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Representatives

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CONSUMER FINANCIAL PROTECTION BUREAU

Overview of Mission, Structure, and GAO Oversight

Statement for the Record by Alicia Puente Cackley,
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GAO Highlights

Highlights of [GAO-24-107512](#), a statement for the record to the Subcommittee on Financial Institutions and Monetary Policy, Committee on Financial Services, House of Representatives

Why GAO Did This Study

Since CFPB began operating in 2011, GAO has conducted oversight of various aspects of the bureau's operations.

This statement discusses (1) CFPB's mission and structure, (2) GAO's financial audits of CFPB's annual financial statements, and (3) GAO's performance audits of CFPB's operations.

This statement is based on information from GAO's prior financial and performance audits as well as publicly available CFPB information, including its most recent strategic plan.

What GAO Recommends

Since 2011, GAO's performance audits have resulted in more than 60 recommendations to CFPB. Of these, 15 remained open as of April 8, 2024. These open recommendations relate to issues such as CFPB's workforce planning and goals and measures related to financial technology, its regulatory coordination around risks of blockchain-related products and services, its fair lending activities, and its oversight of consumer reporting agencies.

View [GAO-24-107512](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

April 2024

CONSUMER FINANCIAL PROTECTION BUREAU

Overview of Mission, Structure, and GAO Oversight

What GAO Found

The Dodd-Frank Wall Street Reform and Consumer Protection Act created the Consumer Financial Protection Bureau (CFPB) to regulate the offering and provision of consumer financial products or services under federal consumer financial laws. The act also provided CFPB authorities related to supervising and enforcing federal consumer financial laws, handling consumer complaints, promoting financial education, and monitoring financial markets for risks to consumers. CFPB is an independent bureau within the Federal Reserve System and is funded primarily through transfers from the combined earnings of the Federal Reserve System. CFPB operates within six divisions, including divisions focused on consumer response and education; research, monitoring, and regulations; and supervision, enforcement, and fair lending.

GAO audits CFPB's annual financial statements, in accordance with statutory requirements. Since 2011, GAO has found that CFPB's financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, GAO has not identified any reportable noncompliance with provisions of applicable laws, regulations, contracts, or grant agreements it tested. In all but one annual audit, GAO found that CFPB maintained, in all material respects, effective internal control over financial reporting. In November 2014, GAO reported that CFPB's internal control over financial reporting was not effective for fiscal year 2014 because of a material weakness in internal control over the reporting of accounts payable. GAO found that CFPB took significant actions in fiscal year 2015 that sufficiently addressed the deficiencies related to the material weakness. GAO also identified deficiencies that collectively constituted significant deficiencies in CFPB's internal control over financial reporting in fiscal years 2013 through 2016. CFPB addressed these issues.

GAO conducts performance audits of CFPB that cover a variety of the bureau's operations in response to congressional mandates or requests. In recent years, performance audits have addressed topics including CFPB's analysis of certain mortgage data, its personnel management, and its oversight and enforcement of fair lending laws. GAO's audits have also reviewed CFPB's workforce expertise related to financial technology and its efforts to address consumer risks from financial technology and blockchain products and services. For example:

- In September 2023, GAO recommended that CFPB conduct strategic workforce planning that addresses financial technology; develop performance goals and measures for its Office of Competition and Innovation that are clear, targeted, and measurable; and develop performance measures that are specific to its strategic objectives related to supervisory technologies.
- In June 2023, GAO recommended that CFPB work with the other financial regulators to establish or adapt an existing formal coordination mechanism to collectively identify risks posed by blockchain-related products and services and formulate a timely regulatory response.

CFPB neither agreed nor disagreed with these recommendations. GAO will track CFPB's progress on these recommendations over time.

Chairman Barr, Ranking Member Foster, and Members of the Subcommittee:

I am pleased to submit this statement on the mission and structure of the Consumer Financial Protection Bureau (CFPB) and GAO's audits of CFPB activities. The CFPB plays a critical role in the financial marketplace, including by protecting consumers from unfair, deceptive, or abusive practices and taking action against companies that break the law. Since CFPB began operating in 2011, we have conducted oversight of various aspects of the bureau's operations. I appreciate the opportunity to share information on this oversight work with members of the Financial Institutions and Monetary Policy Subcommittee.

My statement focuses on (1) CFPB's mission and structure, (2) GAO's financial audits of CFPB's annual financial statements, and (3) GAO's performance audits of CFPB's operations. This statement is based on prior GAO annual financial statement and performance audits, and on publicly available CFPB information, including CFPB's most recent strategic plan. Information about our specific methodologies can be found in our prior work.¹

The work on which this statement is based was conducted in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

CFPB's Mission and Structure

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) created the CFPB to regulate the offering and provision of consumer financial products or services under federal consumer financial laws.² The act consolidated many of the consumer financial protection authorities previously shared by seven federal agencies into one. It also provided CFPB additional authorities related to supervising and enforcing federal consumer financial laws, handling consumer complaints,

¹See list of Related GAO Products at the end of this statement.

²Pub. L. No. 111-203, § 1011(a), 124 Stat. 1376, 1964 (2010) (codified at 12 U.S.C. § 5491).

promoting financial education, and monitoring financial markets for risks to consumers. CFPB began operations on July 21, 2011.³

CFPB was established as an independent bureau within the Federal Reserve System. CFPB obtains its funding primarily through transfers from the combined earnings of the Federal Reserve System.⁴

CFPB defines its mission as regulating the offering and provision of consumer financial products or services under federal consumer financial laws, enforcing federal consumer financial law fairly and consistently, and educating and empowering consumers making financial decisions.

CFPB's strategic plan articulates four broad goals:

1. Implement and enforce the law to ensure consumers have access to fair, transparent, and competitive markets that serve consumers' needs and protect consumers from unfair, deceptive, and abusive practices, and from discrimination.
2. Empower consumers to live better financial lives, focusing on traditionally underserved people.
3. Inform public policy with data-driven analysis on consumers' experiences with financial institutions, products, and services.
4. Foster operational excellence and further commitment to workforce equity to advance the CFPB's mission.

To fulfill its mission, CFPB operates within six divisions:

1. **Consumer Response and Education.** Addresses consumer complaints and questions and provides information to consumers of financial products and services to help them make better-informed decisions.

³CFPB's first director was appointed on January 4, 2012, and confirmed by the U.S. Senate on July 16, 2013.

⁴In October 2022, the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) held that the CFPB's funding authority violated the Constitution's Appropriations Clause and the separation of powers. *Cmty. Fin. Serv. Assoc. of Am., Ltd., et al. v. CFPB, et al.*, 51 F.4th 616 (5th Cir. 2022). In February 2023, the Supreme Court granted the government's petition to review the Fifth Circuit's decision. *CFPB, et. al. v. Cmty. Fin. Serv. Assoc. of Am., Ltd., et. al.*, No. 22-448 (S.Ct.). The Supreme Court heard oral argument in October 2023 but has not yet issued a ruling.

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2. **External Affairs.** Manages CFPB's relationships with external stakeholders, collects input from these stakeholders, and informs them on matters related to CFPB's work.
 3. **Legal.** Monitors and helps ensure CFPB's compliance with all applicable laws and provides advice to CFPB's director and other divisions.
 4. **Operations.** Builds and sustains CFPB's internal infrastructure, such as technology and human capital.
 5. **Research, Monitoring, and Regulations.** Conducts research to understand consumer financial markets issues, evaluates whether there is a need for regulation, and analyzes the costs and benefits of existing regulations.
 6. **Supervision, Enforcement, and Fair Lending.** Enforces compliance with federal consumer financial laws by supervising market participants and bringing enforcement actions.

GAO's Financial Audits of CFPB

Title X of the Dodd-Frank Act and the Full-Year Continuing Appropriations Act, 2011, both require CFPB to prepare annual financial statements. Both acts also require GAO to audit the agency's financial statements.⁵ Financial statement audits of federal entities have several purposes. They provide decision makers with assurance as to whether the financial statements are reliable. They also report deficiencies in internal control over financial reporting or, in certain circumstances, provide an opinion on the effectiveness of internal control over financial reporting. In addition, the audits report on noncompliance with significant provisions of applicable laws, regulations, contracts, and grant agreements.

Since 2011, we have found that CFPB's financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, we have not identified any reportable noncompliance with provisions of applicable laws, regulations, contracts, or grant agreements tested in our financial audits. In all but one annual audit, we found that CFPB maintained, in all material respects, effective internal control over financial reporting. In November 2014, we reported that CFPB's internal control over financial reporting was not

⁵Pub. L. No. 111-203, § 1017(a)(4)(B), (a)(5), 124 Stat. 1376, 1976-77 (2010) (codified at 12 U.S.C. § 5497(a)(4)(B), (a)(5)); Pub. L. No. 112-10, § 1573(a), 125 Stat. 38, 138 (2011), (codified at 12 U.S.C. § 5496a).

effective as of September 30, 2014, because of a material weakness in internal control over the reporting of accounts payable.⁶

In our audits of CFPB's financial statements for fiscal years 2013 through 2016, we identified deficiencies that collectively constituted significant deficiencies in CFPB's internal control over financial reporting.⁷ CFPB took actions to address these deficiencies. In each year since 2011, we also identified deficiencies in CFPB's internal control over financial reporting that we did not consider to be material weaknesses or significant deficiencies. We communicated these matters to CFPB management and, where appropriate, reported on them separately.

Our opinions cover CFPB's financial statements, which comprise balance sheets; related statements of net cost, changes in net position, budgetary resources, and custodial activity; and related notes to the financial statements. As part of the financial statement audit, we review required supplementary information, including Management's Discussion and Analysis. We check the required supplementary information for consistency with management responses, financial statements, and other knowledge obtained during the financial statement audit.

We may also review other non-required information prepared by CFPB. For example, in our audit of CFPB's fiscal years 2023 and 2022 financial statements, such information included CFPB's messages from the Director and Chief Financial Officer. It may also include additional documents, such as CFPB's *Annual Performance Plan and Report*, and

⁶GAO, *Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2014 and 2013 Financial Statements*, [GAO-15-146R](#) (Washington, D.C.: Nov. 17, 2014). In November 2015, we reported that CFPB took significant actions in fiscal year 2015 that sufficiently addressed the deficiencies related to the material weakness. 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, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

⁷A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Budget Overview, and its annual independent audit of selected operations and the budget.⁸

We review the other information to check for consistency with the financial statements. However, we do not audit, express an opinion, or provide any assurance on the required supplementary information or other information.

GAO's Performance Audits of CFPB

GAO's performance audits of CFPB cover a variety of the bureau's operations. These audits are generally in response to Congressional mandates or requests.⁹ In recent years, audits have addressed topics including CFPB's analysis of certain mortgage data, its personnel management, and its oversight and enforcement of fair lending laws. Our audits have also addressed CFPB's workforce expertise related to financial technology and its efforts to address risks to consumers from financial technology and blockchain products and services.

Since 2011, our performance audits have resulted in more than 60 recommendations to CFPB. As of April 8, 2024, 15 of those recommendations remain open. The open recommendations relate to issues such as CFPB's workforce planning and goals and measures related to financial technology, its regulatory coordination around risks of blockchain-related products and services, its fair lending activities, and its oversight of consumer reporting agencies.

For example, in September 2023, we recommended that CFPB conduct strategic workforce planning that addresses financial technology; that it develop performance goals and measures for its Office of Competition and Innovation that are clear, targeted, and measurable; and that it develop performance measures that are specific to its strategic objectives

⁸Consumer Financial Protection Bureau, *Annual Performance Plan and Report, and Budget Overview* (Washington, D.C.: Feb. 2024) and Premier Group Services, Inc., *Consumer Financial Protection Bureau Independent Audit of Selected Operations and Budget* (Lanham, MD: Nov. 2, 2023).

⁹In addition to GAO, the Office of Inspector General for the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau also conducts audits and evaluations of CFPB.

related to supervisory technologies.¹⁰ In June 2023, we recommended that CFPB work with the other financial regulators to establish or adapt an existing formal coordination mechanism to collectively identify risks posed by blockchain-related products and services, and formulate a timely regulatory response.¹¹

Chairman Barr, Ranking Member Foster, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact Alicia Puente Cackley, Director, Financial Markets and Community Investment at (202) 512-8678 or cackleya@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement are John Fisher (Assistant Director), Lisa Reynolds (Analyst in Charge), Michael Hansen, Maria Hasan, Garrett Hillyer, and Jessica Sandler.

¹⁰GAO, *Financial Technology: Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices*, [GAO-23-106168](#) (Washington, D.C.: Sep. 6, 2023). CFPB neither agreed nor disagreed with the recommendations but indicated it would take actions to implement them. We will track CFPB's progress on these recommendations over time.

¹¹GAO, *Blockchain in Finance: Legislative and Regulatory Actions Are Needed to Ensure Comprehensive Oversight of Crypto Assets*, [GAO-23-105346](#) (Washington, D.C.: June 22, 2023). CFPB neither agreed nor disagreed with the recommendation. We will track CFPB's and the other financial regulators' progress on this recommendation over time.

Related GAO Products

Financial Audit: Consumer Financial Protection Bureau's FY 2023 and FY 2022 Financial Statements. [GAO-24-106737](#). Washington, D.C.: November 15, 2023.

Credit Cards: Pandemic Assistance Likely Helped Reduce Balances, and Credit Terms Varied among Demographic Groups. [GAO-23-105269](#). Washington, D.C.: September 29, 2023.

Financial Technology: Agencies Can Better Support Workforce Expertise and Measure the Performance of Innovation Offices. [GAO-23-106168](#). Washington, D.C.: September 6, 2023.

Blockchain in Finance: Legislative and Regulatory Actions Are Needed to Ensure Comprehensive Oversight of Crypto Assets. [GAO-23-105346](#). Washington, D.C.: June 22, 2023.

Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed. [GAO-23-105536](#). Washington, D.C.: March 8, 2023.

Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions. [GAO-22-104659](#). Washington, D.C.: September 8, 2022.

Mortgage Lending: Use of Alternative Data Is Limited but Has Potential Benefits. [GAO-22-104380](#). Washington, D.C.: November 16, 2021.

Home Mortgage Disclosure Act: Reporting Exemptions Had a Minimal Impact on Data Availability, but Additional Information Would Enhance Oversight. [GAO-21-350](#). Washington, D.C.: May 17, 2021.

Fair Lending: CFPB Needs to Assess the Impact of Recent Changes to Its Fair Lending Activities. [GAO-21-393](#). Washington, D.C.: May 6, 2021.

Consumer Privacy: Better Disclosures Needed on Information Sharing by Banks and Credit Unions. [GAO-21-36](#). Washington, D.C.: October 22, 2020.

Consumer Reporting Agencies: CFPB Should Define Its Supervisory Expectations. [GAO-19-459](#). Washington, D.C.: July 16, 2019.

Private Student Loans: Clarification from CFPB Could Help Ensure More Consistent Opportunities and Treatment for Borrowers. [GAO-19-430](#). Washington, D.C.: May 24, 2019.

Consumer Data Protection: Actions Needed to Strengthen Oversight of Consumer Reporting Agencies. [GAO-19-196](#). Washington, D.C.: February 21, 2019.

Dodd-Frank Regulations: Consumer Financial Protection Bureau Needs a Systematic Process to Prioritize Consumer Risks. [GAO-19-158](#). Washington, D.C.: December 21, 2018.

Financial Technology: Agencies Should Provide Clarification on Lenders' Use of Alternative Data. [GAO-19-111](#). Washington, D.C.: December 19, 2018.

Community Banks and Credit Unions: Regulators Could Take Additional Steps to Address Compliance Burdens. [GAO-18-213](#). Washington, D.C.: February 13, 2018.

Financial Services Regulations: Procedures for Reviews under Regulatory Flexibility Act Need to Be Enhanced. [GAO-18-256](#). Washington, D.C.: January 30, 2018.

Private Deposit Insurance: Credit Unions Largely Complied with Disclosure Rules, but Rules Should Be Clarified. [GAO-17-259](#). Washington, D.C.: March 29, 2017.

Consumer Financial Protection Bureau: Additional Actions Needed to Support a Fair and Inclusive Workplace. [GAO-16-62](#). Washington, D.C.: May 19, 2016.

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