



OFFICE OF INSPECTOR GENERAL

Work Plan

Updated September 7, 2012

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

Overview

This work plan presents the major initiatives and priorities on which the Office of Inspector General (OIG) plans to focus to assist the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB) in fulfilling their responsibilities to the American people. Our statutory mandates continue to be our highest priority and require a large portion of our staff resources. With our remaining resources, we focus on those programs and operations that pose the highest risk to achieving the Board's and the CFPB's strategic goals, objectives, and priorities; meeting budgetary and financial commitments; and complying with applicable laws, regulations, and guidance.

This work plan is updated approximately every two weeks. Projects are categorized as planned, ongoing, or completed. For planned projects, the calendar quarter in which the project is projected to start is provided. For ongoing projects, the calendar quarter in which the project is expected to be completed is provided. Finally, for projects that have been completed during 2012, a link is provided to the full report or the summary posted on the OIG website. OIG reports completed prior to 2012 can be found at http://www.federalreserve.gov/oig/oig_rpt_2012.htm.

It is important to recognize that the OIG may be required to perform unanticipated work based on congressional requests, OIG Hotline complaints, new statutory mandates, or other inputs. Such work, as well as resource constraints, may result in the deferral, cancellation, or modification of projects. Our effectiveness depends on our flexibility to address other priorities as they arise.

For congressional, media, or other inquiries, please contact John Manibusan at 202-973-5043.

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| Project Name | Board—Planned Project Description | Planned Start |
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| Audit of the Board's Data Center Relocation | The Board's data center operates 24 hours a day, 365 days a year to monitor the operation of the Board's mainframe and the status of the file servers and other critical components of the Board's distributed network. The Board is transitioning to a new data center because the critical cooling capacity of the existing data center has been stressed during peak summer loads, and its critical power capacity is expected to be insufficient by 2013. We plan to focus on reviewing costs associated with the new data center and ensuring that physical and environmental controls are implemented. | Third quarter 2012 |
| Inspection of the Board's Law Enforcement Unit (LEU) | The USA Patriot Act of 2001 granted the Board certain federal law enforcement authorities for Federal Reserve protection officers and special agents. The mission of the Federal Reserve's LEU includes professionally protecting and providing a safe and secure environment for Board employees, Federal Reserve Bank staff, and others on Federal Reserve–designated property. The Board's <i>Uniform Regulations for Federal Reserve Law Enforcement Officers</i> designated the OIG to perform the External Oversight Function for the Board's law enforcement programs and operations. These regulations also delegated authority to each Federal Reserve Bank to designate personnel to act as law enforcement officers under these regulations. The Board requires each Federal Reserve Bank to inspect its law enforcement program, reporting biennially to the Board's Division of Reserve Bank Operations and Payment Systems (RBOPS), and designated RBOPS to perform the External Oversight Function for the Reserve Banks' law enforcement programs and operations. To fulfill our External Oversight Function responsibility, we plan to conduct an inspection of the Board's LEU, which will include assessments of the LEU's compliance with Board and Federal Reserve LEU internal policies and procedures, and of selected management controls. We will coordinate with RBOPS in developing our inspection methodology. | Third quarter 2012 |

| Project Name | Board—Planned Project Description | Planned Start |
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| <p>Inspection of Federal Reserve Bank Controls for Safeguarding Confidential and Sensitive Information Relating to Financial Institution Supervision (including Personally Identifiable Information (PII)) and the Federal Open Market Committee (FOMC)</p> | <p>Reducing the risk of inappropriate or inadvertent disclosure of confidential and sensitive information is vital because security breaches could have serious impacts on financial markets, supervised institutions and their customers, and the Federal Reserve System. The FOMC is responsible for overseeing open market operations, the principal tool of national monetary policy. Federal Reserve Banks conduct safety and soundness and consumer compliance examinations at state-chartered member banks under delegated authority from the Board. During financial institution examinations, Federal Reserve Bank staff accesses and analyzes information that is confidential and sensitive and that may include PII. PII is information that identifies or describes a particular individual and may include an individual's name, birth date, account numbers, place of birth, driver's license number, passwords or security codes, or any other personal information that can be linked to an individual. The overall objective of this inspection, which will include each of the 12 Federal Reserve Banks, is to evaluate policies, procedures, practices, and controls to safeguard confidential and sensitive information relating to financial institution supervision (including PII) and the FOMC.</p> | <p>Third quarter 2012</p> |
| <p>Oversight of Payment, Clearing, and Settlement Services</p> | <p>To support the Federal Reserve's mission of fostering the integrity, efficiency, and accessibility of U.S. dollar payment and settlement systems, the Board's Division of Reserve Bank Operations and Payment Systems performs ongoing analysis of the operations, rules, and risk-management practices of payment, clearing, and settlement services. In addition, Federal Reserve Banks provide key services, such as check clearing, automated clearing house services, wire transfers, and securities transfers. Furthermore, the Monetary Control Act of 1980 requires the Board to approve the fees associated with providing these services in order to recover costs. We will perform an initial scoping analysis to obtain a broad-based overview of the Division of Reserve Bank Operations and Payment Systems' oversight of the Federal Reserve Banks' payment, clearing, and settlement services, including the pricing of these services. The results of this effort will help us determine more narrowly focused reviews of this important oversight function.</p> | <p>Third quarter 2012</p> |

| Project Name | Board—Planned Project Description | Planned Start |
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| Audit of the Statistics and Reserves (STAR) System | <p>STAR is the central computer application used by the statistics function at the Federal Reserve Banks and the Board to collect and edit over 75 periodic statistical reports from financial institutions. These data reports are subsequently delivered to end-users at the Board, the Federal Reserve Bank of New York's Trading Desk, and the Federal Reserve Banks' Economic Research and Banking Supervision divisions for use in performing their duties regarding monetary policy and supervision and regulation of financial institutions. STAR is also used by the Federal Reserve System's Reserve Administration function to calculate reserve requirements, monitor reserve balances, and perform other activities. In addition, STAR also produces reserve account information that can be used by depository institutions to manage their accounts effectively. The current technology is being updated to better support business needs and to include a server-based environment and support by the Federal Reserve System's National IT. The plan is to begin decommissioning the legacy STAR system in 2014. Our anticipated audit focus includes the adequacy and internal controls of the development process for the new system, including the cost and schedule. In addition, we will determine how security controls are being built into the system.</p> | Fourth quarter 2012 |
| Audit of the Supervision and Regulation-Statistical Assessment of Bank Risk (SR-SABR) Surveillance Tool and Associated Processes | <p>SR-SABR is a key component of the Federal Reserve System's offsite bank surveillance program and supports risk-based supervision. The supervision function uses this tool to calculate and rank risk measures for approximately 7,000 banks each quarter, support supervisory resource allocation decisions, and monitor banking industry trends and emerging risks, among other functions. Bank examiners and surveillance staff use information from SR-SABR to identify primary sources of potential vulnerability for further investigation and to place institutions on watch list/surveillance programs as needed. SR-SABR also computes and assigns viability ratings that reflect the likelihood of the institution becoming nonviable. Our planned focus is to assess the effectiveness of the Banking Supervision and Regulation Division's SR-SABR tool and associated processes for performing offsite surveillance of emerging risks to individual institutions and the financial system.</p> | Fourth quarter 2012 |
| Failed Bank Reviews | <p>Section 38(k) of the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, requires that the Inspector General of the appropriate federal banking agency review the agency's supervision of a failed institution when the associated losses to the Deposit Insurance Fund are above the materiality threshold or are at or below the threshold but exhibit unusual circumstances warranting an in-depth review. In such cases, the Inspector General must prepare a report in a manner consistent with the requirements of a material loss review. For losses to the Deposit Insurance Fund that occur between January 1, 2012, and December 31, 2013, a \$150 million threshold will apply.</p> | As necessary |

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| Project Name | Board—Ongoing Project Description | Planned Completion Date |
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| <p>Audit of the Board's Actions to Analyze Mortgage Foreclosure Processing Risks</p> | <p>Given the public attention on foreclosures, the broad requirements of the Dodd-Frank Act, and the Board's responsibilities as a member of the Financial Stability Oversight Council, we are conducting an audit of the Board's actions to analyze potential risks related to mortgage foreclosure processing. Our audit objective is to assess the Board's activities in response to potential risks related to mortgage foreclosures.</p> | <p>Third quarter 2012</p> |
| <p>Audit of the Board's Continuity/Disaster Recovery Program for Its Information Systems</p> | <p>We are performing a security control review of contingency planning controls provided by the Board's Information Technology General Support Systems. Our audit objective is to determine whether the Board is maintaining a program that is generally consistent with National Institute of Standards and Technology and Office of Management and Budget Federal Information Security Management Act of 2002 guidance. To accomplish this objective, we developed a tailored control assessment program based on the Contingency Planning family of information security controls in National Institute of Standards and Technology Special Publication 800-53.</p> | <p>Third quarter 2012</p> |
| <p>Audit of the Board's Government Travel Card Program</p> | <p>The Board participates in the General Services Administration's SmartPay2 government travel card program. The objectives of our audit are to assess whether controls over the Board's Government Travel Card program (1) are designed and operate effectively to provide reasonable assurance that cards are properly issued, administered, and controlled; (2) act to detect and prevent unauthorized or fraudulent transactions in a timely manner; and (3) are adequate to ensure proper use of the cards in accordance with the Board's policy and procedures.</p> | <p>Third quarter 2012</p> |
| <p>Congressional Request Regarding the Examination Process for Small Community Banks</p> | <p>We received a letter from the Chairman of the Senate Committee on Banking, Housing, and Urban Affairs requesting that we audit the Board's examination process for small community banks. Based on the Chairman's request, we plan to review (1) the Board's examination timelines and how the Board ensures consistency in the administration of examinations throughout the Federal Reserve System, (2) the ability of Board-regulated institutions to question examination results through the Board's Ombudsman program or other appeals process, and (3) the frequency and results of examination appeals.</p> | <p>Third quarter 2012</p> |

| Project Name | Board—Ongoing Project Description | Planned Completion Date |
|---|--|-------------------------|
| External Peer Review of the Office of Personnel Management's OIG | The Council of the Inspectors General on Integrity and Efficiency Audit Committee administers the external peer review program for member audit organizations under generally accepted government auditing standards (GAGAS). GAGAS requires audit organizations that perform audits or attestation engagements in accordance with GAGAS to have an appropriate system of quality control and to undergo external peer reviews at least once every three years. For 2012, our office was selected to review the Office of Personnel Management's OIG. The objective of the external peer review is to determine whether for the period under review (1) the reviewed OIG audit organization's system of quality control was suitably designed and (2) the audit organization is complying with its quality control system in order to provide the OIG with reasonable assurance of conformance with applicable professional standards. | Third quarter 2012 |
| Review of the Board's Adherence to the Small Entity Compliance Guide Requirements in the Small Business Regulatory Fairness Enforcement Act of 1996 | This review was initiated in response to a hotline complaint that outlined several concerns related to the Board's rulemaking process, including whether the Board adhered to the small entity compliance guide requirements contained in the Small Business Regulatory Fairness Enforcement Act of 1996. It is important to note that the Dodd-Frank Act generally transferred the primary rulemaking authority related to federal consumer financial laws from the Board to the CFPB on July 21, 2011. However, the Board does retain limited rulemaking authority for some consumer protection rules that might affect small entities. | Third quarter 2012 |
| Status of the Transfer of Office of Thrift Supervision (OTS) Functions | Title III of the Dodd-Frank Act required the Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the OTS to jointly prepare a plan to efficiently and effectively transfer OTS functions to the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. The Inspectors General (IGs) of these agencies are required to report on the status of this plan's implementation every six months following the issuance of the initial IG report that summarized the IGs' original review of the plan. Accordingly, we are conducting the second of the two required reviews for 2012, which will be issued in September 2012. | Third quarter 2012 |
| Waccamaw Bank Failed Bank Review | The Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, requires the Inspector General of the appropriate federal banking agency to report, on a semiannual basis, certain information on financial institutions that incurred nonmaterial losses to the Deposit Insurance Fund and that failed during the respective six-month period. We are currently conducting such a review of Waccamaw Bank of Whiteville, North Carolina. During this review, we will determine (1) the grounds identified for appointing the Federal Deposit Insurance Corporation as receiver and (2) whether the losses to the Deposit Insurance Fund present unusual circumstances that would warrant an in-depth review. If unusual circumstances exist, we will conduct an in-depth review as required by the Federal Deposit Insurance Act. | Third quarter 2012 |

| Project Name | Board—Ongoing Project Description | Planned Completion Date |
|--|--|-------------------------|
| Audit of the Board's Information Security Program | The Federal Information Security Management Act of 2002 (FISMA) requires that each agency Inspector General conduct an annual independent evaluation of that agency's information security. As such, we are conducting an audit of the information security programs and practices of the Board. Based on FISMA's requirements, our specific audit objectives are to evaluate (1) the Board's compliance with FISMA and related information security policies, procedures, standards, and guidelines and (2) the effectiveness of security controls and techniques for a subset of the Board's information systems. | Fourth quarter 2012 |
| Audit of the Board's Purchase Card Program | The Board's purchase card program is part of a governmentwide charge card program administered by the General Services Administration to reduce the administrative cost of acquiring low-cost, standard items. The purchase card program streamlines business processes for certain government purchases as well as the processes for certifying and approving purchases. The Board adopted the use of purchase cards in 1995. The objectives of our audit are to (1) assess the effectiveness of controls for issuing cards and ensuring proper use, (2) determine whether controls are adequate to ensure cardholder compliance with Board policies and procedures, and (3) assess whether controls are adequate to prevent and detect improper or fraudulent use of purchase cards. | Fourth quarter 2012 |
| Audit of Planning and Contracting for the Martin Building Renovations and Necessary Relocation of Staff | The Martin Building renovation project is one of the Board's largest contracting efforts and will require significant space planning and relocation of staff. This initial audit effort will allow the OIG to gain an understanding of the project, the Board's relevant internal controls, and adherence to Board policies and procedures. In regard to the renovation project, we plan to identify key process controls for managing the project and contracting for work, including the invoice and payment process for contractor billings. In regard to the Board's space planning, we plan to review the process for space estimation to determine how needs are identified, communicated, and assessed, as well as compliance with the Board's leasing policies and procedures. | Fourth quarter 2012 |
| Audit Survey of the Division of Banking Supervision and Regulation's Supervision of Large Bank Holding Companies and Systemically Important Financial Institutions | The Large Institution Supervision Coordinating Committee (LISCC) is a multidisciplinary committee formed to coordinate the Federal Reserve System's bank supervision framework for the largest bank holding companies. The LISCC evaluates quantitative and qualitative risk assessments and information developed by its Quantitative Surveillance Group (QS), and it incorporates assessments from QS and the LISCC Operating Committee with supervisory views of the responsible Federal Reserve Banks. The Office of Financial Stability works with the QS to bring an independent, quantitative perspective to the Federal Reserve System's supervision of the largest banks through the LISCC and to identify risks and propose policy options to mitigate threats to financial stability. The Office of Financial Stability also coordinates the Board's work on financial stability, including the Board's responsibilities as a member of the Financial Stability Oversight Council. The focus of this audit survey is to determine how the Division of Banking Supervision and Regulation is enhancing supervision of the largest, most complex financial firms through the use of nonsupervisory economic data that provides a macro-prudential view. | Fourth quarter 2012 |

| Project Name | Board—Ongoing Project Description | Planned Completion Date |
|--|--|-------------------------|
| Evaluation of the Board's Policies, Procedures, and Practices Associated with Agency-sponsored Conferences | The Board periodically sponsors conferences, meetings, and symposiums, collectively referred to as “conferences.” As an independent agency, the Board is not required to follow conference-spending criteria applicable to most other government agencies. Accordingly, we have initiated an evaluation of the policies and procedures that have been established by the Board related to agency-sponsored conference activities. Our overall objective is to assess the Board's policies, procedures, and practices associated with conference-related activities and expenses. | Fourth quarter 2012 |
| In-depth Review of the Failure of Bank of Whitman (Whitman) | In September 2011, we determined that the failure of Whitman, headquartered in Colfax, Washington, presented unusual circumstances warranting an in-depth review because, among other factors, (1) senior bank officials allegedly colluded with other banks in a scheme designed to increase capital and (2) a borrower with whom Whitman had a substantial relationship was allegedly involved in a Ponzi scheme, which may have involved the use of bank funds. Whitman was also cited for several violations of the state of Washington's legal lending limit, including loans made to this borrower. | Fourth quarter 2012 |
| Security Control Review of the Office of Employee Benefits' (OEB's) Information Systems | We are performing a security control review of information systems of the Federal Reserve System's OEB. Our overall objective is to determine whether the OEB and its contractors are maintaining a program that is generally consistent with related National Institute of Standards and Technology and Office of Management and Budget Federal Information Security Management Act of 2002 guidance. Our specific control review objective is to evaluate the adequacy of control techniques for protecting Board data in the information systems from unauthorized access, modification, destruction, or disclosure. We are using the Board's Information Security Program and related National Institute of Standards and Technology Federal Information Security Management Act guidance as criteria. | Fourth quarter 2012 |
| Audit of the Board's and the Federal Financial Institutions Examination Council's Financial Statements | The OIG contracted with an independent public accounting firm to audit the 2012 financial statements of the Board and the Federal Financial Institutions Examination Council. The OIG oversees the activities of the independent public accounting firm to ensure compliance with generally accepted government auditing standards and Public Company Accounting Oversight Board standards related to internal controls over financial reporting. | First quarter 2013 |

| Project Name | Board—Ongoing Project Description | Planned Completion Date |
|--|---|-------------------------|
| Evaluation of the Board's Emergency Preparedness for Unexpected Emergency Events | The mission of the Law Enforcement Unit's Safety and Emergency Preparedness Bureau is to "[a]ssure the productive engagement of all Board employees in developing, communicating and educating staff on emergency preparedness, occupational safety standards so they can respond to any man made or natural emergency." Consistent with this mission, the Board has developed a crisis management structure that serves as a basic framework and provides guidance to employees across a number of scenarios while allowing for flexibility depending on the specific nature of the emergency. However, the emergency response to the August 2011 earthquake identified a number of potential communication problems and a need to enhance coordination with neighboring federal agencies. Our review will evaluate the readiness of the Board to respond to similar events, including actions the Board has taken from lessons learned during the August 2011 emergency and its communication to employees since this incident. | First quarter 2013 |
| Security Control Review of the National Examination Database System | The National Examination Database system is listed as a major application on the Board's Federal Information Security Management Act of 2002 inventory for the Division of Banking Supervision and Regulation. Our specific control review objective is to evaluate the adequacy of certain control techniques designed to protect data in the system from unauthorized access, modification, destruction, or disclosure. We will use the Board's Information Security Program, Federal Information Security Management Act requirements, and applicable National Institute of Standards and Technology guidelines as criteria. | First quarter 2013 |
| Study of the Freedom of Information Act (FOIA) Exemption Impact | Section 1103 of the Dodd-Frank Act modifies the Federal Reserve Act to establish mandatory disclosure dates for information concerning the borrowers and counterparties participating in emergency credit facilities, discount window lending programs, and open market operations that are authorized or conducted by the Board or a Federal Reserve Bank. Prior to these mandatory release dates, the Dodd-Frank Act provides that this information is exempt from disclosure under FOIA. Within 30 months of enactment, section 1103 requires the OIG to conduct a study on the impact that FOIA exemption for the information described above has had on the ability of the public to access this information and make any recommendations on whether this exemption should remain in effect. | First quarter 2013 |
| Audit of the Board's Internal Control Processes | Establishing and maintaining effective internal controls is key to accomplishing agency missions, achieving program results, and complying with applicable laws and regulations. Based on our scoping work performed of the Management Division's internal control processes and on the information obtained from our initial benchmarking, we are beginning an audit of the Board's internal control processes across divisions. Our objective is to assess the processes for establishing, maintaining, and monitoring internal controls within the Board. | Second quarter 2013 |

| Project Name | Board—Ongoing Project Description | Planned Completion Date |
|--|---|-------------------------|
| Review of the Federal Reserve's Supervisory Activities Related to the Recent Loss of More Than \$2 Billion at JPMorgan Chase & Co.'s Chief Investment Office | The OIG has initiated a review of the Federal Reserve's supervisory activities related to the recent loss of more than \$2 billion at JPMorgan Chase & Co.'s Chief Investment Office. Our objectives are to (1) assess the effectiveness of the Board and the Federal Reserve Bank of New York's consolidated and other supervisory activities regarding JPMorgan Chase & Co.'s Chief Investment Office and (2) identify lessons learned for enhancing future supervisory activities. | Second quarter 2013 |
| Security Control Review of Commercial Data Exchange Services | The data exchange services are listed on the Board's Federal Information Security Management Act of 2002 inventory as a third-party application maintained by the Federal Reserve Bank of Philadelphia for the Division of Banking Supervision and Regulation. Our specific control review objective is to evaluate the adequacy of certain control techniques designed to protect data in the system from unauthorized access, modification, destruction, or disclosure. We will use the Board's Information Security Program, Federal Information Security Management Act requirements, and applicable National Institute of Standards and Technology guidelines as criteria. | Second quarter 2013 |

Board—Completed Projects

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| Project Name | Board—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
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| Inspection of the Board's Protective Services Unit (PSU) | We completed our inspection of the Board's PSU. The USA Patriot Act of 2001 granted the Board certain federal law enforcement authorities. To implement these authorities, the Board promulgated the <i>Uniform Regulations for Federal Reserve Law Enforcement Officers</i> (Uniform Regulations) in 2002. The Uniform Regulations applies to the Law Enforcement Unit, which safeguards Board-designated property and personnel, and the PSU, which provides physical security for the Board's Chairman 24 hours a day, 7 days a week. The Uniform Regulations designated the Board's OIG as the External Oversight Function responsible for reviewing and evaluating the Board's law enforcement programs and operations. We performed this inspection of the Board's PSU as part of our external oversight responsibilities. The objective of this inspection was to provide reasonable assurance that the PSU's operations comply with applicable laws, regulations, and internal policies and procedures and align with law enforcement best practices. | August 2012 |
| Security Control Review of the Federal Reserve Bank of Richmond's Lotus Notes Systems Supporting the Board's Division of Banking Supervision and Regulation | We completed a security control review of two Federal Reserve Bank of Richmond Lotus Notes systems that are used in support of supervision and examination activities. The systems are classified as third-party applications, and they are components of a general support system that is listed on the Board's Federal Information Security Management Act of 2002 application inventory under the Division of Banking Supervision and Regulation. Our review objectives were to (1) evaluate the effectiveness of selected security controls and techniques for protecting the two Lotus Notes applications from unauthorized access, modification, or destruction and (2) assess compliance with the Board's Information Security Program. | August 2012 |

| Project Name | Board—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
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| <p>Review of the Unauthorized Disclosure of a Confidential Staff Draft of the Volcker Rule Notice of Proposed Rulemaking (NPRM)</p> | <p>On October 11, 2011, the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued press releases requesting public comment on an NPRM implementing the requirements of section 619 of the Dodd-Frank Act. Section 619, which amends the Bank Holding Company Act of 1956, contains two key prohibitions on the activities of insured depository institutions, bank holding companies, and their subsidiaries or affiliates. The first prohibition precludes banking entities from engaging in short-term proprietary trading of any security, derivative, and certain other financial instruments for a banking entity's own account. The second prohibition precludes banking entities from owning, sponsoring, or having certain relationships with a hedge fund or private equity fund. These two prohibitions are commonly referred to as the "Volcker Rule." The NPRM to implement the Volcker Rule has attracted considerable attention because the two prohibitions require adjustments to the business models of large, complex banking organizations. Section 619 required the Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, and the Commodity Futures Trading Commission (collectively, the Agencies) to jointly adopt rules to implement its provisions. As part of this joint rulemaking process, Board employees involved in the rulemaking distributed several versions of the NPRM to the Agencies for deliberation, including a "confidential staff draft" dated September 30, 2011. On October 5, 2011, <i>American Banker</i>, a banking and financial services media outlet, published this nonpublic, confidential staff draft of the NPRM on its website. Our objectives were to evaluate whether Board and/or Federal Reserve Bank of New York staff had knowledge of, or played a role in, the unauthorized disclosure of the confidential staff draft of the NPRM and to assess the Board's information-sharing practices for rulemaking activities.</p> | <p>July 2012</p> |
| <p>2012 Audit Survey of Board and CFPB Controls over Sensitive and Proprietary Information Collected and Exchanged with the Financial Stability Oversight Council (FSOC)</p> | <p>The Dodd-Frank Act created the Council of Inspectors General on Financial Oversight (CIGFO), as well as FSOC. CIGFO comprises the Inspectors General of several financial regulatory agencies and facilitates the sharing of information, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight. FSOC was created to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system. The focus of this audit survey was to examine the controls and protocols that FSOC and its member agencies have implemented to properly safeguard sensitive FSOC-related information. To accomplish this objective, we determined the controls and protocols established by the Board and the CFPB to manage sensitive and proprietary FSOC-related information. CIGFO prepared a consolidated report containing the results of the respective Inspector General members.</p> | <p>June 2012</p> |

| Project Name | Board—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
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| Audit of the Board's Progress in Developing Enhanced Prudential Standards | The Dodd-Frank Act gave the Board important new authorities to support financial stability, including the responsibility for developing enhanced prudential standards for supervising large bank holding companies with total consolidated assets of \$50 billion or more and systemically important nonbank financial companies identified by the Financial Stability Oversight Council. The objective of this audit was to assess the Division of Banking Supervision and Regulation's approaches to developing enhanced prudential standards for large bank holding companies, including standards that would apply to any nonbank financial company that the Financial Stability Oversight Council identifies as systemically important. | May 2012 |
| Material Loss Review of Community Banks of Colorado | In October 2011, the Board appointed the Federal Deposit Insurance Corporation as receiver for Community Banks of Colorado, a state member bank located in Greenwood Village, Colorado, with approximately \$1.3 billion in assets at closing. The Federal Deposit Insurance Corporation estimated that the failure would result in a \$225 million loss to the Deposit Insurance Fund, which exceeds the statutory threshold requiring us to conduct a material loss review. As such, we initiated a material loss review. | May 2012 |
| Material Loss Review of Bank of the Commonwealth | In September 2011, Bank of the Commonwealth, Norfolk, Virginia, was closed by the Virginia State Corporation Commission. At the time of the closure, the Federal Deposit Insurance Corporation reported that Bank of the Commonwealth had total assets of \$974.9 million. The Federal Deposit Insurance Corporation estimated that the failure would result in a \$268.3 million loss to the Deposit Insurance Fund, which exceeds the statutory threshold requiring us to conduct a material loss review. As such, we initiated a material loss review. | April 2012 |
| Security Control Review of the Board's Public Website (Pubweb) | Pubweb is listed as a major application on the Board's Federal Information Security Management Act of 2002 inventory for the Office of Board Members. Pubweb provides the public with information about the mission and work of the Board. Our audit objectives were to evaluate the effectiveness of selected security controls and techniques for protecting Pubweb from unauthorized access, modification, or destruction and to ensure compliance with the Board's Information Security Program. | April 2012 |
| Audit of the Board's and the Federal Financial Institutions Examination Council's (FFIEC) Financial Statements for the Year Ending December 31, 2011 | We contracted for an independent public accounting firm to audit the 2011 financial statements of the Board and the FFIEC. (The Board performs the accounting function for the FFIEC.) The OIG oversees the activities of the independent public accounting firm to ensure compliance with generally accepted government auditing standards and Public Company Accounting Oversight Board auditing standards related to internal controls over financial reporting. | Board Report March 2012 FFIEC Report March 2012 |

| Project Name | Board—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
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| <p>Inquiry into Allegations of Undue Political Interference with Federal Reserve Officials Related to the 1972 Watergate Burglary and Iraq Weapons Purchases during the 1980s</p> | <p>Allegations of inappropriate political interference with Federal Reserve System officials, resulting in hidden transfers of resources to facilitate crimes during the Watergate scandal in the 1970s and to Iraq for weapon purchases during the 1980s, were raised by a member of Congress during the February 2010 Humphrey-Hawkins hearing before the House Committee on Financial Services. We initiated this inquiry in response to a request from the then Chairman of the House Committee on Financial Services to the Board for an investigation of the allegations. The Board referred this matter to our office.</p> | <p>March 2012</p> |
| <p>Security Control Review of the National Remote Access Services System</p> | <p>The Board and the 12 Federal Reserve Banks use the National Remote Access Services System to remotely access Board and Federal Reserve Bank information systems. Our objectives were to evaluate the effectiveness of selected security controls and techniques to ensure that the Board maintains a remote access program that is generally compliant with Federal Information Security Management Act of 2002 requirements.</p> | <p>March 2012</p> |
| <p>Status of the Transfer of Office of Thrift Supervision (OTS) Functions</p> | <p>Title III of the Dodd-Frank Act required the Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the OTS to jointly prepare a plan to efficiently and effectively transfer OTS functions to the Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. The Inspectors General (IGs) of these agencies are required to report on the status of this plan's implementation every six months following the issuance of the initial IG report that summarized the IGs' original review of the plan. Accordingly, we reported review results in March and will report again in September 2012.</p> | <p>March 2012</p> |
| <p>Material Loss Review of First Chicago Bank and Trust (First Chicago)</p> | <p>In July 2011, the Illinois Department of Financial and Professional Regulation closed First Chicago, located in Chicago, Illinois. At closure, the Federal Deposit Insurance Corporation (FDIC) reported that First Chicago had \$950.8 million in total assets. On August 22, 2011, the FDIC Inspector General notified our office that the FDIC had estimated a \$284.3 million loss to the Deposit Insurance Fund, which exceeds the statutory threshold requiring us to conduct a material loss review. As such, we initiated a material loss review.</p> | <p>February 2012</p> |

| Project Name | Board—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
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| Review of the Division of Reserve Bank Operations and Payment Systems' (RBOPS's) Oversight of the Next Generation (NXG) \$100 Note | We completed a review of RBOPS's oversight of the NXG \$100 note. The Board is the sole issuer of U.S. currency, and RBOPS (on behalf of the Board) is responsible for ensuring the high quality of the Federal Reserve notes that are printed by Treasury's Bureau of Engraving and Printing. The NXG \$100 note is the final denomination to be redesigned in the NXG currency redesign project that began in 2000, and it includes the most complex anticounterfeiting security features ever incorporated into U.S. currency. We began this review as a result of the Board's October 1, 2010, press release announcing that it would delay issuing the NXG \$100 note due to the increasing incidence of currency paper creasing during the printing process. Our review objectives were to (1) assess RBOPS's oversight of the design and production of the NXG \$100 notes; (2) review the actions RBOPS has taken to address the printing problems, which included contracting for an independent technical review, and to enhance controls to minimize the likelihood of future printing problems; and (3) assess plans for the disposition of NXG \$100 notes that have already been printed. | January 2012 |

CFPB—Planned Projects

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| Project Name | CFPB—Planned Project Description | Planned Start |
|--|--|---------------------|
| Evaluation of the CFPB's Compliance with Section 1100G | Section 1100G of the Dodd-Frank Act requires the CFPB to describe the impact of any proposed rule on the cost of credit for small entities. As a part of this requirement, the CFPB must perform a regulatory flexibility analysis that includes a description of (1) any projected increase in the cost of credit for small entities, (2) any significant alternatives to the proposed rule that accomplish the stated objectives of applicable statutes and that minimize any increase in the cost of credit for small entities, and (3) advice and recommendations of representatives of small entities relating to issues associated with the projected increases or alternatives. Our overall objective is to assess the CFPB's compliance with the section 1100G requirements of the Dodd-Frank Act and will include an evaluation of the CFPB's process for analyzing the impact of any proposed rule on the cost of credit for small businesses. | Third quarter 2012 |
| Audit of the CFPB's Contract Management Process | In accordance with section 1011(a) of the Dodd-Frank Act, the CFPB is required to comply with "all federal laws dealing with public or federal contracts." Accordingly, the CFPB's procurement process is subject to the requirements established by the Federal Acquisition Regulation, which is the primary regulation for all federal executive agencies in their acquisition of supplies and services. This review is planned as a follow-up to the current evaluation of the CFPB's contract solicitation and selection process. Our focus will be on the CFPB's contract management processes, compliance with applicable rules established by the Federal Acquisition Regulation, and the effectiveness of the CFPB's internal controls related to contract management. | Fourth quarter 2012 |
| Audit of the CFPB's Processes Related to Initiating, Reviewing, and Approving Expenditure Requests | The 2011 independent audit of the CFPB's operations and budget, required annually by amendments to the Dodd-Frank Act under section 1573(a) of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, found that the CFPB had "limited specific written policies and procedures related to . . . initiating, reviewing, and approving expenditure requests." The focus of this project will be to further analyze the internal controls process for expenditure requests. | Fourth quarter 2012 |

| Project Name | CFPB—Planned Project Description | Planned Start |
|--|---|---------------------|
| Evaluation of the Coordination between the CFPB and Other Regulatory Agencies for Bank and Nonbank Supervision | To minimize regulatory burden, the Dodd-Frank Act requires the CFPB to coordinate its supervisory activities with the supervisory activities conducted by prudential regulators and state financial regulatory authorities, including consultation regarding their respective (1) requirements regarding reports to be submitted by the banks or nonbank entities and (2) schedules for examining banks or nonbank entities. Our focus will be on the progress the CFPB has made in coordinating with primary regulators in scheduling examinations, obtaining prior examination documentation for scoping purposes, and obtaining/sharing information relevant to CFPB examinations. | Fourth quarter 2012 |
| Evaluation of the Initial Activities of the CFPB's Large Bank Supervision Program | On July 12, 2011, the CFPB announced that it would begin its examination program for large banks on July 21, 2011. According to the CFPB, the supervision program will oversee 111 depository institutions that individually have total assets over \$10 billion. These institutions, including their affiliates, collectively hold more than 80 percent of the banking industry's assets, according to the CFPB. We plan to focus on the progress the CFPB has made in implementing the activities it identified in its July 2011 announcement and the extent to which financial institutions have a clear understanding of the CFPB's examination process. | Fourth quarter 2012 |

CFPB—Ongoing Projects

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| Project Name | CFPB—Ongoing Project Description | Planned Completion Date |
|--|---|-------------------------|
| Evaluation of the CFPB's Consumer Response Center | On July 21, 2011, the CFPB's Consumer Response Center began accepting credit card complaints through its website and toll-free number. The CFPB plans to begin processing complaints about other consumer financial products over the course of 2012. Our objectives are to (1) evaluate the process the CFPB has established to receive, track, and respond to consumer complaints; (2) assess the CFPB's coordination with federal and state regulatory agencies regarding the processing and referral of complaints; and (3) determine the extent to which the CFPB is assessing its performance when responding to consumer complaints. | Third quarter 2012 |
| Audit of the CFPB's Information Security Program | The Federal Information Security Management Act of 2002 (FISMA) requires that each agency Inspector General conduct an annual independent evaluation of its agency's information security program. As such, we are conducting an audit of the information security programs and practices of the CFPB. Based on FISMA's requirements, our specific audit objectives are to evaluate (1) the CFPB's compliance with FISMA and related information security policies, procedures, standards, and guidelines and (2) the effectiveness of security controls and techniques for a subset of the CFPB's information systems. | Fourth quarter 2012 |
| Evaluation of the CFPB's Annual Budget Process | As an independent agency within the Federal Reserve System, the CFPB is funded principally by the Federal Reserve System in amounts determined by the CFPB Director as necessary to carry out the agency's operations, subject to limits established in the Dodd-Frank Act. These transferred funds are not subject to the congressional appropriations process. The CFPB prepared and publicly issued budget documents for fiscal years 2012 and 2013. Our objectives are to evaluate the extent to which the CFPB's budget process facilitates the achievement of the agency's goals and performance objectives and demonstrates the agency's commitment to transparency. | Fourth quarter 2012 |
| Evaluation of the CFPB's Contract Solicitation and Selection Process | The CFPB established a procurement function and has been entering into contracts for goods and services. Accordingly, we are conducting an evaluation of certain aspects of the CFPB's contracting process. This evaluation's objective is to determine whether the CFPB's contract solicitation and selection processes and practices are compliant with applicable rules established by the Federal Acquisition Regulation. We plan to focus on a specific contract type, which we will select after an assessment of the CFPB's overall contracting activities to date. | Fourth quarter 2012 |

| Project Name | CFPB—Ongoing Project Description | Planned Completion Date |
|---|--|-------------------------|
| Evaluation of the CFPB's Policies, Procedures, and Practices Associated with Agency-sponsored Conferences | The OIG has begun an evaluation of the CFPB's policies, procedures, and practices associated with agency-sponsored conferences. The objectives of this evaluation are to determine (1) the CFPB's management controls, policies, procedures, and practices associated with agency-sponsored conferences and (2) whether the CFPB's conference-related expenses and practices comply with applicable policies and procedures. | First quarter 2013 |
| Security Control Review of the CFPB's Consumer Response System (CRS) | We are performing a security control review of the CRS. The CRS is a contractor-operated system used by the CFPB to collect, investigate, and respond to consumer complaints regarding certain financial products and services. It is listed on the CFPB's Federal Information Security Management Act of 2002 inventory as a major application. Our specific control objective is to evaluate the adequacy of selected security controls and techniques for protecting data in the CRS from unauthorized access, modification, destruction, or disclosure. We will use the CFPB's information security program, Federal Information Security Management Act requirements, and applicable National Institute of Standards and Technology guidelines as criteria. | First quarter 2013 |

CFPB—Completed Projects

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| Project Name | CFPB—Completed Project Description | Report Issue Date (Click on the date to access the report.) |
|---|--|--|
| 2012 Audit Survey of Board and CFPB Controls over Sensitive and Proprietary Information Collected and Exchanged with the Financial Stability Oversight Council (FSOC) | The Dodd-Frank Act created the Council of Inspectors General on Financial Oversight (CIGFO), as well as FSOC. CIGFO comprises the Inspectors General of several financial regulatory agencies and facilitates the sharing of information, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight. FSOC was created to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system. The focus of this audit survey was to examine the controls and protocols that FSOC and its member agencies have implemented to properly safeguard sensitive FSOC-related information. To accomplish this objective, we determined the controls and protocols established by the Board and the CFPB to manage sensitive and proprietary FSOC-related information. CIGFO prepared a consolidated report containing the results of the respective Inspector General members. | June 2012 |



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