



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

April 4, 2019

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EXECUTIVE SUMMARY

April 4, 2019

The Honorable Kathy Kraninger
Director
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

Dear Ms. Kraninger:

This report presents the results of our work conducted to address the performance audit objectives relative to the Bureau of Consumer Financial Protection (hereinafter referred to as “BCFP” or “Bureau”). Our work was performed during the period August 27, 2018 to March 1, 2019, and our results, reported herein, are as of April 4, 2019.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (AICPA). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

As specified by BCFP, our audit objectives were to review and assess BCFP’s (1) budget process, relative to its policies and procedures established over budget formulation, execution, and monitoring; (2) transit subsidy program’s policies and procedures, and related monitoring over the interagency agreement with the



Department of Health and Human Services; (3) security controls assessment program's design and implementation of policies and procedures, as it applies to the cloud service provider Amazon Web Services; and (4) corrective actions taken to resolve the findings and recommendations included in BCFP's *2017 Independent Audit of Selected Operations and Budget*, which was performed by KPMG.

As our report further describes in the *Findings and Recommendations* section, we identified a finding in the transit subsidy program as a result of the work performed to meet our audit objectives, related to insufficient controls over the review and monitoring of program participants.

We recommend the Bureau:

- Enhance their controls over the review of applications and require the program manager to perform and document the following minimum validation checks before approving the application:
 - Validate the employee's home address
 - Re-compute the commuting costs
 - Validate the participant's actual daily and monthly public transportation costs
 - Check other parking benefit records for the applicant to ensure they are not already receiving alternative parking benefits
- Design and implement a monitoring control to ensure active participants remain eligible for the program and are receiving the correct benefit amount. Such control should be performed by the program manager on a periodic basis and may include the following procedures:
 - Re-validate the employee's home address
 - Re-compute the commuting costs
 - Check other parking benefit records for the applicant to ensure they are not receiving other parking benefits
 - Select a sample of participants on a periodic basis and perform the following: 1) review a month's worth of participant's transit receipts to validate the month's transit expense, and 2) verify that the monthly transit benefit received does not exceed the maximum amount allowed
 - Ensure that the results of these procedures are properly documented



- Strengthen monitoring controls over participant withdrawals from the transit subsidy benefit program to timely follow up on off-boarding notifications, to ensure all terminated employees have been withdrawn from the program timely.

Moreover, as a result of our procedures, we noted that the control deficiency reported in our prior year audit, related to untimely de-obligation of stale obligations, had not been fully remediated. Procedures to address one recommendation was identified, finalized, and implemented in the 4th quarter of the year. However, the other recommendations remain open.

In addition, we also made one observation, presented in ***Appendix A – Additional Improvement Observations***. We determined that this observation is not a reportable finding. However, BCFP may find this observation useful in strengthening the policies and procedures of the Bureau's security controls assessment program.

KPMG cautions that projecting the results of our report to future periods is subject to the risks that controls may become inadequate because of changes in conditions, or because compliance with controls may deteriorate.

This report is intended solely for the information and use of the Bureau of Consumer Financial Protection, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

BACKGROUND

The Bureau of Consumer Financial Protection (BCFP) was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act) as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency, as defined in Section 105 of Title 5, United States Code, with a mission to make consumer finance rules more effective, consistently and fairly enforce those rules, and empower consumers to take more control over their economic lives. To accomplish its mission, the BCFP seeks to educate consumers, enforce federal consumer financial laws, and gather and analyze information to better understand consumers, financial service providers and consumer financial markets.

The BCFP has a diverse mandate, including roles that were previously covered by seven different agencies responsible for rulemaking, supervision, and enforcement relating to consumer financial protection. The agencies which previously administered statutes transferred to the BCFP are the Board of Governors of the Federal Reserve System; the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Federal Trade Commission, and the Department of Housing and Urban Development.

To accomplish its mission, the BCFP developed a workforce with a broad and diverse depth of public and private industry experience that is spread across the country, with its headquarters in Washington, D.C. and regional offices in Chicago, New York City and San Francisco. The BCFP is organized into six primary divisions:

- *Consumer Education and Engagement* – Works to empower consumers with the knowledge, tools, and capabilities they need to make better-informed financial decisions by engaging them in the right moments of their financial lives, while addressing the unique financial challenges faced by four specific populations and hears directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback;
- *Supervision, Enforcement, and Fair Lending* – Helps ensure compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate;
- *Research, Markets, and Regulations* – Conducts research to understand consumer financial markets and consumer behavior, evaluates whether there is a need for regulation, and determines the costs and benefits of potential or existing regulations;
- *Legal Division* – Helps ensure the Bureau’s compliance with all applicable laws and provides advice to the Director and the Bureau’s divisions;

- *External Affairs* – Manages the Bureau’s relationships with external stakeholders and ensures that the Bureau maintains robust dialogue with interested stakeholders to promote understanding, transparency, and accountability; and
- *Operations Division* – Builds and sustains the BCFP’s operational infrastructure to support the entire organization.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives and Scope

As specified by the BCFP, the objectives of our performance audit were to evaluate BCFP’s:

- budget process, relative to its policies and procedures established over budget formulation, execution, and monitoring;
- transit subsidy program’s policies and procedures, and related monitoring over the interagency agreement with the Department of Health and Human Services;
- security controls assessment program’s design and implementation of policies and procedures, as it applies to the cloud service provider Amazon Web Services; and
- corrective actions taken to resolve the findings and recommendations included in BCFP’s *2017 Independent Audit of Selected Operations and Budget*.

Methodology and Approach

We conducted our performance audit in accordance with the performance audit standards in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. Our responsibility is to provide findings and recommendations based on the results of our audit. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

Our methodology consisted of the following four-phased approach:

1. *Project Initiation and Planning* – We met with BCFP key personnel to (1) reaffirm BCFP’s and our collective understanding of the performance audit objectives and scope, (2) highlight our methodology and approach to meet the audit objectives, (3) request certain information from BCFP needed to perform our audit, and (4) gain an understanding of the status of corrective actions plans related to our prior year findings and recommendations.

2. *Data Gathering* – We interviewed key BCFP personnel to obtain an understanding of processes, controls, and available documentation for each audit objective. For each audit objective, we researched leading practices, obtained and reviewed relevant documentation, selected samples for detailed testing and further analysis, when appropriate, and documented the work performed and results of our audit procedures.
3. *Analysis Using Established Criteria* – Our evaluation criteria was developed from a variety of sources, including:
 - requirements and technical guidance published by the Office of Management and Budget (OMB) and used by BCFP as leading practices¹ at the time of our audit (e.g., OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, dated July 15, 2016);
 - OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*, dated September 20, 2013;
 - OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*;
 - OMB Circular A-130, *Managing Federal Information as a Strategic Resource*;
 - OMB Memoranda 07-15, *Federal Transit Benefits Program*;
 - NIST SP 800-53, revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*;
 - Federal Information Processing Standards (FIPS) 200, *Minimum Security Requirements For Federal Information and Information Systems*;
 - Federal Risk and Authorization Management Program (FedRAMP) Tailored Continuous Monitoring Guide, Version 1. and Security Controls Baseline; and
 - BCFP's policies and procedures.
4. *Findings and Recommendations* – The results of our audit work were the basis for our audit finding and recommendation. This finding and recommendation was communicated to BCFP management. We met with BCFP management to discuss our finding, recommendation, the content of the auditor's report, and steps related to the final reporting process.

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

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

RESULTS

BCFP's Budget Process

Pursuant to the Dodd-Frank Act (“the Act”), the BCFP is funded principally by transfers from the Federal Reserve System, up to a limit set forth in the Act. In addition, pursuant to the Act, the BCFP is also authorized to collect and use, for specified purposes, civil penalties collected from any person or entity in any judicial or administrative action brought under federal consumer financial law. During fiscal years 2017 and 2018, the BCFP’s annual transfers from the Board totaled approximately \$602 million and \$381 million, respectively. The BCFP budget process consists of budget formulation (including budget submission and approval), budget execution, and budget monitoring (including reporting). The BCFP and the Federal Reserve have entered into an inter-agency agreement for the continued funding of the operations of the BCFP as set forth in Section 1017(b) of the Dodd-Frank Act. Under this agreement, the Federal Reserve will transfer funds quarterly to the BCFP based on notification by the Director of the amounts needed.

The annual budget formulation process begins approximately 18 months before the beginning of the fiscal year in which the budget will be executed. This is a collaborative effort between the Office of Chief Financial Officer (OCFO) and BCFP divisions and their offices. To facilitate a standardized and consistent budget formulation process, the OCFO has developed policies and procedures, including templates for gathering relevant data. The program or division is required to support the amounts requested and link to the BCFP goals set by the Director.

The BCFP’s Operations Division is responsible for coordinating activities for budget formulation across the Bureau. Working in collaboration with other BCFP divisions, the OCFO has primary responsibility for developing the budget (including staffing estimates) consistent with statutory requirements, performance goals, and BCFP priorities. The BCFP Director has final approval authority over the budget. Once the annual budget is approved by the Director, it is distributed internally, communicated to OMB (but not subject to approval by OMB) and posted on the BCFP website.

To execute its budget, BCFP exercises administrative control of funds through several measures. A financial plan is developed for each division and distributed at the beginning of each fiscal year. Within the financial plan, each division is allocated a target staffing headcount and personnel and non-personnel funding for the fiscal year. Divisions are expected to adhere to their financial plan allocations and to work collaboratively with the OCFO to request any additional funding and/or staffing if needed throughout the

year. The OCFO has established policies and procedures for the approvals of requisitions and commitments related to BCFP's funds.

To process budgetary transactions and enforce fund controls, BCFP has entered into an interagency agreement for accounting services with the U.S. Department of the Treasury's Bureau of the Fiscal Service. Accounting services provided to BCFP include recording financial transactions, such as budget authority, allocations, collections, accounts receivable, commitments, obligations, accruals, accounts payable, disbursements, and journal entries. The Bureau of the Fiscal Service's automated accounting systems provide the budgeting and funds control at various organizational and spending levels, which are established at the request of the customer agency. To complement these fund controls, the BCFP has established additional monitoring controls, such as monthly budget execution summary reports, senior management reviews three times a year, and the mid-year budget review. In addition, the OCFO has established policies and procedures to perform a quarterly accrual analysis of individual obligations to determine if goods and services were received.

The BCFP has established and maintains an operating reserve to protect the Bureau's ability to carry out its authority and ensure the stability of its mission, programs, and ongoing operations in the event of unanticipated and unbudgeted one-time funding needs. This reserve is intended to provide a source of funds internal to the BCFP for unexpected situations, such as sudden increases in expense, one-time unbudgeted expenses, unanticipated delays in funding, and uninsured losses. The BCFP's Operating Reserve Policy has been implemented in concert with its other governance and financial policies and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans. Additionally, maintenance of such a reserve is expected to minimize or eliminate the need to request fund transfers from the Board of Governors of the Federal Reserve (Board) outside the predetermined schedule, which could place an undue burden on the Federal Reserve System.

Our methodology and approach for evaluating the budget process included the following procedures:

- Interviewing BCFP key budget personnel within the individual division/program offices and the OCFO regarding formulation, execution, and monitoring;
- Reviewing the policies and procedures for budget formulation, execution, and monitoring;
- Obtaining a further understanding of the budget formulation, execution and monitoring process through discussions with management of the OCFO and select BCFP divisions;
- Reviewing documents used to support the budget formulation process;

- Comparing the BCFP budget formulation, execution, and monitoring process to the applicable requirements and guidance in OMB Circular A-11 as an indicator of leading practice;
- Reviewing documents to support the fact that the fiscal year 2018 budget was discussed with the program offices, was reviewed and approved by BCFP's Director, and was widely communicated throughout the organization;
- Obtaining an understanding of the budget execution and monitoring process through discussions with OCFO management and select BCFP offices;
- Reviewing BCFP's support for its mid-year budget review;
- Selecting a sample of budgetary transactions and obtaining supporting documentation;
- Reviewing the user controls noted in the Bureau of the Fiscal Service Organization Control report under Statement on Standards for Attestation (SSAE) No. 18: *Report on the Bureau of the Fiscal Service Administrative Resource Center's Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2017 to June 30, 2018* (BFS SSAE 18 report) issued by KPMG, which performed this SSAE No. 18 attestation for the Bureau of the Fiscal Service; and
- Reviewing the BCFP analysis of the BFS SSAE 18 report.

Refer to **Corrective Actions Taken to Resolve the FY2017 Audit Report Findings and Recommendations** section of this report for our finding and recommendations related to our budget process audit objective.

BCFP's Transit Subsidy Program

The transit subsidy program provides benefits to BCFP employees that are committed to using mass transportation for their 'home to work to home' commute. The benefits provided to participants in the program include transit subsidies through one of the following: Go!cards, SmarTrip cards or direct payment vouchers. In FY 2018, approximately 650 BCFP employees participated in the program, with total expenses of \$840 thousand.

In order to provide this program to its employees, BCFP has entered into an interagency agreement with the Program Support Center (PSC), a department under the Department of Health and Human Services (HHS). Under the agreement, PSC is responsible for program management and account management tasks such as defining the roles and responsibilities of Program Administrator and Account Manager, onboarding customers, providing templates for all data requests, providing BCFP with current listing of participants and the designation of benefit (e.g., GO!card), and ordering Go!cards from vendors based on requests from

BCFP. In addition, PSC delivers virtual training, processes participant updates, and provides support to program administrators and program managers, including providing monthly invoices and status reports.

Conversely, BCFP responsibilities under the agreement are to provide PSC with a list of participants to be onboarded, identify and provide contact information to PSC, and disseminate information to participants. Additionally, BCFP provides updates to PSC for changes in participant status, and ensures participants are not violating benefits. Finally, BCFP ensures corrective actions associated with fraud, waste or misuse are properly managed, and invoices are paid timely to PSC. A BCFP program manager facilitates communications between PSC and BCFP, as well as with participating employees and PSC.

BCFP has established policies and procedures to meet its requirements for the on-boarding, monitoring and off-boarding of participants. In order to be eligible for the program, a participant must be a federal employee duty stationed at an official BCFP office building, cannot be receiving parking benefits, and must use mass transit for the bulk of their commute to work.

The onboarding begins with new or renewing applicants applying for the transit subsidy for the current year through submission of an application to the program manager. The program manager will review the application for completeness and to ensure the applicant meets the eligibility requirements. The program manager requires each applicant to take ‘Transit Benefit Integrity Awareness Training,’ and the training must be re-completed each year. Once approved the program manager updates the BCFP participant file, he or she submits the applicant’s information to PCS to begin benefits, and notifies the applicant.

PCS receives the participant’s information from BCFP, and sets up the participant’s recurring benefit based on the participant’s selected benefit. The PCS will ensure that benefits continue to be paid to the participant on the pre-defined basis, until notified by BCFP to cease benefits. On a monthly basis, HHS provides BCFP an invoice for the benefits paid. BCFP reviews the invoice of payments made and approves the reimbursement payment to HHS.

Transit benefits end when participants separate from BCFP, they no longer desire to receive benefits, or they are no longer eligible for benefits. Participants separating from the Bureau or desiring to withdraw from the program submit an application to the program manager. The program manager reviews the withdrawal application and updates the participant record. PCS is then notified that the participant benefits should end, and ceases payment for the participant. In instances where a separating employee cannot submit a withdrawal application, the program manager will manually terminate their subsidy with the service provider by the second Friday of the employee’s departing pay period.

Our methodology and approach for evaluating the transit subsidy program included the following procedures:

- Interviewing key BCFP transit subsidy program personnel regarding how the program operates, as well as internal policies and procedures for administering the program;
- Reviewing policies and procedures for the transit subsidy program as well as the executed customer service agreement and statement of work with the Department of Health and Human Services;
- Obtaining an understanding of the controls in place at BCFP over the approval, maintenance and removal of program participants;
- Selecting a sample of program participants and obtaining supporting documentation of their transit benefits approval;
- Reviewing Executive Order 13150 *Federal Workforce Transportation*;
- Reviewing Public Law 103-172 *Clean Air Incentives Act*;
- Reviewing OMB Memoranda 07-15 *Federal Transit Benefits Program*; and
- Comparing BCFP policies and procedures over the transit subsidy program to the applicable requirements and guidance listed above as indicators of leading practices

Refer to **Finding A** in the *Finding and Recommendations* section of this report for our finding and recommendations related to the transit subsidiary program audit objective.

BCFP’s Security Controls Assessment Program’s Design and Implementation of Policies and Procedures, as it Applies to the Cloud Service Provider Amazon Web Services

BCFP has an established security controls assessment program. BCFP uses the security control assessments (SCA) as one of the primary sources of the security data inputs used to determine the security state of an information system or environment. The results of the assessments inform key stakeholders whether the set of deployed security controls are effective in maintaining an acceptable operational risk-level, and alerts responsible personnel of control failures or weaknesses.

As part of their information systems and environment, BCFP has contracted with a cloud service provider (CSP), Amazon Web Services (AWS), for Infrastructure as a Services (IaaS) services². This environment, known as “Cloud2” hosts many non-financial relevant systems. BCFP and AWS have an established service

² Infrastructure as a service (IAAS) is a form of cloud computing that provides computing resources over the internet.

level agreement (SLA) that outlines the required baseline security controls for federally hosted cloud systems and is included within the customer responsibility matrix as part of the SLA.

BCFP performs these ongoing security control assessments to evaluate a subset of the security controls at predefined intervals. The assessment is conducted by independent security control assessors within the Cybersecurity department. The security controls selected for ongoing assessments are derived from BCFP's Cybersecurity Enterprise Standards Manual (CESM), which contains a baseline of Information Technology (IT) controls. The CESM is based on the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.

The Cybersecurity ISCM team is responsible for developing and maintaining the Ongoing Assessment Schedule and Control Schedule. The schedule provides key stakeholders with relevant information for planning their support including: (i) the time period when the four assessments will take place throughout the year, (ii) list of the security controls that will be assessed during each of the assessments, (iii) date the security assessment report will be delivered, and (iv) dates of the follow-up Lessons Learned sessions used to discuss the results of the assessment and the ISCM Process. In addition to the assessments done four (4) times a year, all applicable controls are assessed at least once every three (3) years. Select security controls may be assessed at more frequent intervals or on an as-needed basis than others, based on their volatility or other factors (e.g., large-scale changes to the system/network, known vectors of cyber-attacks, development or changes to a system).

The assessors develop the security assessment report at the end of each quarter, which includes a summary of the results with detailed findings, associated weakness descriptions, and provides an associated risk rating. The reports are provided to key stakeholders at the end of the assessment timeframe for review, risk analysis, and remediation of findings as applicable. As of April 2018, BCFP implemented the use of Cyber Security Assessment and Management (CSAM)³ as their tool to organize and evaluate controls. The implementation of CSAM, once fully integrated into their process, is expected to bring efficiencies and give assessors a common platform to review artifacts and document results.

³ CSAM is a web based tool used to assess, document, manage, and report on the status of IT security risk assessments and implementation of Federal and BCFP IT security control standards and policies.

Our methodology and approach for evaluating the security controls assessment program included the following procedures:

- Interviewing the BCFP key Cyber and IT personnel, to include the Chief Information Officer (CIO), Chief Information Systems Officer (CISO), and Authorizing Official (AO) as to the SCA program;
- Reviewing the policies and procedures over the establishment and methodology of the SCA program as a part of BCFP's continuous monitoring program.
- Obtaining an understanding of the controls in place within their SCA program.
- Interviewing and performing a knowledge assessment of key personnel and evaluate their understanding and performance of the process as designed.
- Selecting a sample of controls evaluated by management in the FY18 SCA program and reviewed management's results of those control tests for consistency with management's policies and procedures.

Our procedures did not identify any findings related to the design of BCFP's policies and procedures over the security controls assessment program as it relates to Amazon Web Services. However, as a result of our procedures, we reported an observation for BCFP's consideration to further enhance its monitoring and oversight in Appendix A – *Improvement Observations*.

Corrective Actions Taken to Resolve the FY2017 Audit Report Findings and Recommendations

BCFP developed a corrective action plan to address the prior year finding included in the *2017 Independent Audit of Operations and Budget*⁴ report. Our methodology and approach for evaluating the corrective actions process included the following procedures:

- Reviewed the finding and related recommendation included in the *2017 Independent Audit of Operations and Budget*, which were defined as either a risk of deficiency or non-compliance or a deficiency in internal control;
- Obtained and reviewed the corrective action plan (CAP) developed by BCFP for the finding mentioned above; and
- Reviewed documentation supporting the BCFP actions specified in the CAP and how the actions taken address the prior year finding.

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

The table below captures the status of the prior year findings based on the results of our 2017 performance audit procedures:

2017 Findings	2017 Finding Type	2018 Status
Asset management annual inventory policies and procedures need to be reinforced and certain additional controls need to be adopted (<i>Issued in FY 2016</i>) ⁵	Control Deficiency	CLOSED BCFP implemented policies and procedures to address the finding in FY 2018. We obtained the policies and procedures and noted they addressed the recommendations issued in the FY 2016 report. As a result, we closed the finding.
Untimely de-obligation of stale obligations	Control Deficiency	OPEN BCFP created a corrective action plan to track and address the FY 2017 finding and recommendations. In the current fiscal year, the BCFP issued new policies and procedures for contract close out that addressed 1 of the 4 recommendations issued in the FY 2017 report. However, the three remaining recommendations pertaining to weaknesses in certain controls over the timely de-obligation of funds had not yet been fully addressed. In our current year test work, we judgmentally selected a sample of 10 transactions from the Undelivered Orders (UDO) subsidiary ledger that had creation dates of FY 2016 or prior. We noted that 4 of the 10 items selected for testwork did not have an update from the Contracting Officer Representative during the semi-annual open obligation review. The program office was unable to provide audit evidence that an effective follow up with the vendor had occurred in order to obtain the necessary documentation to substantiate the validity of the obligation. Based on the results of our procedures performed over the UDO transactions, our prior year recommendations of stale obligations continued to be open.

⁵ 2016 Independent Audit of Selected Operations and Budgets, KPMG, December 16, 2016

Findings and Recommendations

Our 2018 performance audit identified one internal control deficiency⁶ finding, which is presented below. We discussed the results of the performance audit with BCFP's CFO, the audit focus area leads, and the COR for the audit contract.

A. Insufficient Controls Over the Review and Monitoring of Program Participants

Background and Condition:

The BCFP has established policies and procedures over the administration of the transit subsidy program. However, monitoring controls over the applications for, or withdrawal from, the transit subsidy program were not designed at a sufficient level of precision to allow the reviewer to perform and document the control activities with a sufficient level of specificity and documentation.

Specifically, we noted the following control deficiencies:

1. Although a program manager signs off on the transit subsidy application, there is no evidence that the reviewer performed an independent verification check validating the applicant's address, calculation of commuting costs, or confirmation that the applicant was receiving no other transit benefits.
2. BCFP has not designed monitoring controls over active participants to evaluate whether participants continue to be eligible to receive transit subsidy benefits and/or to assess whether benefits are accurately adjusted due to changes in the commute schedule or participant's address.
3. BCFP has not designed monitoring controls to ensure that terminated participants have been removed from the transit subsidy program prior to departing from the Bureau and that transit subsidy benefits have been discontinued at the time of termination.

⁶ *Government Auditing Standards*, 2011 Revision – Paragraph 6.2. “In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met.”

Criteria:

- According to the transit subsidy program's standard operating procedures:

The Program Manager must verify that Federal Employees meet the requirements for participation in the transit benefits program with this criteria:

- a. BCFP employees are NOT receiving parking benefits and are using mass transit for the bulk of their commutes to work.
- b. BCFP employees complete the Integrity Training and submit their completion certificate before applications are considered for approval.
- c. Working down the application verify all the required fields [...]

The following steps are taken to ensure departing employees are removed from the program:

- i. Employee electronically submits a formal withdrawal editing the online BCFP Transit Subsidy Application.
- ii. Once the request is received, the Program Manager submits the withdrawal request to the Bureau's transit subsidy service provider and updates RemedyForce accordingly.
- iii. In the event the participating employee does not submit a withdrawal application, the transit subsidy program manager will manually terminate their subsidy with the service provider by the 2nd Friday of the employee's departing pay period.

In addition, the Office of Management and Budget provides leading practices for transit programs in OMB Memoranda 07-15 *Federal Transit Benefits Program*. It states commuting costs should be verified by an approving official (e.g. employee's home address validated and commuting costs correctly calculated), as well as eligibility verified by an approving official. Specifically, applications should be checked against parking benefit records, and when necessary, benefits adjusted due to travel, leave or change in address.

Cause and Effect:

BCFP has policies and procedures to review applications, but they do not require evidence of the review (such as formal documentation to ensure the various steps are verified, including determining if a participant is receiving the incorrect amount of benefits). BCFP relies on the certification of the applicant rather than performing its own independent verification.

Recommendations:

To improve controls over the transit subsidy program, we recommend that BCFP management implement the following:

1. Enhance their controls over the review of applications and require the program manager to perform and document the following minimum validation checks before approving the application:
 - Validate the employee's home address;
 - Re-compute the commuting costs;
 - Validate the participant's actual daily and monthly public transportation costs; and
 - Check other parking benefit records for the applicant to ensure they are not already receiving alternative parking benefits.
2. Design and implement a monitoring control to ensure active participants remain eligible for the program and are receiving the correct benefit amount. Such control should be performed by the program manager on a periodic basis and may include the following procedures:
 - Re-validate the employee's home address;
 - Re-compute the commuting costs;
 - Check other parking benefit records for the applicant to ensure they are not receiving other parking benefits;
 - Select a sample of participants on a periodic basis and perform the following: 1) review a month's worth of participant's transit receipts to validate the month's transit expense, and 2) verify that the monthly transit benefit received does not exceed the maximum amount allowed; and
 - Ensure that the results of these procedures are properly documented.
3. Strengthen monitoring controls over participant withdrawals from the transit subsidy benefit program to timely follow up on off-boarding notifications to ensure all terminated employees have been withdrawn from the program timely.

Appendix A – Additional Improvement Observations

Our current audit procedures did not identify any findings related to the design of BCFP's policies and procedures over the security controls assessment program as it relates to Amazon Web Services. However, as a result of our procedures, we reported one observation for BCFP's consideration in further enhancing this process, which is included here. This observation is related to our 2018 audit of selected operations and budget, and is presented for the purpose of finalizing the results of that audit.

Our additional observation is as follows:

BCFP's Office of Information Technology would benefit from establishing a consistent approach and strategy to documenting the results of testing across all security control assessment test procedures. For example, when conducting interviews, consistently document the name and title of personnel interviewed. The benefit of having a standard approach is that BCFP can be more certain of achieving a consistent output from the assessment process; which can also reduce potential ambiguity of results.

Appendix B – BCFP’s Management Response

Management Responses

We provided a draft of this report to BCFP management for review and comment. BCFP’s responses to our findings and recommendations are included in a letter from BCFP’s Chief Financial Officer dated April 4, 2019 (refer to Appendix B). BCFP’s responses were not subjected to the auditing procedures applied in the performance audit objectives relative to BCFP; accordingly, we expressed no opinion on these responses.

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



April 4, 2019

Mr. Jorge Asef-Sargent
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Washington, DC 20006

Dear Mr. Asef-Sargent,

Thank you for the opportunity to review and comment on KPMG, L.L.P.'s report "*Bureau of Consumer Financial Protection Independent Audit of Selected Operations and Budget*," for Fiscal Year 2018 dated April 4, 2019. We have reviewed the audit report and concur with the recommendations contained therein. As noted in the report, the Bureau has not fully remediated the finding from the 2017 Independent Audit conducted by your firm regarding the untimely de-obligation of stale obligations. We will continue our work to fully remediate the finding during the upcoming year.

We agree with the identified condition and accompanying recommendations in the 2018 audit report. My colleagues are already preparing to implement the proposed recommendations from the Transit Subsidy audit focus area. The comments on the recommendations in this letter provide additional detail on planned actions to enhance the controls in the Transit Subsidy audit focus area.

In an effort to enhance the Bureau's operations and to address the performance improvement opportunity identified by KPMG, the Bureau will evaluate how best to incorporate the observed opportunity for improvement into the existing policies and procedures of that audit focus area.

Thank you again for your review.

Sincerely,


Elizabeth Reilly
Chief Financial Officer

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Auditor's Recommendations Related to BCFP's Controls Over the Review and Monitoring of the Transit Subsidy Benefit Program

Recommendations: The Auditor recommends that BCFP:

1. *Enhance their controls over the review of applications and require the program manager to perform and document the following minimum validation checks before approving the application: 1) validate the employee's home address; 2) re-compute the commuting costs; 3) validate the participant's actual daily and monthly public transportation costs; and 4) check other parking benefit records for the applicant to ensure they are not already receiving alternative parking benefits.*
2. *Design and implement a monitoring control to ensure active participants remain eligible for the program and are receiving the correct benefit amount. Such control should be performed by the program manager on a periodic basis and may include the procedures listed in recommendation one (1), as well as, select a sample of participants on a periodic basis and perform the following: 1) review a month's worth of participant's transit receipts to validate the month's transit expense, and 2) verify that the monthly transit benefit received does not exceed the maximum amount allowed. Lastly, ensure that the results of these procedures are properly documented.*
3. *Strengthen monitoring controls over participant withdrawals from the transit subsidy benefit program to timely follow-up on off-boarding notifications to ensure all terminated employees have been withdrawn from the program timely.*

BCFP Response:

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

1. Recommendation #1: We currently have a process to validate an employee's application before approving. However, we plan to acquire the Human Capital data and update our Standard Operating Procedures (SOPs) to enhance how we validate the employee's proposed commuting costs.
2. Recommendation #2: To implement this, we plan to:
 - a. Launch the parking application onto our SharePoint site. Through this method, we will be able to build in an automatic comparison of both Parking and Transit Subsidy rosters and highlight any individual that may be receiving one of the benefits before applying for the other one.
 - b. Acquire a monthly report from our service provider to monitor and verify the commuting expenses of a sample of our participants.
 - c. Establish evaluation criteria and clear guidelines on when a participant's transit subsidy would be adjusted due to a variance between its actual use versus planned allocation.
 - d. Update our SOPs to include these new procedures.
3. Recommendation #3: The Bureau recently implemented an improved off-boarding process which identifies employees scheduled to off-board/leave the Bureau and routes the required actions to the appropriate owners. One of those actions is to remove transit subsidy benefits from those individuals. This new process has greatly strengthened our controls, and notifications are now sent at a better rate. Since then, we have:
 - a. Designed and implemented procedures within our SOP that detail the steps and timeframes which the Program Manager must take to remove an employee from the Transit Subsidy program.

These steps should satisfy this recommendation the next time it is tested.