



## OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU

September 29, 2016

### MEMORANDUM

**TO:** Richard Cordray  
Director  
Consumer Financial Protection Bureau

**FROM:** Mark Bialek   
Inspector General

**SUBJECT:** 2016 List of Major Management Challenges for the CFPB

We are pleased to provide you with the Office of Inspector General's (OIG) 2016 list of major management challenges facing the Consumer Financial Protection Bureau (CFPB). These challenges represent what we believe to be the areas that, if not addressed, are most likely to hamper the CFPB's accomplishment of its strategic objectives.

We identified the CFPB's major management challenges by reviewing our audit and evaluation work, reports issued by the U.S. Government Accountability Office (GAO), and CFPB documents. The following table lists the four management challenges, in order of significance.

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Each challenge is detailed below.

## Ensuring an Effective Information Security Program

The importance of information security in the federal sector can be seen through recent incidents involving breaches of sensitive data and the sharp increase in information security incidents reported by federal agencies over the last several years. As with most federal agencies, ensuring effective information security presents a challenge to the CFPB due to the advanced persistent threat to information technology (IT) infrastructures. Although the CFPB has transitioned its IT infrastructure from the U.S. Department of the Treasury and continues to mature its information security program, it faces challenges in fully implementing its information security continuous monitoring program, including a comprehensive data loss prevention system, and overseeing the security of contractor-operated information systems.

The CFPB has taken several steps to develop and implement an information security continuous monitoring program that is generally consistent with federal requirements. For example, the CFPB has begun implementing a centralized logging information tool for CFPB systems. CFPB management continues to face challenges associated with maturing the information security continuous monitoring program across the agency, such as centralizing and effectively using tools for several of its information security continuous monitoring processes that are currently manual.

The CFPB 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 sensitive information—through internal or external threats—could undermine the public's trust in the CFPB and limit its ability to accomplish its mission. To monitor and protect against the unauthorized transfer of data and other threats, the CFPB's internal cyber operations team coordinates with its network provider. Specifically, the CFPB's network provider assists with monitoring and detecting exfiltration and other threats at the agency's network perimeter. The CFPB, however, has not fully implemented processes within its internal network that would enable the agency to detect and better protect against unauthorized access to and disclosure of its sensitive information and help lower the risk of insider threats.

To meet its mission, the CFPB relies on a variety of contractor-operated information systems, including several cloud-based services that are shared with other federal or commercial entities. As is the case for other federal agencies, contractor-provided, cloud-based services present additional risks due to limited insight into or knowledge of the contractor's security processes. The CFPB is evaluating additional solutions to centralize and automate its information security continuous monitoring program and activities. Further, the CFPB's strategic plan emphasizes the importance of protecting sensitive information from unauthorized access and includes an initiative to establish a secure technology infrastructure. In addition, the CFPB plans to continue assessing contractors for compliance with its IT requirements.

**Related OIG Reports**

- *2015 Audit of the CFPB's Information Security Program*, [OIG Report 2015-IT-C-020](#), November 13, 2015
- *Security Control Review of the CFPB's Data Team Complaint Database*, [OIG Report 2015-IT-C-011](#), July 23, 2015
- *Security Control Review of the CFPB's Tableau System*, [OIG Report 2015-IT-C-007](#), March 31, 2015

**Other Related Information**

- Consumer Financial Protection Bureau, [Consumer Financial Protection Bureau Strategic Plan FY 2013–FY 2017](#) (Goal 4, Advance the CFPB's performance by maximizing resource productivity and enhancing impact, page 28)
- U.S. Government Accountability Office, *High-Risk Series: An Update*, "Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information," [GAO-15-290](#), February 11, 2015
- U.S. Government Accountability Office, *Consumer Financial Protection Bureau: Some Privacy and Security Procedures for Data Collections Should Continue Being Enhanced*, [GAO-14-758](#), September 22, 2014

**Ensuring Comprehensive Policies and Procedures Are in Place and Followed**

Internal control activities help management efficiently and effectively achieve program goals and objectives and should be documented in and implemented through policies and procedures. Appropriate documentation of internal controls is necessary for the effective design, implementation, and operation of an entity's internal control system. Over the past year, we have reported that the CFPB does not have a comprehensive set of policies and procedures for some program areas. Our work and that of GAO show that the CFPB did not fully ensure that its staff members were aware of and complied with its existing policies and procedures.

The CFPB continues to build its framework of policies and procedures for its various programs. In the past year, the CFPB took actions to close numerous OIG recommendations focused on developing and implementing policies and procedures. Our reports have identified additional gaps in policies and procedures, however, including a lack of clearly defined or documented roles and responsibilities.

We also found that the CFPB needs to improve employee awareness of and compliance with its existing policies and procedures. For example, dedicated training was not provided to approving officials on controls related to approving travel card expenses, which could result in the agency reimbursing cardholders for improper purchases. Further, GAO recently reported on deficiencies in the CFPB's internal controls over financial reporting related to property, equipment, and software. The absence of effective dissemination and broad awareness of policies and procedures can reduce the agency's ability to operate effectively.

In its strategic plan, the CFPB has acknowledged the importance of internal controls and drawn a clear link between the presence of rigorous internal controls and the operation of a high-performing organization.

### **Related OIG Reports**

- *The CFPB Should Continue to Enhance Controls for Its Government Travel Card Program*, [OIG Report 2016-FMIC-C-009](#), June 27, 2016
- *Collecting Additional Information Can Help the CFPB Manage Its Future Space-Planning Activities*, [OIG Report 2016-FMIC-C-002](#), February 3, 2016
- *The CFPB's Civil Penalty Fund Victim Identification Process Is Generally Effective but Can Be Enhanced*, [OIG Report 2016-FMIC-C-001](#), January 19, 2016
- *The CFPB Can Further Enhance Internal Controls for Certain Hiring Processes*, [OIG Report 2015-MO-C-013](#), August 26, 2015
- *The CFPB Can Enhance Its Diversity and Inclusion Efforts*, [OIG Report 2015-MO-C-002](#), March 4, 2015

### **Other Related Information**

- Consumer Financial Protection Bureau, [Consumer Financial Protection Bureau Strategic Plan FY 2013–FY 2017](#) (Goal 4, Advance the CFPB's performance by maximizing resource productivity and enhancing impact, page 28)
- U.S. Government Accountability Office, *Improvements Needed in CFPB's Internal Controls and Accounting Procedures*, [GAO-16-522R](#), June 13, 2016
- U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#), September 10, 2014

## **Maturing the Human Capital Program**

An agency's human capital management activities, including workforce planning and performance management, have a direct effect on its ability to efficiently and effectively carry out its mission. Since beginning operations in 2011, the CFPB has worked to build its human capital programs and develop a high-performing and engaged workforce. The CFPB now needs to mature its human capital programs by strengthening its workforce planning, which includes succession planning, and fully implementing its new performance management system.

In 2016, the CFPB made progress in developing its workforce planning program by conducting a workforce planning analysis and allocating additional employees to assist in developing the CFPB's succession plan. The CFPB's workforce planning analysis includes identifying the occupations that are mission critical and monitoring recruitment and retention trends to ensure that the CFPB is able to properly staff these positions. The CFPB needs to continue its efforts to ensure it is adequately staffing mission-critical positions and developing a qualified and diverse pool of candidates for senior management positions.

In addition to strengthening its workforce planning efforts, the CFPB began a two-year implementation of a new performance management system. The new performance management system was implemented in response to statistically significant disparities identified in the fiscal year 2013 performance ratings among employees across demographic groups. The CFPB has worked closely with employees to develop and implement the new system, from garnering the employee union's endorsement of the new system to training managers on the new system's requirements prior to agency-wide implementation. The challenge remains for the CFPB to ensure that its new performance management system provides the intended benefits, such as mentoring and enhanced performance feedback, and does not have implementation issues similar to those of the prior system.

The CFPB plans to continue its workforce planning efforts and monitor its performance management system.

### **Related OIG Reports**

- *The CFPB Can Further Enhance Internal Controls for Certain Hiring Processes*, [OIG Report 2015-MO-C-013](#), August 26, 2015
- *The CFPB Can Enhance Its Diversity and Inclusion Efforts*, [OIG Report 2015-MO-C-002](#), March 4, 2015

### **Other Related Information**

- Consumer Financial Protection Bureau, [Consumer Financial Protection Bureau Strategic Plan FY 2013–FY 2017](#) (Goal 4, Advance the CFPB's performance by maximizing resource productivity and enhancing impact, page 28)
- U.S. Government Accountability Office, *Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace*, [GAO-16-62](#), May 19, 2016
- U.S. Government Accountability Office, *High-Risk Series: An Update*, "Strategic Human Capital Management," [GAO-15-290](#), February 11, 2015
- U.S. Government Accountability Office, *Federal Workforce: Human Capital Management Challenges and the Path to Reform*, Testimony Before the Subcommittee on Federal Workforce, U.S. Postal Service and the Census, Committee on Oversight and Government Reform, House of Representatives, [GAO-14-723T](#), July 15, 2014

### **Managing and Acquiring Sufficient Workspace to Support CFPB Activities**

The CFPB is currently renovating its headquarters office building. Renovations of large buildings, such as the one the CFPB is currently undertaking, can be multiyear projects, posing several challenges that could affect an organization's ability to efficiently and effectively provide office space for its staff. Potential risks for the CFPB include project delays and increased project

costs. Additionally, the CFPB will need to ensure that it has sufficient information to determine its future space needs.

Delays in the headquarters renovation could affect the CFPB's short-term ability to provide office space for its employees and increase project costs. The CFPB has secured swing space during the renovation; however, the occupancy agreement for this swing space expires at about the same time as the renovation of the headquarters building is expected to be completed. If the project is delayed, this occupancy agreement will need to be extended, or other space will need to be acquired. To help ensure that the renovation stays on schedule, a CFPB official is routinely at the construction site. In addition, the CFPB is requiring its construction management company to manage project costs, develop a project schedule, and provide monthly progress reports. Once the renovation is complete, the CFPB will need to acquire additional office space for its employees in Washington, DC. In addition, the CFPB plans to secure space for its Southeast regional office. Our audit work found that the CFPB does not have a process for consistently collecting, maintaining, and using information to help inform future space-planning decisions. Implementing such a process may help the CFPB ensure that it is effectively planning for and using its office space to meet its long-term mission needs. According to a CFPB official, the agency is developing a process that will standardize its collection, maintenance, and use of information to assist in its space-planning activities.

### **Related OIG Reports**

- *Collecting Additional Information Can Help the CFPB Manage Its Future Space-Planning Activities*, [OIG Report 2016-FMIC-C-002](#), February 3, 2016
- *CFPB Headquarters Construction Costs Appear Reasonable and Controls Are Designed Appropriately*, [OIG Report 2015-FMIC-C-012](#), July 31, 2015

### **Closing**

We are monitoring the CFPB's efforts to address the management challenges highlighted in this document. Our work includes following up on open recommendations and conducting related audit and evaluation work. For additional information on our ongoing and planned work, please see our [Work Plan](#).

We appreciate the cooperation that we received from the CFPB regarding this year's major management challenges. Please contact me if you would like to discuss any of the challenges.

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