



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

## MEMORANDUM

**DATE:** August 17, 2020

**TO:** Martin Michalosky  
Chief Administrative Officer  
Bureau of Consumer Financial Protection

**FROM:** Michael VanHuysen *Mike Van Huysen*  
Associate Inspector General for Audits and Evaluations

**SUBJECT:** OIG Report 2020-MO-C-018: Results of Scoping and Suspension of the Evaluation of the Bureau’s Personnel Security Program

### Executive Summary

We initiated an evaluation in December 2019 to assess the efficiency and effectiveness of the Bureau of Consumer Financial Protection’s personnel security program. We are issuing this memorandum report to communicate our findings and recommendations based on the results of our scoping. In addition to our evaluation, the Bureau completed its own internal review of the personnel security program in December 2019 that identified recommendations to improve various aspects of the program. In January 2020, the Bureau’s Personnel Security Office (PSO) began making changes to its personnel security program based on the results of the internal review. Further, the U.S. Office of Personnel Management (OPM) initiated a review of the Bureau’s personnel security program in March 2020.

As part of our scoping efforts, we found that the PSO does not have measurable objectives to evaluate its performance related to reducing its adjudication backlog or a plan with measurable objectives to manage background investigations going forward. In addition, we found that the PSO does not have processes to reconcile its personnel security data. This memorandum report includes three recommendations designed to strengthen the Bureau’s performance monitoring capabilities for the personnel security program and improve processes related to data accuracy. In the Bureau’s response to our draft memorandum, which is included as an attachment, the chief administrative officer generally concurs with our recommendations and outlines actions that have been or will be taken to address them. We will follow up to ensure that the recommendations are fully addressed.

We believe that the Bureau needs time to fully address the multiple efforts underway related to improving the program before we can assess and determine whether and how best to proceed in conducting and completing our evaluation. Therefore, we are suspending our evaluation. We intend to

monitor the Bureau's progress in implementing our recommendations and will assess the need to reinitiate our evaluation at a later date.



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Recommendations, 2020-MO-C-018, August 17, 2020

## Results of Scoping and Suspension of the Evaluation of the Bureau's Personnel Security Program

### Finding 1: The PSO Does Not Have a Documented Plan or Objectives to Measure Its Performance

Number	Recommendation	Responsible office
1	Develop measurable objectives to evaluate the PSO's efforts to reduce the agency's adjudication backlog.	Office of Administrative Operations
2	Develop a plan with measurable objectives to assess and monitor the PSO's management of the background investigation process.	Office of Administrative Operations

### Finding 2: The PSO Does Not Have Processes to Reconcile Personnel Security Data

Number	Recommendation	Responsible office
3	Develop a process to <ol style="list-style-type: none"> <li>a. periodically receive name change reports from the OHC and ensure that such changes are made in the PSO's case management system.</li> <li>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.</li> </ol>	Office of Administrative Operations

# Background

## ***The Federal Government's Suitability Program***

OPM provides standards for determining the suitability of federal employees and contractors across the federal government. *Suitability* refers to an individual's identifiable character traits, which are evaluated to decide whether an individual is likely to execute the duties of a federal job. Individuals appointed to competitive service positions must undergo a background investigation by OPM or by an agency conducting investigations under delegated authority from OPM. Once an individual's background investigation is complete, the case must be adjudicated using OPM's suitability standards to determine whether the individual is suitable for employment with the federal government.

## ***The Bureau's PSO***

The PSO, part of the Office of Administrative Operations, manages the background investigation process for the Bureau's federal employees and contractors in coordination with OPM. The PSO has similar, but separate, background investigation processes for employees and for contractors. The PSO uses a case management system to track personnel security data for its employees and contractors.

For employees and contractors, the PSO requests that the individual complete an electronic questionnaire to begin the background investigation process. The individual completes the required questionnaire and submits it to OPM for investigation.<sup>1</sup> Upon receipt of an employee's completed background investigation report from OPM, the PSO adjudicates the case and makes a suitability decision. For contractors, OPM adjudicates the cases and makes the suitability decision, and the PSO performs final processing.

Additionally, the PSO is responsible for managing reinvestigations for both employees and contractors, which are required every 5 years. Consistent with the above processes for employees and contractors, the PSO adjudicates federal employee cases and OPM adjudicates contractor cases.

## ***The Bureau's Adjudication Backlog***

According to the *Code of Federal Regulations*, agencies should adjudicate cases and report the result to OPM no later than 90 days after the receipt of the completed background investigation report.<sup>2</sup> Any cases that the agency has not adjudicated within the 90-day time frame constitute an agency's backlog.

In January 2019, the Bureau had 112 federal employee cases pending adjudication.<sup>3</sup> The PSO informed us that the agency's backlog increased significantly when OPM returned a large number of completed cases

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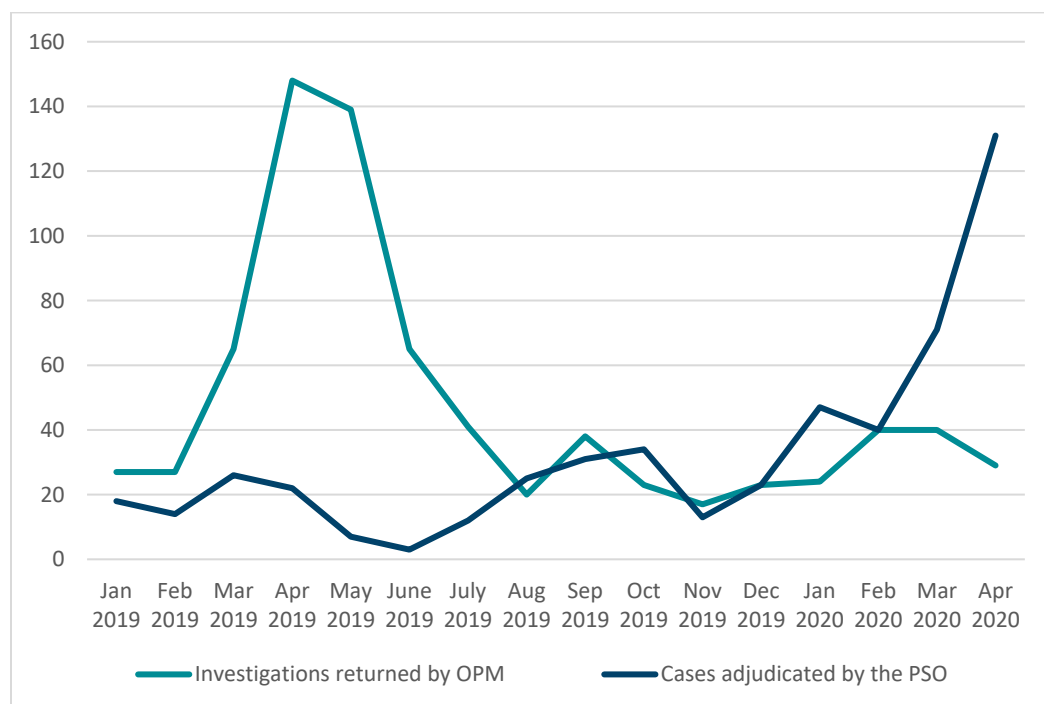
<sup>1</sup> The Defense Counterintelligence and Security Agency is OPM's service provider for investigations that support covered positions subject to suitability, fitness, and credentialing standards across the federal government.

<sup>2</sup> 5 C.F.R. § 732.302.

<sup>3</sup> The data available for January 2019 include all federal employee cases pending adjudication because data representing the backlog of cases over 90 days were unavailable.

to the Bureau in April and May 2019 (figure 1). The PSO also informed us that during this time, it was not fully staffed, which affected its ability to address the backlog. By February 2020, the Bureau’s backlog of federal employee cases had grown to approximately 445.<sup>4</sup>

**Figure 1. Investigations Returned by OPM and Cases Adjudicated by the PSO by Month, January 2019–April 2020**



Source: The Bureau’s summary reports on employee cases returned and adjudicated.

In February 2020, the PSO informed us that it had implemented a prioritization method for adjudicating cases in the backlog, focusing first on cases with serious issue codes and those for high-risk positions and then on the oldest cases in the backlog.<sup>5</sup> The PSO also implemented other program improvements, including optimizing contractor resources and developing monthly adjudication reports. In March 2020, the PSO selected a permanent director of security programs; that position had been filled by an acting director since October 2019.

In May 2020, the PSO informed us that it had taken additional actions to reduce the agency’s backlog. Specifically, the Bureau authorized overtime hours for the PSO’s staff to adjudicate cases in the backlog. Additionally, the PSO filled a vacant staff position and directed that individual to focus on adjudicating the oldest cases in the backlog. The PSO adjudicated 131 cases in April 2020 and 177 cases in May 2020, which reduced the backlog to 169 cases.

<sup>4</sup> Our estimate of the Bureau’s backlog is based on data provided by the PSO.

<sup>5</sup> OPM uses issue codes to categorize the nature of the concern in an individual’s case file.

## **Reviews of the Bureau's Personnel Security Program**

The Bureau's Office of the Chief Operating Officer conducted an internal review of the personnel security program to assess its efficiency and effectiveness. The internal review team completed the review in December 2019 and identified findings and recommendations related to the program's processes, systems, and staffing. The PSO began making changes to the program in January 2020, and efforts to implement the recommendations were ongoing as of June 2020.

In addition to the Bureau's internal review, OPM's Suitability Executive Agent Programs initiated a review of the Bureau's personnel security and suitability program in March 2020.<sup>6</sup> OPM is focusing its review on 12 topics related to federal suitability programs and will provide feedback to the PSO on ways in which it can improve program efficiency. As of July 2020, OPM has completed its review and has issued its draft report to the Bureau.

## **Scope and Methodology**

During our scoping phase, we developed an initial understanding of the Bureau's personnel security program. Specifically, we interviewed responsible Bureau officials and staff, reviewed policies and procedures, and identified controls related to the processing of background investigations. We also reviewed data from the PSO's case management system and compared those data to the Bureau's employee roster. In addition, we reviewed documents related to the Bureau's internal review and OPM's review, and we interviewed members of each review team. We conducted our scoping phase from December 2019 through May 2020 in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

## **Finding 1: The PSO Does Not Have a Documented Plan or Objectives to Measure Its Performance**

The PSO does not have measurable objectives to evaluate its efforts to reduce its adjudication backlog. The PSO acknowledged that because case adjudication times can vary significantly, having zero cases in the backlog may not be realistic; however, the Bureau also has not established an acceptable backlog level. The PSO informed us that once the current backlog is resolved, it would ideally adjudicate cases within 90 days of receiving the background investigation report from OPM. The Office of Administrative Operations' 2020 performance plan contains a high-level initiative to improve the personnel security program. However, the PSO has not defined specific objectives to measure its performance related to managing the background investigation process going forward or developed a plan for executing or monitoring progress toward achieving those objectives.

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* states that management should define measurable objectives so that performance toward achieving those objectives can be assessed. Additionally, management should define risk tolerances for

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<sup>6</sup> As part of OPM's oversight responsibility, it conducts reviews of agencies' personnel security and suitability programs.

objectives to identify the acceptable level of variation in performance relative to the achievement of the stated objectives.

The PSO informed us that it had not determined a target date for reducing the backlog because it was focusing on filling its vacant position and making improvements to other areas of the personnel security program based on the Bureau's internal review. As noted above, the Bureau has taken specific actions to reduce the backlog. However, we believe a documented plan and specific performance objectives will enable the PSO to better assess and monitor its performance, including determining whether additional resources may be needed to meet its objectives. Such a plan could provide the PSO with flexibility to update the objectives and targets once its operations normalize. Additionally, we believe that establishing measurable objectives would allow the PSO to monitor overall program performance and help to prevent a similar backlog from developing in the future.

## ***Recommendations***

We recommend that the chief administrative officer

1. Develop measurable objectives to evaluate the PSO's efforts to reduce the agency's adjudication backlog.
2. Develop a plan with measurable objectives to assess and monitor the PSO's management of the background investigation process.

## ***Management Response***

In the Bureau's response to our draft report, the chief administrative officer generally concurs with our recommendations. For recommendation 1, the response outlines a plan that includes several actions to address the adjudication backlog and to increase the efficiency in processing background investigations. In addition, the PSO indicates that new staffing levels will allow its staff to continue focusing on adjudicating cases older than 90 days as well as to process newly closed investigations. The PSO expects to develop measurable objectives by the fourth quarter of fiscal year 2020.

For recommendation 2, the response states that the PSO intends to provide its management with monthly reports from its case management system to monitor the inventory of cases and progress against measurable objectives. The PSO expects to incorporate measurable objectives in order to monitor the plan outlined in response to recommendation 1 by the fourth quarter of fiscal year 2020.

## ***OIG Comment***

The planned actions described by the chief administrative officer appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.

## Finding 2: The PSO Does Not Have Processes to Reconcile Personnel Security Data

We tested the data in the PSO's case management system for completeness and found that not all current Bureau employees were active in the system. Specifically, we found that six employees had been deactivated and one employee was missing from the system. The PSO deactivated the six employees because their names were not on the Bureau's active employee list when the PSO attempted to initiate their reinvestigations. We determined that in those six instances, the PSO was unaware that the employees' names had changed. The PSO did not have an explanation for the one employee who was missing from the system.

*GAO's Standards for Internal Control in the Federal Government* provides an overall framework for a control environment to support internal control. GAO notes that management should perform ongoing monitoring as part of its normal operations, including regular comparisons and reconciliations.

The PSO informed us that it does not have a formal process to receive notifications of employee name changes from the Office of Human Capital (OHC). The PSO informed us that the OHC has notified the PSO of some employee name changes, but those notifications were infrequent and mostly ad hoc. In addition, the PSO does not perform periodic reconciliations against official personnel records to ensure that all current Bureau employees are active in the case management system.

Because the PSO was unaware of the name changes for the six employees, it deactivated the employees in its system and did not initiate the reinvestigations that were due for these employees. Additionally, by not performing periodic reconciliations of its data, the PSO did not identify the employee missing from the system; this employee had not undergone a background investigation since 2011. Employee data are subject to change; therefore, performing periodic reconciliations is essential to the effective management of the PSO's personnel security program.

### Recommendation

We recommend that the chief administrative officer

3. 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.

### Management Response

In the Bureau's response to our draft report, the chief administrative officer generally concurs with our recommendation. For recommendation 3(a), the response states that reports received from the OHC do not always include the most updated information. The PSO plans to collaborate with the OHC to



determine the adjustments that can be made to improve the accuracy of the information. The PSO expects that adjustments to the report will be made by the second quarter of fiscal year 2021.

For recommendation 3(b), the response states that the PSO is developing a new report within its case management system; the PSO will conduct a quarterly comparison of the new report against the OHC roster to determine whether the employee records in both documents match. The PSO expects the report to be available by the first quarter of fiscal year 2021.

### ***OIG Comment***

The planned actions described by the chief administrative officer appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.

## **Conclusion**

We are suspending our evaluation of the Bureau's personnel security program. We believe the Bureau needs time to fully address the multiple efforts related to improving the program before we can determine whether and how best to proceed with our evaluation. We will monitor the Bureau's progress in addressing our recommendations as well as its progress in reducing its adjudication backlog. We will assess the need to reinstate our evaluation at a later date.

Our report contains recommendations designed to strengthen the Bureau's performance monitoring capabilities for the personnel security program and to improve processes related to data accuracy. We provided you with a draft of our memorandum report for review and comment. In your response, you generally concur with our recommendations and outline actions that have been or will be taken to address our recommendations. We will follow up to ensure that the recommendations are fully addressed. We have included your response as an attachment.

We appreciate the cooperation that we received from the PSO staff during the evaluation. Please contact me if you would like to discuss this memorandum report or any related issues.

cc: Kirsten Sutton  
Hoan Nguyen  
Donna Roy  
Elizabeth Reilly  
Dana James  
Lauren Hassouni  
Anya Veledar  
Carlos Villa

**Attachment**

## Management Response



1700 G Street NW, Washington, D.C. 20552

July 29, 2020

Mr. Michael VanHuysen  
Associate Inspector General for Audits and Evaluations  
Board of Governors of the Federal Reserve System  
20th and Constitution Avenue, NW  
Washington, DC 20551

Dear Mr. VanHuysen,

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) draft report *Results of Scoping and Suspension of the Evaluation of the Bureau's Personnel Security Program*.

The Consumer Financial Protection Bureau (Bureau or CFPB) appreciates the OIG's review and generally concurs with the three recommendations designed to strengthen the Bureau's performance monitoring capabilities for the personnel security program and improve processes related to data accuracy. As noted in the report, the Bureau completed its own internal review of the personnel security program and identified recommendations to improve various aspects of the program. Accordingly, the actions implemented or being implemented, addresses some of the recommendations and the Bureau is committed to taking steps toward implementing the remainder.

We provide the following management responses for each recommendation.

Sincerely,

**Martin A. Michalosky** Digitally signed by Martin A. Michalosky  
Date: 2020.07.29 11:04:13 -04'00'

Martin Michalosky  
Chief Administrative Officer  
Office of Administrative Operations

[consumerfinance.gov](https://consumerfinance.gov)

## **Finding 1: The PSO Does Not Have a Documented Plan or Objectives to Measure Its Performance**

### ***Recommendations***

We recommend that the chief administrative officer

1. Develop measurable objectives to evaluate the PSO's efforts to reduce the agency's adjudication backlog.

**CFPB Response:** When the background investigation process transferred from the Office of Personnel Management (OPM) to Defense Counterintelligence and Security Agency (DCSA), OPM's goal was to close as many investigations as possible before the September 30, 2019, transition date by hiring additional OPM investigators and changing the investigative requirements. As a result, the number of investigations closed and transferred to CFPB increased from an average of 20-40 per month to an average of 105 between March 2019 and June 2019. Additionally, the CFPB's Personnel Security Office (PSO) lost one full-time Federal employee in May 2018 and a second position became vacant in August 2019. These factors resulted in a backlog of nearly 500 cases pending adjudication when the OIG entrance conference was conducted in December 2019.

Under the leadership of a new Security Director, the PSO took several actions identified during an internal program review that was conducted in late 2019 in order to address the backlog of cases pending adjudication. The plan below includes actions that enable the CFPB to be more efficient regarding processing background investigations and resulted in reducing the previously mentioned backlog to 133 (as of June 30, 2020):

1. In January 2020, the PSO modified the CFPB's personnel security case management system (ABIS) to enable the reporting of all cases pending adjudication. The report would include the closing date of the investigation, investigation type, OPM issue characterization, case age, higher risk level, and significant issues. This information will be used to prioritize cases, develop measurable objectives, and evaluate the PSO's efforts to reduce the previously mentioned backlog.
2. The assignment of new cases requiring adjudication was changed to an alternate basis between two Personnel Security Specialists to ensure completion occurs within the 90-day adjudication requirement and minimize the opportunity for cases to be added to the backlog.
3. Overtime was authorized for the PSO to focus on completing the inventory of cases that were above 90-day adjudication requirement.
4. An additional full-time Federal employee was hired in March 2020 and assigned exclusively to adjudicating the cases on the previously mentioned backlog.
5. Two full time contractor employees were hired in May 2020 and concentrated on the front-end processing of new cases, eQIP initiation, and other related tasks to allow the

Federal staff to allocate more of their time on adjudications, an inherently governmental function.

While the CFPB did not have the time during this audit to develop measurable objectives between the internal program review and the beginning of this audit, the PSO was able to reduce the previously mentioned backlog by over 70% within six months. Moving forward, as the newly hired Personnel Security Specialist continues to focus on the remaining cases that are over the 90-day adjudication timeline, the other PSO staff will continue adjudicating the older cases along with newly received investigations during regular and/or overtime hours. Newly closed investigations will be alternately assigned to the three employees to be adjudicated within the 90-day requirement (barring the need for issue resolution or other unavoidable delays). PSO plans to develop measurable objectives by Q4, FY2020.

2. Develop a plan with measurable objectives to assess and monitor the PSO's management of the background investigation process.

**CFPB Response:** Since the implementation of ABIS, the PSO has designed and generated various reports with the intent to continually monitor overall inventory of background investigations and the performance of the PSO. When the OIG audit began and throughout the audit process, the PSO continued revising these reports and developing additional ones in response to the internal program review and with the focus on improving the efficiency of the PSO. To assess and monitor the management of the background investigation process, the PSO will provide management with monthly reports to monitor the inventory and processes against measurable objectives. PSO will continue to review and revise reports based on the needs of the office and feedback from management. PSO plans to incorporate the measurable objectives to monitor the plan provided in the previous response by Q4, FY2020.

## **Finding 2: The PSO Does Not Have Processes to Reconcile Personnel Security Data**

### ***Recommendation***

We recommend that the chief administrative officer

3. 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.

**CFPB Response:** The CFPB's PSO receives automated monthly reports from the Office of Human Capital (OHC) that identifies changes in employee names. Upon receipt of this report each month, the PSO conducts a comparison with ABIS to verify if any changes are necessary. However, based on the OIG finding, the PSO determined that the OHC report does not always include the most up-to-date information when employees do not communicate name changes with OHC or in the self-service system in a timely manner. As such, the PSO is collaborating with OHC to determine what adjustments can be made in order to provide more accurate information. PSO is targeting Q2, FY2021 to make the adjustments to the report.

- b. perform periodic reconciliations against official personnel records to ensure the completeness and accuracy of employee data in the PSO's case management system.

**CFPB Response:** The PSO is currently developing a new report within ABIS to conduct a quarterly comparison with the OHC employee roster to determine if the employee records match. This report will allow the PSO to research and resolve any discrepancies that are identified with OHC. PSO expects the report to be available by Q1, FY2021.