For Release Upon Delivery
2:00 p.m., April 16, 2024

TESTIMONY OF

BRIAN JOHNSON[1]

before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND MONETARY POLICY

of the

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 16, 2024

[1] The views expressed in this testimony are my personal views and do not represent the views of Patomak Global Partners LLC or any other organization with which I am affiliated. I have adapted portions of this testimony from my research article entitled "Understanding CFPB Funding and Expenditures, FY 2010 – 2022" (Sept. 7, 2023), available at https://patomak.com/2023/09/07/understanding-cfpb-funding-and-expenditures-fy-2010-2022/.

Chairman Barr, Ranking Member Foster, and members of the subcommittee, thank you for the opportunity to testify today about the CFPB's financial reporting and transparency.

My name is Brian Johnson. I am Managing Director of Patomak Global Partners, a financial services regulatory consultancy. I am an attorney and Certified Regulatory Compliance Manager. I previously served as the Deputy Director of the CFPB, where I provided strategic direction to the agency's rulemaking, supervision, and enforcement efforts. Prior to that, I proudly served for over five years as a member of the Financial Services Committee's professional staff, where I focused on banking and consumer finance matters.

Introduction

This committee's review of the CFPB's funding and budgeting processes is timely. On October 3, 2023, the Supreme Court of the United States heard oral argument in *Consumer Financial Protection Bureau, et al., Petitioners v. Community Financial Services Association of America, Limited, et al.*, a case evaluating the constitutionality of the CFPB's funding mechanism. The 5th Circuit Court of Appeals below previously held that the statute providing funding to the Consumer Financial Protection Bureau (CFPB), 12 U.S.C. 5497, violates the Appropriations Clause, U.S. Const. Art. I, § 9, Cl. 7. The Court is expected to announce its decision in this case by not later than the end of June.

As a matter of basic democratic accountability, Congress must ensure that the American people have a say in how government agencies like the CFPB spends their money. My testimony today aims to enable Congress to exercise this vital responsibility, and to help educate the public about how the CFPB obtains and spends federal funds. The facts and figures that I cite derive from my analysis of various records released by the CFPB over the past fourteen years, unless otherwise indicated.

CFPB Funding

Section 1017 of the Dodd-Frank Wall Street Reform and Consumer Protection Act establishes how the CFPB obtains funding.[2] The CFPB's primary funding source is transfers from the Fed Board of Governors, a portion of the combined earnings of the Federal Reserve

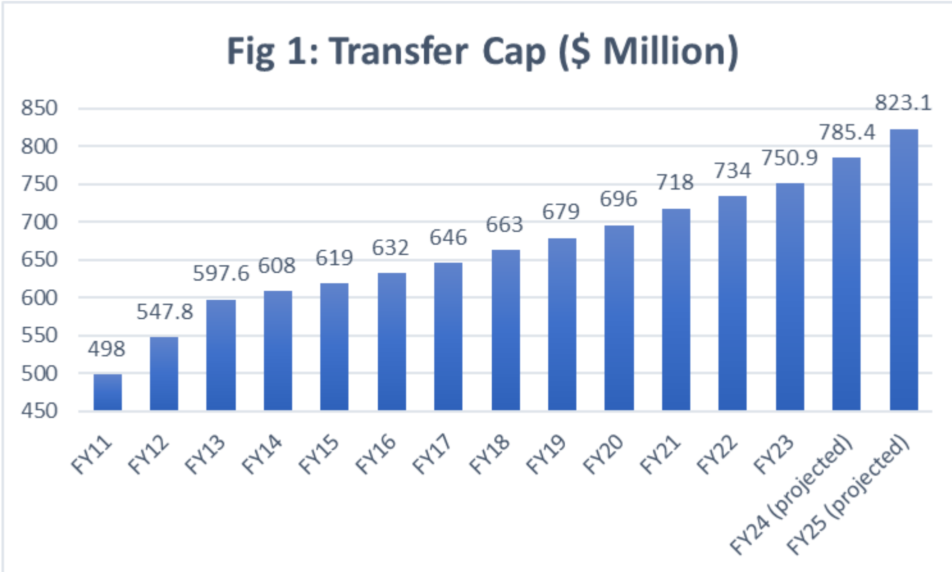
[2] See 12 U.S.C. 5497.

System. The Federal Reserve Act requires the Reserve Banks to remit excess earnings to the U.S. Treasury after providing for operating costs, payments of dividends, and any amount necessary to maintain surplus.[3] Accordingly, net earnings diverted from the Fed to the CFPB are funds not available for remittance to the U.S. Treasury and are therefore unavailable to be used for purposes of deficit reduction.

Additionally, according to the Fed's Board of Governors, since approximately September 2022, the earnings of the Reserve Banks have not been sufficient to cover their costs, so the Board of Governors has suspended remittances to the Treasury and is instead recording a deferred asset on the Fed's balance sheet, which represents the amount of net earnings the Reserve Banks will need to realize in the future before the remittances to the U.S. Treasury may resume.[4] Consequently, transfers to the CFPB, which the Board of Governors has not suspended despite its net quarterly losses, presently result in an equivalent increase in the combined amount of the deferred asset recorded by the Fed.

The CFPB operates on a fiscal year (FY) beginning on October 1 and ending on September 30. The maximum amount of funds that may be transferred from the Fed to the CFPB in any given fiscal year is set by a statutory formula that is indexed for inflation.[5] See Figure 1 for a depiction of the annual fiscal year transfer caps.

[3] See https://www.federalreserve.gov/newsevents/pressreleases/other20230113a.htm.
[4] Id.
[5] 12 U.S.C. 5497(a)(2).

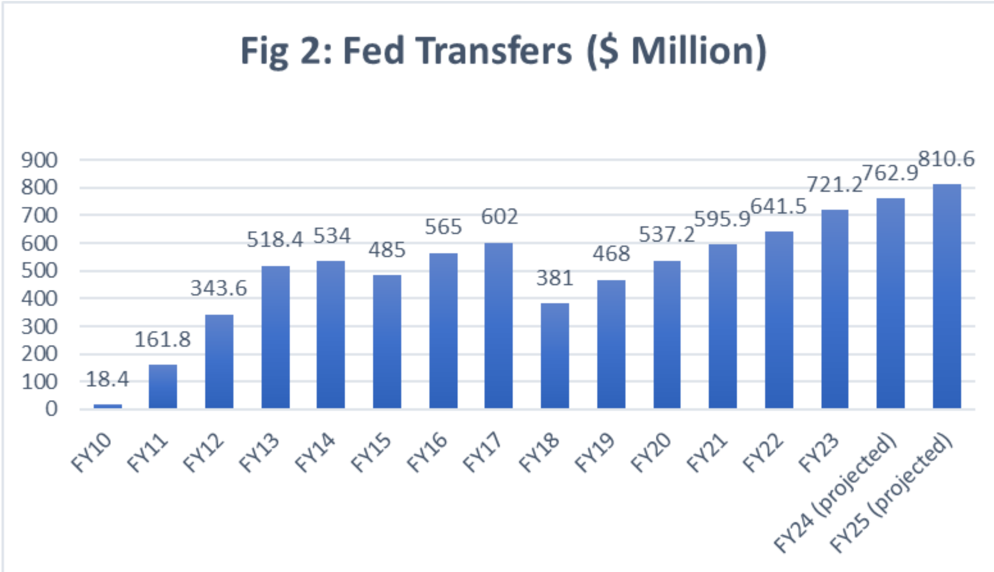


To effectuate these transfers, the Director of the CFPB sends a quarterly letter to the Fed Board of Governors stating the amount the Director deems to be "reasonably necessary" to carry out the agency's authorities.[6] By law, the CFPB's funding requests are not reviewable by the Fed, and funds derived from the Fed are not reviewable by Congress.[7] Additionally, the CFPB's budget and financial plans need not be approved by the White House Office of Management and Budget.[8] Once the Board of Governors receives a transfer request letter, it transfers the funds into the "Bureau of Consumer Financial Protection Fund" (Bureau Fund), which is maintained at the Federal Reserve Bank of New York (FRBNY). By law, amounts deposited into the Bureau Fund may not be construed as "Government funds" or "appropriated monies" and are not subject to apportionment.[9]

The total amounts that the CFPB has requested and received from the Fed Board of Governors in prior fiscal years appear in Figure 2.

---

[6] The most recent such quarterly request made by the CFPB in the amount of $104.2 million, is available at https://files.consumerfinance.gov/f/documents/cfpb-frb-transfer-of-funds-fy-2024-q3_2024-03.pdf.
[7] See 12 U.S.C. 5492(c) and 12 U.S.C. 5497(a)(2)(C) ("Notwithstanding any other provision of this title, the funds derived from the Federal Reserve System pursuant to this subsection shall not be subject to review by the Committees on Appropriations of the House of Representatives and the Senate").
[8] 12 U.S.C. 5497(a)(4)(E).
[9] 12 U.S.C. 5497(c)(2) and (c)(3).



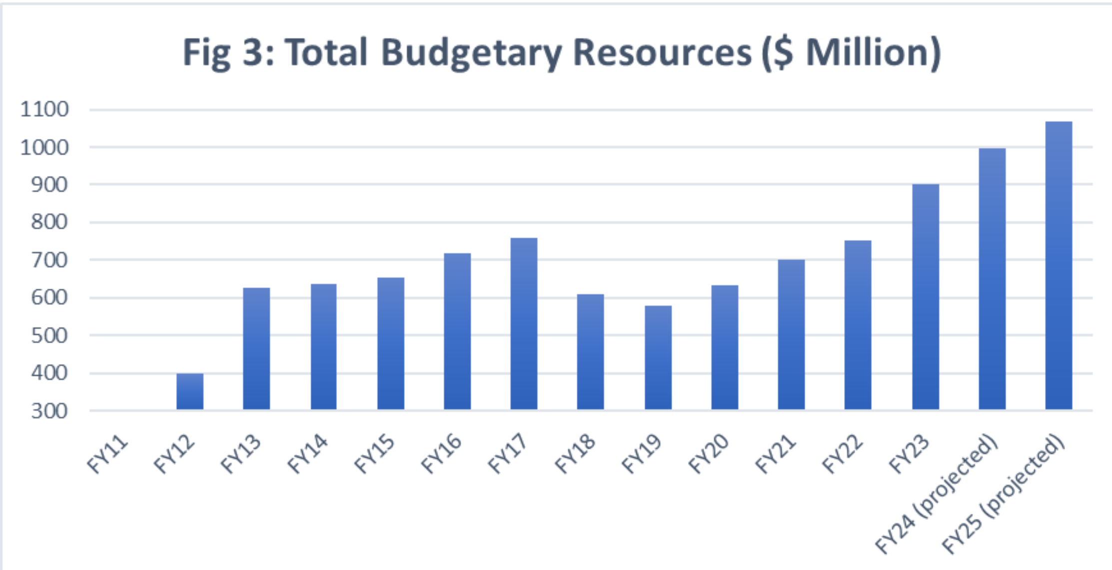
In addition to Fed transfers, the CFPB has three additional (albeit minor) sources of funds. First, under the Interstate Land Sales Full Disclosure Act (ILSA), land developers are required to register subdivisions of 100 or more nonexempt lots and pay a fee when they register such subdivisions. The Dodd-Frank Act transferred responsibility for administering the ILSA program from HUD to the CFPB.[10] The CFPB collects the ILSA fees, which it may retain and expend to cover its program operating costs. Second, the CFPB may invest the portion of funds held in the Bureau Fund that are not needed to meet current needs in Treasury securities. The CFPB typically invests in 3-month Treasury bills obtained in the open market and holds them to maturity. Interest earnings from the CFPB's investments are deposited into the Bureau Fund. Third, the CFPB collects annual contributions from FFIEC members and HUD that are used to offset the ongoing maintenance costs and maintenance of the HMDA reporting system.

An important feature of CFPB funding is that the CFPB's authority to expend available funds does not expire at the end of a fiscal year. Accordingly, the CFPB may carry unexpended funds forward from one fiscal year into the next, which increases the CFPB's total available budgetary resources. For example, in FY 2023, the CFPB obtained $721.2 million in transfers from the Fed, but also carried forward an unobligated balance in the Bureau Fund of $128.2 million from FY 2022. Along with other recoveries and receipts, this meant that the CFPB's total budgetary resources for FY 2023 were $900 million, an amount that exceeded its $750.9 million

[10] See Dodd-Frank Sections 1061(b)(7) (codified at 12 U.S.C. 5581(b)(7)) and 1098A.

statutory transfer cap. The CFPB projects that its total budgetary resources for FY 2025 will exceed $1.06 billion. Between FY 2012 and FY 2023, the total budgetary resources of the CFPB grew at a compound annual growth rate (CAGR) of 7.7%. For comparison, over the same period the CAGR in the total budgetary resources for the Federal Trade Commission (FTC) was 3.5%.[11]

Total budgetary resources for the Bureau Fund appear in Figure 3.



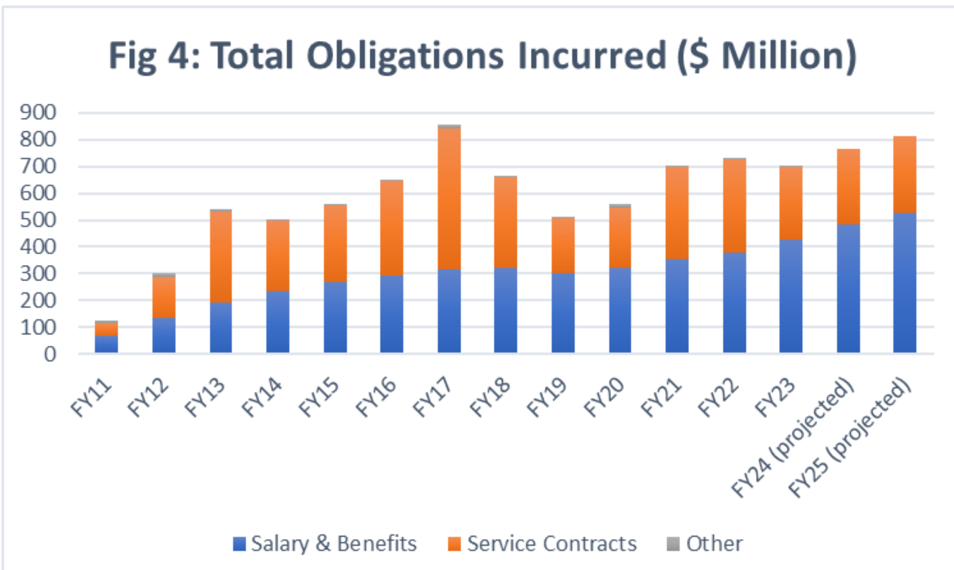
Pursuant to the Dodd-Frank Act, the CFPB is also authorized to obtain civil monetary penalties from covered persons or service providers for violations of Federal consumer financial laws.[12] Civil penalties obtained by the CFPB are deposited into the Consumer Financial Civil Penalty Fund, which is separate from the Bureau Fund. A detailed discussion of the Civil Penalty Fund is beyond the scope of my testimony. However, while the CFPB generally obligates funds deposited in the Civil Penalty Fund for distribution to identified victim classes, to the extent that such victims cannot be located or payments are not practicable, the CFPB may use the funds on consumer education and financial literacy programs.[13] Thus, the funds could theoretically be used as an alternative source of funding to offset some of the CFPB's traditional programmatic expenses, which would effectively expand the CFPB's budget authority.

[11] See, e.g., https://www.ftc.gov/system/files/ftc_gov/pdf/fy2023agencyfinancialreport.pdf.
[12] 12 U.S.C. 5565(a)(2)(H).
[13] 12 U.S.C. 5497(d)(2).

CFPB Expenditures

To expend funds, the CFPB maintains an account balance with the U.S. Treasury within the Treasury General Account. The CFPB requests cash disbursement from the Bureau Fund at the FRBNY to the CFPB's Fund Balance with Treasury based on projections of future cash outlays. Funds held by the Treasury for the CFPB are available to pay agency liabilities and to finance authorized purchase obligations. Treasury processes cash receipts, such as fees collected from the ILSA program, and makes disbursements on the CFPB's behalf.

Each fiscal year, the CFPB incurs obligations for two principal object classifications, employee compensation and contracts and support services, each of which are addressed below. Total CFPB obligations incurred each fiscal year appear in Figure 4. The CFPB estimates that its FY 2024 budget will increase 9.5% over the FY 2023 level, and that its FY 2025 budget will increase a further 6.2% over the FY 2024 level.



Employee Compensation

CFPB employees are not compensated according to the General Schedule (GS) classification and pay system applicable to most federal civil service employees. Under the Dodd-Frank Act, the Director is responsible for setting and adjusting the basic rates of pay for CFPB employees.[14] However, the compensation (including benefits) provided to each class of

[14] 12 U.S.C. 5493(a)(2)(A).

employees must be "comparable" to the compensation then being provided by the Fed Board of Governors to its corresponding classes of employees.[15] Accordingly, the CFPB has adopted a pay structure with multiple pay bands and a salary range within each band. Figure 5 depicts the base pay band structure in effect as of January 14, 2024. The maximum salary for a CFPB employee including locality adjustments is now $269,000.[16]

Pay grade	GS equivalent	Min	Mid	Max
10	GS-1 & 2	$23,480	$29,606	$35,732
21	GS-3	$28,421	$33,376	$38,331
22	GS-4	$31,184	$38,563	$45,941
31	GS-5	$49,829	$60,375	$70,920
32	GS-6	$54,065	$65,507	$76,949
33	GS-7	$58,661	$71,075	$83,489
41	GS-8	$57,595	$69,784	$81,972
42	GS-9	$62,490	$75,715	$88,940
43	GS-10	$67,802	$82,151	$96,500
30	GS-5 to 7	$57,522	$70,506	$83,489
40	GS-8 to 10	$65,287	$80,394	$95,501
51	GS-11	$80,029	$96,966	$113,903
52	GS-12	$90,833	$110,057	$129,280
53	GS-13	$103,096	$124,914	$146,732
60	GS-14	$113,113	$152,587	$192,061
61	GS-14	$121,031	$163,268	$205,505
71	GS-15	$127,277	$171,695	$216,112
72	GS-15	$136,186	$183,713	$231,240
81	SES	$148,494	$183,298	$218,101
82	SES	$171,697	$200,700	$229,702
90	SES	$187,078	$228,039	$269,000

Significant aspects of the CFPB's compensation practices are subject to collective bargaining with the employee labor union (Chapter 335 of the National Treasury Employees Union). The most recent collective bargaining agreement (CBA) between the CFPB and the

[15] 12 U.S.C. 5493(a)(2)(B) and (C).
[16] This excludes the salary level of the Director, who is compensated at the rate prescribed for level II of the Executive Schedule, per 12 U.S.C. 5491(b)(4).

union was executed on September 12, 2017, just two months prior to former Director Cordray's resignation.[17] In relevant part, the CBA governs the employee Performance Management process, the award of spot bonuses ("lump sum cash payments") and other financial and nonfinancial awards to employees, annual and sick leave, and overtime and premium pay.

The CFPB also enters into separate "Compensation Agreements" with the union, which govern the award of bargaining unit employee raises, bonuses, and benefits, and typically have a duration of two to three years. The CFPB does not make these Compensation Agreements available to the public on its website. The CFPB and the union executed the last Compensation Agreement on December 17, 2020, and it expired on December 31, 2023. That Compensation Agreement provided for an automatic 3 percent raise and an additional 3 percent lump sum bonus to each employee each year in 2021, 2022, and 2023, as well as a generous guaranteed benefits package.[18]

On December 7, 2022, the CFPB and the employee union also entered into a "Compensation Reform Pay Reset" agreement, which reportedly required CFPB to adopt a new formula for calculating creditable service and using the resulting scores to reset base salaries for CFPB employes. The agreement also reportedly required base salary range minimums and maximums for all pay bands to be readjusted in calendar year 2023. According to the CFPB labor union, these changes resulted in estimated base pay increases for bargaining unit employees in 2023 that exceed $17,000 on average.[19]

The CFPB and the union are presently negotiating a new Compensation Agreement, which when finalized is expected to govern employee salary, bonus, and benefits increases for the next several years.[20]

---

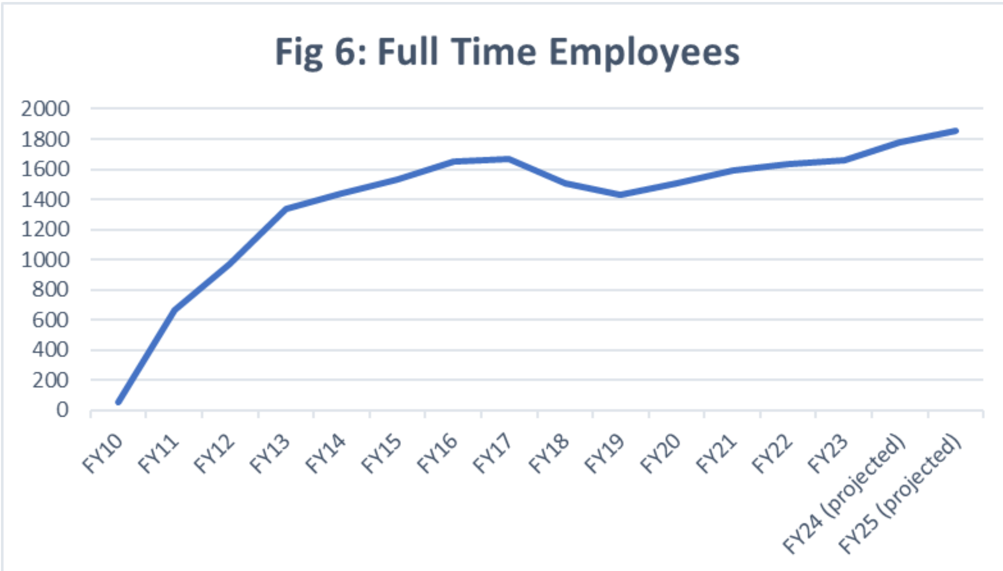
[17] See https://files.consumerfinance.gov/f/documents/cfpb-nteu_collective-bargaining-agreement_booklet.pdf.

[18] To be eligible to receive raises and lump sum bonuses, employees must receive an "accomplished performer" annual performance rating. However, the CFPB abandoned its 5-tier performance management rating system in 2014. As a result, under the current CBA, annual employee performance is measured only on a pass/fail basis, with virtually all employees receiving an "accomplished performer" performance rating each year. Consequently, virtually all bargaining unit employees are automatically eligible for raises and lump sum bonuses each year.

[19] See https://nteu335.org/pay-up-cfpb/.

[20] Aspects of ongoing negotiations, including some apparently leaked details, have recently been reported in news media. See, e.g., https://jacobin.com/2024/04/consumer-financial-protection-bureau-workers-pay-nteu; https://news.bloomberglaw.com/banking-law/pay-raise-fight-at-cfpb-boils-over-imperiling-wage-negotiations.

The number of CFPB full-time equivalent employees (FTEs) increased significantly over time, particularly during its start-up growth period between FY 2010 and FY 2023 (see Figure 6). But even after this period, between FY 2013 and FY 2023, the CFPB added a net 327 FTEs.[21] By comparison, the FTC only increased staff by a net 52 FTEs over the same period.



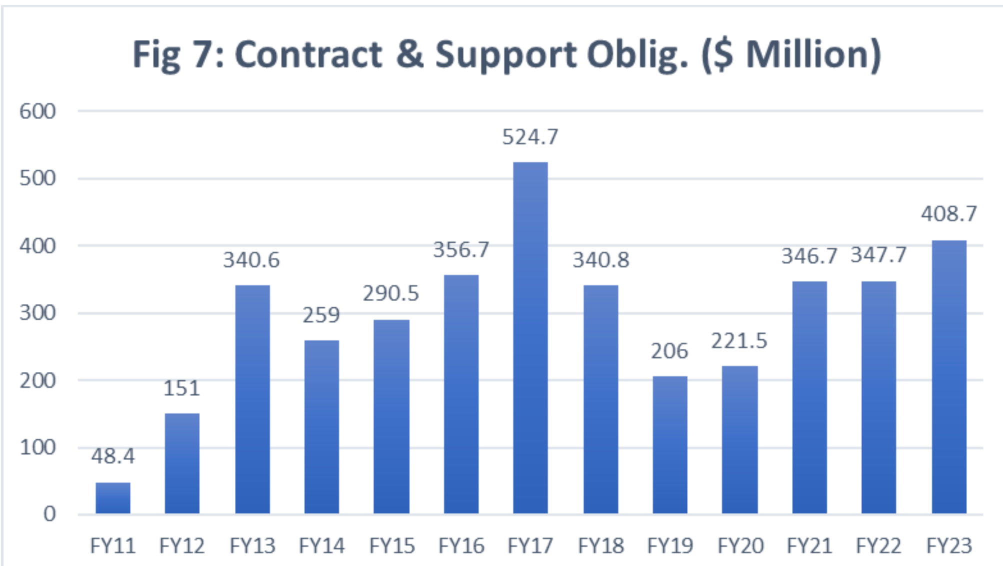
Average compensation per CFPB employee has also increased over time. For example, average compensation (salary and benefits) per CFPB employee increased from $138,351 in FY 2012 to $257,521 in FY 2023, for a CAGR of 5.8%. By comparison, according to FTC data,[22] the average compensation per FTC employee increased from $121,212 in FY 2012 to $158,586 in FY 2023, for a CAGR of just 2.5%. Similarly, data from the Office of the Comptroller of the Currency (OCC), which is funded primarily by bank assessments, shows that the average compensation per OCC employee increased at a CAGR of just 2.3% during the same period.[23] The average CFPB salary in FY 2022 ($163,174) was about 285 percent greater than the median earnings for a full-time, year-around worker in the U.S. in FY 2022, according to U.S. Census Bureau estimates.[24]

[21] The CFPB further projects that it will have 1,854 FTEs by the end of FY 2025.
[22] See FTC Congressional budget justifications for FY 2013 and FY 2024, respectively for reporting of actual FTEs and compensation for FY 2012 and FY 2023, respectively.
[23] See OCC Annual Reports for FY 2012 and FY 2023 for reporting of FTEs and total employee compensation.
[24] U.S. Census Bureau data available at: https://www.census.gov/data/tables/time-series/demo/industry-occupation/median-earnings.html.

Over time, CFPB employee benefits have also increased in proportion to overall compensation. In FY 2012, benefits comprised 25% of total compensation (equivalent to 33% of salary), whereas in FY 2023 benefits comprised 29% of total compensation (equivalent to over 40% of salary). Between FY 2012 and FY 2023, average benefits per employee grew at a CAGR of 6.9%, while average salary per employee grew at a CAGR of 5.4%.

Contracts and Support Services

The CFPB has incurred $3.7 billion in obligations for Contract & Support Services between FY 2011 and FY 2023, amounting to approximately 50% of all obligations incurred by the CFPB for this period. See Figure 7 for the CFPB's annual fiscal year obligations for Contract & Support Services.



These obligations include two main components: (1) interagency agreements (IAAs) with other Federal agencies and other Federal payments made to Federal agencies, and (2) contracts with private sector entities.

IAA obligations are typically not reported in USASpending.gov. It is not known how much CFPB obligated for IAAs in FY 2011 and FY 2012, but between FY 2013 and FY 2023, the aggregate amount of such obligations was $1.06 billion (or about 29% of total obligations for contract and support services during this period).[25] These awards include rents paid to the Office

[25] The CFPB reported that it incurred obligations for IAAs in the amount of $86.4 million for FY 2023.

of Comptroller of the Currency pursuant to a long-term occupancy agreement to rent its headquarters building at 1700 G Street NW, an initial award ($145.1 million) to the General Services Administration to renovate the 1700 G Street NW building, and cumulative annual payments totaling $137.2 million to the Fed Board of Governors to fund the Office of the Inspector General (OIG), which the CFPB shares with the Fed.

Regarding contracts with private sector entities, Section 743 of Division C of the Fiscal Year 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of their service contracts that exceed $25,000 in value. For each service contract listed in the inventory, the law requires the agency to include a description of the services purchased, the total dollar amount obligated and invoiced for services under the contract, and the contract type and date of award. Federal Acquisition Regulation Subpart 4.17, which implements the law, further requires agencies to submit the inventory to the White House Office of Management and Budget (OMB) by January 15 annually. Then, each agency must post the inventory on its website and publish a Federal Register Notice of Availability by February 15 annually. For unknown reasons, the CFPB has not yet posted the required service contract inventories and analyses for FY 2022 or FY 2023 to its website.[26] Additionally, a search of the Federal Register appears to reflect that the CFPB did not publish the required notices of availability for its FY 2012, FY 2015, FY 2017, FY 2021, FY 2022, or FY 2023 inventories. The most recent notice available, for FY 2020, was published in the Federal Register on October 2, 2023.[27]

Despite these limitations, some information is available regarding CFPB contracting with private sector entities. For example, a search of the USASpending.gov database as of September 2023 contained 3,874 contracts funded by the CFPB since FY 2011, with a total obligated value of $1.78 billion. Using this data, the top forty individual awardees (ranked by aggregate dollar value of initial obligated amounts across all contracts awarded) appear in Figure 8 below.

---

[26] See https://www.consumerfinance.gov/about-us/doing-business-with-us/past-awards/.

[27] https://www.federalregister.gov/documents/2023/10/02/2023-21744/publication-of-fy-2020-service-contract-inventory.

Figure 8: Top 40 Contract Recipients, Ranked by Dollar Value of Initial Obligations				
Rank	Company Name	# of Contracts Awarded	Value of Initial Obligations ($ millions)	Purpose/Function
1	Maximus Federal Services, Inc.	3	132.1	Call Center Support
2	Deloitte [Deloitte & Touche LLP, Deloite Consulting, and Deloitte Financial Advisory Services, LLP]	62	119.1	Management Consulting/Program Support
3	Smartronix, LLC	27	71.8	IT - Cloud Infrastructure
4	Acumen Solutions, Inc	2	57.7	IT - Enterprise Platform Support
5	Ernst & Young	23	43.8	Management Consulting/Program Support
6	Knowledge Consulting Group	13	40.2	IT - Cybersecurity Support
7	PriceWaterhouse Coopers LLP	12	39.3	Management Consulting/Program Support
8	GMMB, Inc.	23	29.9	Marketing Services
9	Guidehouse [Guidehouse LLP and Guidehouse Inc.]	17	29.3	Management Consulting/Program Support
10	IT Concepts, Inc.	6	28.2	IT - Cloud Engineering
11	Lumen Technologies Government Solutions, Inc.	7	26.8	IT - Internet Service
12	FCN, Inc.	82	26.2	IT - Software and Hardware
13	Metropolitan Life Insurance Co.	21	25.6	Employee Insurance Benefits
14	Armed Forces Services Corporation	10	25.4	Financial Coaching Program
15	Focused Management, Inc.	2	24.4	IT - Help Desk
16	Booz Allen Hamilton, Inc.	20	23.7	Management Consulting/Program Support
17	Electronic Metrology Laboratory, LLC	2	23	Facilities Maintenance/Support
18	Coresphere LLC	28	22.7	IT - CRM Tool
19	Senture, LLC	1	22.4	Consumer Resource Support
20	Carahsoft Technology Group	19	21.9	IT - Software Licensing
21	Rock Creek Publishing Group, Inc	64	21.6	IT - Web Development/Support
22	ICF Incorporated, LLC	60	20.7	Consumer Education Program Support
23	Infotrend Inc.	6	20.2	E-Discovery Litigation Support
24	Harmonia Holdings Group LLC	1	18.7	IT - Software Implementation
25	Experian Information Solutions, Inc.	47	18.5	Data Collection
26	Excella, Inc.	21	18.4	IT - Web Development/Support
27	AAC, Inc.	3	18.1	IT - Support
28	Argus Information Advisory Services, LLC	2	16.9	Data Collection
29	Greenzone Solutions, LLC	17	15.8	IT - Data Management/Analysis
30	Raft LLC	11	14.4	HMDA Data Support
31	Netimpact Strategies, Inc.	1	14	IT - Support
32	Minburn Technology Group, LLC	14	13	IT - Software and Hardware
33	Aurotech, Inc.	12	12.2	IT - Data Management/Analysis
34	CellCo Partnership	13	12.2	Telecom - Wireless Service
35	ISS Action, Inc.	2	12.2	Facilities Security Service
36	Skidmore, Owings & Merill LLP	7	12	Architectual Design - Renovation
37	Centerra Integrated Facilities Services, LLC	7	11.8	Facilities Maintenance/Support
38	SecTek, Inc.	10	11.6	Security Guard Services
39	Thundercat Technology, LLC	19	11.4	IT - Software
40	Forum One Communications Corp	20	10.3	IT - Web Development/Support

Other aspects of CFPB contracting within the database are not as transparent, however. For example, the CFPB has obligated approximately $41.6 million for expert witness services, including $9.8 million for expert witness services in FY 2023, but the identities of the individuals used by the CFPB as expert witnesses in litigation or for other purposes are usually not disclosed as part of the procurement process.

The Effect of the CFPB Funding Mechanism on Legislation

Because the CFPB is not subject to regular Congressional appropriations, its expenditures are scored as direct rather than discretionary spending for federal budgetary purposes. This means that any legislation requiring the CFPB to undertake a particular action will "score" as an increase in direct spending compared to the baseline, which may implicate statutory "pay-as-you-go" requirements, as well as applicable House and Senate PAYGO or CUTGO rules. In practice, this means that any legislation affecting the CFPB requires a "pay-for" to reduce direct spending to offset the projected cost.

As an example, in 2014, the House Committee on Financial Services considered H.R. 4662, a bill that would have required the CFPB to establish a procedure for publicly issuing advisory opinions to resolve regulatory uncertainty in the financial services marketplace.[28] In producing a cost estimate for the bill, the Congressional Budget Office (CBO) was required to rely on information provided to it by the CFPB. The CFPB estimated that it would receive 5,000 requests for advisory opinions per year, in perpetuity (or 50,000 requests within the 10-year budget window), and that each response would require 10-30 days of staff time.[29] Using these figures, the CBO issued a cost estimate concluding that the bill would increase direct spending by $815 million within the 10-year budget window.[30] Such a score required a direct spending offset, and the difficulty in identifying such an offset within the Committee's jurisdiction derailed consideration of the bill on the House floor. Notably, the CFPB announced an advisory opinion program on its own initiative on November 30, 2020; since that date, the CFPB has issued a total of 13 advisory opinions.[31]

The Extent of Oversight of the CFPB's Budget and Expenditures

As mentioned previously, neither the Federal Reserve nor Congressional Appropriations Committees may exercise control over the CFPB's budget decisions and spending priorities. The U.S. Government Accountability Office (GAO) is required to annually audit the CFPB's financial statements,[32] and the CFPB must provide an annual assertion as to the effectiveness of

---

[28] See https://www.congress.gov/bill/113th-congress/house-bill/4662?s=8&r=1232.
[29] See https://www.cbo.gov/publication/49808.
[30] Id.
[31] See https://www.consumerfinance.gov/compliance/advisory-opinion-program/.
[32] 12 U.S.C. 5496A(b) and 5497(a)(5).

the internal controls that apply to its financial reporting; however, this audit and the related CFPB assurance relate to the accuracy of the agency's financial reporting, not to the exercise of discretion in budgeting and expenditure decisions.[33]

The Fed OIG has jurisdiction to investigate waste, fraud, and abuse at the CFPB, and may audit the processes and controls relating to its budget and funding processes. The Fed OIG appears to have directly exercised this authority only twice, once in 2013[34] and once in 2020[35] upon the request of Rep. Barr, who was then serving as the Ranking Member of the Financial Services Committee's Subcommittee on Oversight and Investigations.

The Dodd-Frank Act requires the CFPB to order an annual independent audit of its operations and budget.[36] The most recent independent audit report was issued on November 2, 2023.[37] The report is nine pages long, with only seven and a half pages containing substantive content. The report indicates that the CFPB specified the objectives of the audit, one of which was a review of the CFPB's FY 2021 budget process.[38] The portion of the report describing the CFPB's FY 2021 budget process, which comprises only two and a half pages in total, contains no description of the sampling methodology or scope of transaction testing performed by the auditor, and identifies no exceptions nor makes any findings or recommendations.[39]

Conclusion

In Federalist No. 58, James Madison wrote:

> "The House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government. They, in a word, hold the purse that powerful instrument by which we behold, in the history of the British Constitution, an infant and humble representation of the people gradually enlarging the sphere of its activity and importance, and finally reducing, as far as it seems to have wished, all the overgrown prerogatives of the other branches of

[33] 12 U.S.C. 5497(A)(4)(D).
[34] See https://oig.federalreserve.gov/reports/CFPB_Annual_Budget_Process_Oct2013.pdf.
[35] See https://oig.federalreserve.gov/reports/bureau-budget-funding-processes-jul2020.pdf. Notably, the Fed OIG noted in this report that "[w]e did not perform our work in accordance with generally accepted government auditing standards or the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation."
[36] 12 U.S.C. 5496a(A).
[37] See https://files.consumerfinance.gov/f/documents/cfpb_independent-audit-of-selected-operations-and-budget_2023-12.pdf.
[38] Id.
[39] Id.

> the government. This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."[40]

I humbly request that Congress exercise this constitutional authority to ensure that the CFPB acts within the bounds of the law and in a manner that best protects the economic liberty of the American people. Thank you, and I welcome the opportunity to answer any questions that you may have.

[40] https://guides.loc.gov/federalist-papers/text-51-60#s-lg-box-wrapper-25493434.