan*.

We appreciate the cooperation that we received from the Bureau during this year's management challenges process. If you would like to discuss any of the challenges, please feel free to contact me.

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Ensuring That an Effective Information Security Program Is in Place

The Bureau of Consumer Financial Protection collects and stores sensitive information, including confidential supervisory information and personally identifiable information, to support many of its mission-critical activities. Unauthorized access to or disclosure of this information, through internal or external threats, could undermine the public's trust in the Bureau and limit its ability to accomplish its mission. Although the Bureau continues to maintain an effective information security program, the agency faces challenges in aligning its information security program, policies, and procedures with its evolving enterprise risk management (ERM) program; implementing effective identity and access management controls; and managing the secure configuration of its information systems and the timely remediation of technical vulnerabilities.

In accordance with federal guidance, the Bureau has developed an ERM strategy and is in the process of developing risk tolerance levels. As the Bureau matures its ERM program, it will face challenges in aligning and updating its information security program to ensure that it has a consistent view of cybersecurity risks across the agency. In addition, the Bureau is implementing a hybrid, cloud computing–based information technology environment. The Bureau will be challenged to establish the appropriate cloud governance structures and security assessment and authorization processes to ensure that third-party supply chain risks are appropriately assessed and managed.

Although the Bureau is working toward implementing effective identity and access management controls, challenges to effectively safeguarding sensitive agency data remain. Specifically, improvements are needed in the agency's use of strong authentication mechanisms, its maintenance of user access forms and rules of behavior for privileged users, and its implementation of data loss protection processes. The Bureau has self-identified similar improvement opportunities and is working to strengthen controls. For example, the Bureau has implemented a solution to provide strong authentication for administrator accounts and is piloting the use of personal identity verification credentials in preparation for broader adoption.

Finally, although the Bureau is making progress toward ensuring the security configuration of its information systems and the timely remediation of technical vulnerabilities, these remain challenge areas. Further, the Bureau has opportunities to implement automated tools to help ensure that technical vulnerabilities are effectively identified and mitigated across its technology environment and that secure configurations are maintained and continuously monitored.

Managing Human Capital and Ensuring Employee Safety

An agency's response to changes to its human capital environment can directly affect its ability to execute its mission efficiently and effectively. The Bureau's human capital program should continue adapting to recent changes in the workplace due to the COVID-19 pandemic and continue focusing on its workforce priorities to help ensure that it uses staffing resources as effectively as possible.

In March 2020, the Bureau began following workplace safety and health guidelines related to COVID-19 from various sources, including the Centers for Disease Control and Prevention, the Office of Personnel Management, and local authorities. The Bureau also moved to mandatory telework and restricted access to its headquarters building and regional offices to essential staff only. The Bureau has taken additional steps, such as hiring a medical advisor, procuring a medical services contractor, and establishing two working groups, in preparation for the return of employees to its headquarters building and regional offices. During this same period, the Bureau's Office of Human Capital (OHC) also assumed additional responsibilities to help the Bureau respond to the pandemic. For example, OHC (1) advised the Bureau director on human capital initiatives related to the pandemic, (2) implemented the Emergency Paid Sick Leave Act, and (3) developed a guide for managers and employees on working effectively in a full-time telework environment.

In July 2020, the Bureau began permitting employees to voluntarily return to its headquarters building, up to a 25 percent occupancy level, while continuing to encourage maximum telework through the end of the year. In August 2020, the Bureau moved the majority of its regional offices to that same approach. As the Bureau plans for its phased reopening, it should continue to identify risk levels in the workplace and implement appropriate control measures in support of providing a safe and healthy work environment at its headquarters building and regional offices. Additionally, the Bureau has developed a pandemic playbook, an internal document that enables agency personnel to monitor for, respond to, and report COVID-19 incidents. To prepare its buildings and offices for greater occupancy, the Bureau must continue to carefully monitor and address key health and safety considerations presented by the evolving nature of the virus. Finally, the Bureau should continue to monitor the circumstances related to the pandemic and assess whether it needs to modify its pandemic playbook or develop additional guidance to protect the health and safety of its employees and instill confidence that they can safely return to work.

In addition to helping the Bureau respond to the pandemic, OHC has continued its efforts related to workforce planning. Workforce planning can help the Bureau strengthen its human capital management by aligning its human capital program with its current and emerging mission and programmatic goals and by developing long-term workforce strategies to maintain a talented, diverse, inclusive, and engaged workforce. OHC plans to create a 3- to 5-year workforce plan after it completes its workforce planning analysis. This plan may include topics such as recruitment and hiring, leadership development, workforce development, business continuity, organizational resilience, and improvements to data analytics.

OHC has also continued its work on reforming the Bureau's compensation structure and pay setting program to address a series of compensation considerations and foster comparability with federal banking regulators. In early January 2021, the Bureau and the National Treasury Employees Union completed negotiations on a new compensation agreement effective through 2023. The agreement covers a variety of pay and benefits matters, including the establishment of a joint labor-management committee to identify employees' creditable work experience as part of a Bureauwide salary review and reset. The parties also agreed to reopen negotiations by April 2021 on a new pay band structure and related improvements to the Bureau's pay setting practices with a goal of resetting employee salaries by the end of 2021.

As the Bureau continues its compensation reform, the agency will need to ensure that any changes to the compensation structure align with the current performance management system and that the workforce perceives any changes as equitable and transparent. Further, the Bureau will need to be strategic in how it dedicates resources to meet its priorities and mature its human capital program as it continues to address the changes to its workplace environment.

Remaining Adaptable to External Developments While Continuing to Refine the Supervision and Enforcement Strategy

The Bureau is responsible for ensuring compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate. The Dodd-Frank Wall Street Reform and Consumer Protection Act provides the Bureau with the authority to supervise depository institutions with more than $10 billion in total assets; their affiliates; and certain nondepository institutions, such as mortgage companies, payday lenders, private education lenders, and larger participants in other markets as defined by rules issued by the Bureau.

The COVID-19 pandemic has resulted in novel challenges that have affected consumers and communities as well as the depository and nondepository institutions that serve them. In light of the uncertainty surrounding the duration and effect of the pandemic, the Bureau faces challenges in adapting its oversight strategy in this evolving environment. As such, the Bureau is monitoring the ongoing developments associated with the pandemic as well as complaints from consumers while continuing to assess and implement adjustments to its oversight approach.

In addition to adapting its oversight approach in response to the pandemic, the Bureau continues to refine its supervisory and enforcement strategy. An important objective of the Dodd-Frank Act is to ensure that federal consumer financial laws are enforced consistently for both depository and nondepository institutions. However, because there are potentially thousands of nondepository institutions of varying sizes and risk profiles under the Bureau's supervisory jurisdiction, the agency should continue assessing the strategy and resources needed to supervise nondepository institutions efficiently and effectively to protect consumers.

Finally, the Bureau may apply supervision or enforcement tools in a variety of circumstances, and the selection and application of such tools are crucial to effective oversight. The Bureau must continue to define and mature its tool selection process to promote consistency in its oversight of depository and nondepository institutions. As the Bureau continues to refine its supervision and enforcement strategy, the agency must also evaluate its human capital needs to ensure that it maintains a workforce with the requisite skills and expertise to execute its strategy. In addition, the Bureau must evaluate its technology needs to support its supervisory and enforcement activities.

Managing Consumer Complaints

Under authority granted by the Dodd-Frank Act, the Bureau collects, monitors, and responds to complaints from consumers on financial services and products. The Bureau has identified in its *Continuity of Operations Plan* the handling of consumer complaints as a mission-essential function that is critical to its strategic contingency planning efforts. The Bureau's Office of Consumer Response receives complaints directly from consumers about the challenges they face in the financial services and products marketplace and uses the complaint data to create reports for its internal Bureau customers. The number of complaints has continued to grow since the creation of Consumer Response, and processing an increase in complaints during challenging times, such as the pandemic, may strain the Bureau's resources.

Since its creation, the Bureau has received more than 2.2 million complaints, and more than 5,000 financial companies have responded to their customers through the Bureau's complaint process. Further, the monthly average complaint volume increased from about 29,000 complaints in 2019 to an average of approximately 45,000 complaints in 2020. Moreover, whereas Consumer Response handled 352,400 complaints in 2019, it had already handled half that complaint volume in the first 5 months of 2020, including more than 8,000 complaints in which consumers specifically mentioned issues or concerns related to the COVID-19 pandemic. As the pandemic persists, consumers could continue to experience problems such as incorrect credit report information or difficulty paying their mortgages, resulting in even more complaints. Consumer Response has also undergone multiple organizational shifts within the past 3 years, having moved from the Operations Division to the Consumer Education and Engagement Division and then to the newly created Division of Consumer Education and External Affairs. These moves may affect the management of consumer complaints, particularly as the Bureau has redistributed some of Consumer Response's resources to other divisions.

With an increase in consumer complaints and ongoing organizational shifts, Consumer Response faces an operational risk with respect to the timeliness in which it can respond to consumer complaints. Consumer Response acknowledges the potential operational challenges if the complaint volume is sustained over a longer period. To mitigate those challenges, Consumer Response is relying on its current processes for routing complaints to financial services companies for response and has moved its call centers to a remote work environment to maintain continuity of services for consumers calling the Bureau. Consumer Response is continuing to monitor company response timeliness, enabling it to share and publish data about the timeliness of these responses. Although the reorganization has reduced its available staff resources, Consumer Response expects that it can handle the complaint volume and does not anticipate the need to change the complaint process.

Abbreviations

ERM	enterprise risk management
OHC	Office of Human Capital

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