GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

November 15, 2018

Congressional Committees

Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2018 and 2017 Financial Statements

This report transmits the GAO auditor's report on the results of our audits of the fiscal years 2018 and 2017 financial statements of the Bureau of Consumer Financial Protection, known as the BCFP,[1] which is incorporated in the enclosed *Financial Report of the Bureau of Consumer Financial Protection for Fiscal Year 2018*.

As discussed more fully in the auditor's report that begins on page 51 of the enclosed agency financial report, we found

- BCFP's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- BCFP maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act[2] and the Full-Year Continuing Appropriations Act, 2011,[3] both require BCFP to annually prepare financial statements and GAO to audit the agency's financial statements. This report responds to these requirements.

We are sending copies of this report to the Acting Director of the Bureau of Consumer Financial Protection, the Chair of the Federal Reserve, the Inspector General of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection, the Director of the Office of Management and Budget, interested congressional committees and members, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

[1]In fiscal year 2018, the Consumer Financial Protection Bureau (CFPB) was renamed the Bureau of Consumer Financial Protection (BCFP).

[2]Pub. L. No. 111-203, title X, § 1017(a)(5), 124 Stat. 1376, 1976-77 (2010), *classified at* 12 U.S.C. § 5497(a)(5).

[3]Pub. L. No. 112-10, div. B, title V, § 1573(a), 125 Stat. 38, 138 (2011), *classified at* 12 U.S.C. § 5496a.

If you or your staffs have any questions concerning this report, please contact me at (202) 512-3406 or clarkce@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Cheryl E. Clark

Cheryl E. Clark
Director
Financial Management and Assurance

Enclosure

List of Committees

The Honorable Michael Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable James Lankford
Chairman
The Honorable Christopher Coons
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Committee on Appropriations
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Committee on Financial Services
House of Representatives

The Honorable Tom Graves
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The Honorable Mike Quigley
Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations
House of Representatives

(102550)

NOVEMBER 15, 2018

Financial report of the Bureau of Consumer Financial Protection

Fiscal year 2018

Message from Mick Mulvaney

Acting Director

I am pleased to present the Bureau of Consumer Financial Protection's (Bureau's) Financial Report for Fiscal Year 2018. After being appointed by President Donald J. Trump as the Acting Director in November 2017, I began taking actions to change the Bureau's strategic vision, mission and business practices to more strictly comply with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act).

The Bureau's new strategic priorities are to recognize free markets and consumer choice and to take a prudent, consistent, and humble approach to enforcing the law. This reflects my understanding that consumers and creditors alike gain from mutual exchange, provided that promises are kept, terms are clearly disclosed, and property rights are protected.

As an officer in the executive branch, I am sworn to execute the law, and that is what I am doing. My job is to make sure the Bureau is acting consistently with our statutory responsibilities, to improve our daily operations and our interactions with consumers and industry, and to ensure we are accountable to the American people.

As required by the Dodd-Frank Act, the Bureau prepared comparative financial statements for fiscal years 2018 and 2017. The Government Accountability Office (GAO) rendered an unmodified audit opinion on our financial statements. GAO noted no material weaknesses and cited no instances of noncompliance with laws and regulations.

I want to acknowledge the hard work and dedication of all Bureau employees over the past year to achieve the overall outcomes reflected in this report. The collective efforts of all Bureau employees help achieve our goals to serve the public, protect consumers, support responsible businesses, and help safeguard the American economy.

Sincerely,

Mick Mulvaney

Table of contents

1. Management's discussion and analysis

1.1 Overview of the Bureau of Consumer Financial Protection

The Bureau of Consumer Financial Protection (Bureau or 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). The Bureau was established 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.

The Dodd-Frank Act authorizes the Bureau to exercise its authorities to ensure that, with respect to consumer financial products and services[1]:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;
2. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;
3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;
4. Federal consumer financial law is enforced consistently in order to promote fair competition; and
5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

The Bureau is headed by a sole Director, appointed by the President, by and with the advice and consent of the Senate, to a five year term. Mick Mulvaney was appointed by President Trump as the Acting Director effective as of November 25, 2017.

[1] As set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111 (2010), Section 1021(b).

Funding required to support the Bureau's operations is obtained primarily through transfers from the combined earnings of the Federal Reserve System. Annual transfers to the Bureau may not exceed an amount equal to 12 percent of the Federal Reserve System's total 2009 operating expenses, adjusted annually based on the percentage increase in the employment cost index by the Federal Government for total compensation for state and local government workers as specified in the Dodd-Frank Act. The transfer cap for fiscal year 2018 is $663 million.

Organizational structure

To accomplish its mission, the BCFP is organized into six primary divisions/offices:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information, tools, and skill building opportunities to consumers to help them to make financial decisions that are best for them. Additionally, they hear directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.

2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.

3. **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.

4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.

5. **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.

6. **Operations:** builds and sustains the BCFP's operational infrastructure to support the entire organization.

The BCFP workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is in several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the Office of the Comptroller of the Currency; the

General Services Administration (GSA); and the Federal Housing Finance Agency (FHFA).[2] In addition to its locations within Washington D.C., the BCFP also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago and San Francisco.

Additional information on the organizational structure and responsibilities of BCFP is available on BCFP's website at http://www.consumerfinance.gov/.

[2] The office space obtained through an interagency agreement with the FHFA was terminated as of May 15, 2018. The Bureau no longer occupies any office space through the FHFA.

Bureau structure

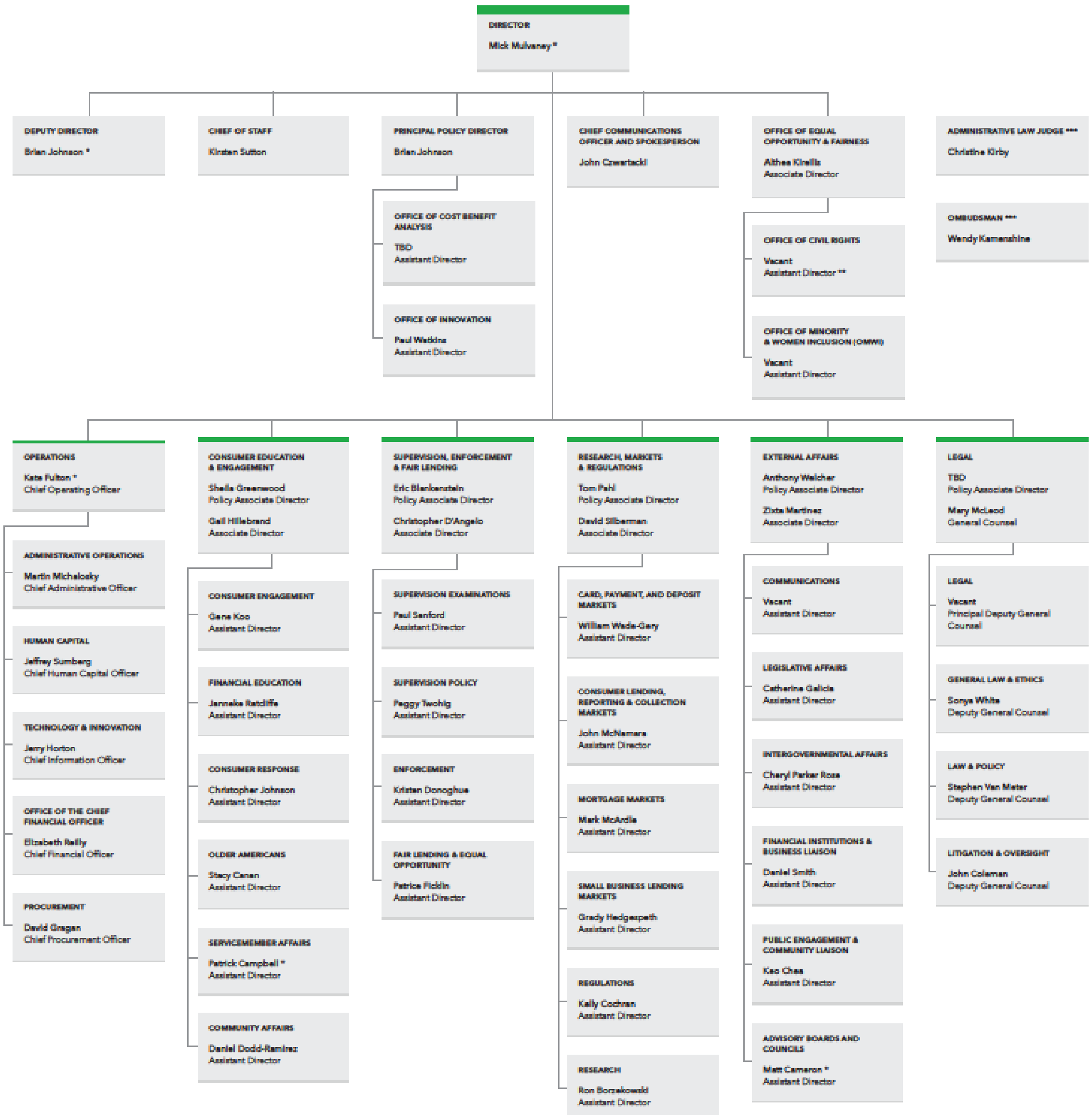


CHART LEGEND

* Position currently filled on an acting basis

** Position has direct reporting responsibilities to the Director

*** Position is not part of the Bureau's Director's Office

The Bureau established four advisory committees to provide consultation and advice to the Director and senior leadership on a range of issues within the Bureau's authority: the Consumer Advisory Board; the Community Bank Advisory Council; the Credit Union Advisory Council; and the Academic Research Council.

Bureau Positions and Funding Levels

Since its inception, through 2017 the Bureau experienced continuous growth in the number of employees and the Bureau's funding levels. Acting Director Mulvaney implemented various changes within the Bureau to reflect his thoughts on a more exacting implementation of the Dodd-Frank Act that are consistent with the law's provisions which have resulted in a reduced level of employment and funding levels. The charts below provide a historical depiction of the number of employees and funding levels.

FIGURE 1: BUREAU EMPLOYEES BY FISCAL YEAR (AS OF SEPTEMBER 30, 2018)

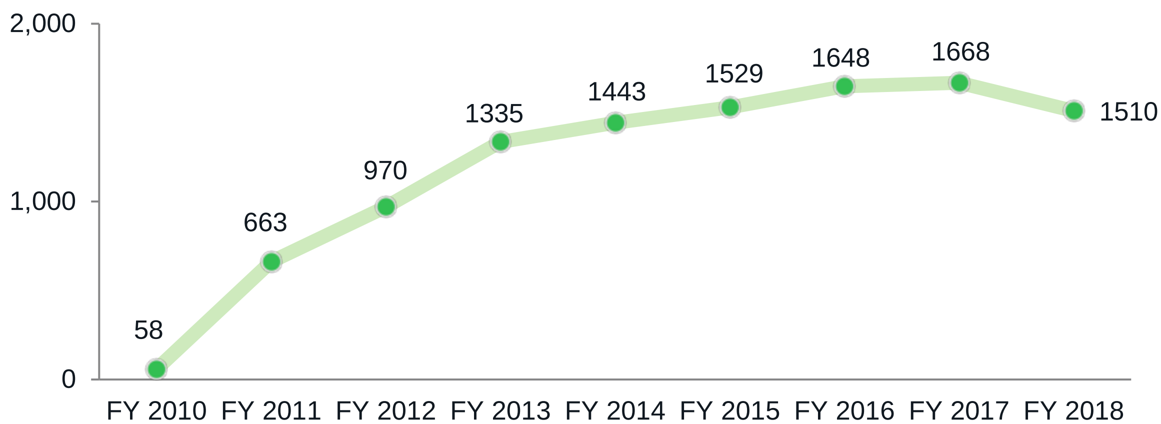
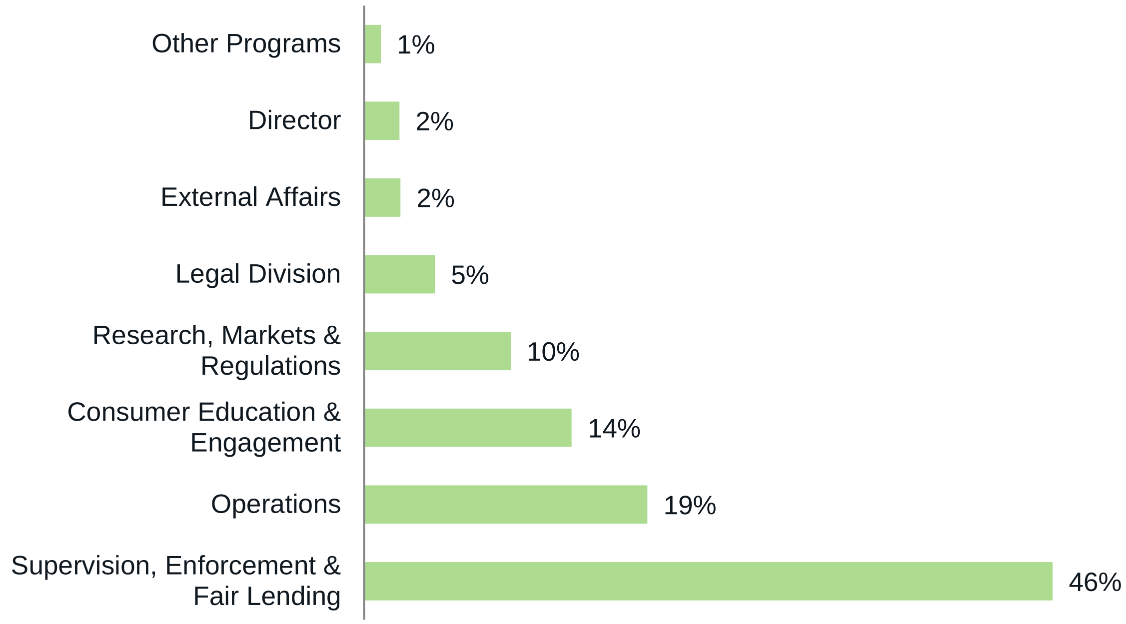
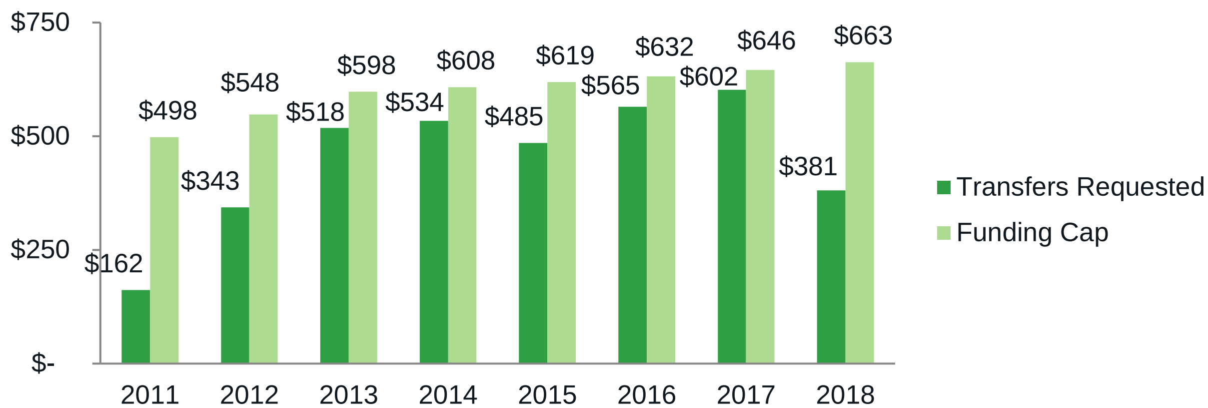


FIGURE 2: OFFICE PERCENTAGE OF TOTAL POSITIONS (AS OF SEPTEMBER 30, 2018)



All percentages provided above are rounded and may not total to 100 % due to the rounding.

FIGURE 3: FISCAL YEAR TRANSFERS REQUESTED COMPARED TO THE FUNDING CAP ($ IN MILLIONS)



Note for fiscal year 2018, in lieu of a second quarter transfer request from the Federal Reserve, Acting Director Mulvaney chose to use $145 million of the Bureaus' unobligated balance of available funds. Additional information on how the Bureau is funded can be found in Section 1.6 Financial Analysis.

Bureau Mission and Vision

Mission

To regulate the offering and provision of consumer financial products or services under the Federal consumer financial laws and to educate and empower consumers to make better informed financial decisions.[3]

Vision

Free, innovative, competitive, and transparent consumer finance market where the rights of all parties are protected by the rule of law and where consumers are free to choose the products and services that best fit their individual needs.

How we will do our work

The Bureau will achieve its mission and vision through:

- Seeking the counsel of others and making decisions after carefully considering the evidence.
- Equally protecting the legal rights of all.
- Confidently doing what is right.
- Acting with humility and moderation.

1.2 The Bureau performance and results

This section provides a summary of the Bureau's key performance outcomes as well as selected accomplishments that it has achieved this past fiscal year.

The Bureau developed and issued a revised strategic plan consistent with the Government Performance and Results Act of 1993, as amended (GPRA) and the GPRA Modernization Act of 2010. (see https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_strategic-plan_fy2018-fy2022.pdf). The Bureau published its fiscal years 2018 to 2022 strategic plan in February 2018, which identified three strategic goals and 8 associated performance objectives.

The revised Strategic Plan presents an opportunity to explain to the public how the Bureau intends to fulfill its statutory duties consistent with the strategic vison of its new leadership. The

[3] As set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 (2010), Section 1011(a) and 1013(d).

Strategic Plan's mission statement is drawn directly from Sections 1011 and 1013 of the Dodd-Frank Act: "to regulate the offering and provisions of consumer financial products or services under the Federal consumer financial laws" and 'to educate and empower consumers to make better informed financial decisions." The Bureau has similarly drawn the strategic plan's first two strategic goals and its five strategic objectives from Section 1021 of the Dodd-Frank Act.

In order to meet the required due date of preparing and issuing this financial report not all performance measures could be included. However, a full Performance Report will be published on the BCFP's website at https://www.consumerfinance.gov/about-us/budget-strategy/budget-and-performance/ in calendar year 2019, which will include the results of all performance objectives, along with an analysis of the Bureau's efforts to achieve its performance goals. Results reported below for the selected measures contained in this report show that the Bureau has met or exceeded 3 of the 6 measures (50 percent).

Goal 1: Ensure that all consumers have access to markets for consumer financial products and services.

Performance goal 1.1.1: Help people build the knowledge and skills to make money decisions through direct financial education from the Bureau and through community channels providing other services.

The Bureau works to provide consumers with the knowledge, tools, and capabilities they need in order to make better informed financial decisions to serve their life goals. To that end, the Bureau offers directly to consumers a variety of information, tools, and programs about major financial choices and other money decisions. For fiscal year 2018, offerings including "Ask," "Owning a Home," "Planning for Retirement," "Paying for College," and "Money as You Grow," are provided on web pages focused on specific money topics, and through print materials and other frequently requested materials.

The Bureau also works to make it easier for people to access financial education in their local communities and to foster a lasting local financial education infrastructure. An important way we do this is by integrating financial education into trusted and established community channels, such as libraries, workplaces, social service organizations, military services, and government agencies. Major community channel initiatives in fiscal year 2018 include: the Your Money, Your Goals Program; the educational program for military recruits, ROTC and new active duty servicemembers; the Libraries Community Education Program; the Youth Employment Success Program; organizations serving seniors; and the Tax-Time Savings Program. The education offered through multiple channels covers topics that are reflected in frequent topics consumers seek on our web site as well as prevention topics like money management and savings.

TABLE 1: PERCENTAGE OF ASK BCFP USERS WHO RATE QUESTIONS AND RELATED ANSWERS AS HELPFUL (NEW MEASURE)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target						-	86%	88%
Actual						86%	84%	NA

Progress update and future action

The Bureau continued to provide people with educational information and tools, via online, in print and through community channels. Its consumer financial education programs are designed to empower people to make better informed financial decisions to serve their own life goals. The financial education topics address major areas of consumer interest such as: debt collection, credit and credit reporting, home ownership and mortgages, and student loan repayment. Other topics help people prepare in their financial lives to engage in financial preparedness and prevention, including: general money management, savings, building children's financial capability, and a secure retirement.

One of the Bureau's primary educational offerings is "Ask," an online educational content tool to provide consumers with answers to commonly asked questions. Since its launch in 2012, more than 22 million people have visited pages that have the most relevant information about a particular topic.

Performance goal 1.3.1: Issue rules, where appropriate, implementing Federal consumer financial laws through a timely and inclusive process.

The Bureau has prioritized putting in place consumer protection regulations where appropriate, including those implementing statutory requirements, in a timely and inclusive manner. Timeliness is important because it increases certainty about the rules of the road, which allows market participants to plan for a longer term. For this reason, the Bureau believes that completion of its own regulatory proposals within nine months of the close of the final public comment period is a good measure of whether it is meeting this goal.

The Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA) and the Dodd-Frank Act, requires the Bureau to convene a Small Business Review Panel before proposing a rule that will have a significant economic effect on a substantial number of small entities. Other public outreach efforts, such as meetings with consumers and industry stakeholders in the development of a proposal, inform and otherwise assist the Bureau in crafting more effective rules.

Performance measures

TABLE 2: PERCENTAGE OF PROPOSED RULEMAKINGS FINALIZED OR OTHERWISE RESOLVED WITHIN NINE MONTHS OF THE DUE DATE FOR RECEIPT OF FINAL PUBLIC COMMENTS.[4]

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target	NA	75%	75%	75%	75%	75%	75%	75%
Actual	100%	78%	100%	86%	100%	88%	60%	NA

Progress update and future action

In FY 2018 the Bureau issued five final rules that were informed by public comment:

- In October 2017, the Bureau issued a final rule to create consumer protections for certain consumer credit products, including payday, vehicle title, and certain high-cost installment loans. On Jan. 16, 2018, the Bureau announced that it intends to open a rulemaking to the rule. The rule has a compliance date in August 2019. The Bureau expects to issue a Notice of Proposed Rulemaking by no later than early 2019 that will address reconsideration of the rule on the merits as well as address changes to its compliance date. The notice of proposed rulemaking and request for comments was published on July 22, 2016 and the comment period closed on October 7, 2016. The rule was not finalized or otherwise resolved within 9 nine months of the due date for receipt of final comments, in part, due to the high volume of comments received. The Bureau received more than 1.4 million comments on the proposed rulemaking. This is the largest comment volume associated with any rulemaking in the Bureau's history. Comments were received from consumers and consumer advocacy groups, national and regional industry trade associations, industry participants, banks, credit unions, nonpartisan research and advocacy organizations, members of Congress, program managers, payment networks, payment processors, fintech companies, Tribal leaders, faith leaders and coalitions of faith leaders, and State and local government officials and agencies. The

4 This measure does not include interagency rulemakings, rulemakings inherited from the Federal Reserve Board, and rulemakings on which the Bureau expects to do further quantitative research following the receipt of public comments.

Bureau received well over 1 million comments from individuals regarding the proposed rule, often describing their own circumstances or those of others known to them in order to illustrate their views, including their perceptions of how the proposed rule might affect their personal financial situations.

- In January 2018, the Bureau issued a final rule to amend Regulation E, which implements the Electronic Fund Transfer Act, and Regulation Z, which implements the Truth in Lending Act, and the official interpretations to those regulations. This rulemaking relates to a final rule, published in the Federal Register on Nov. 22, 2016, as amended on April 25, 2017, regarding prepaid accounts. The Bureau finalized modifications to several aspects of that rule, including with respect to error resolution and limitations on liability for prepaid accounts where the financial institution has not successfully completed its consumer identification and verification process; application of the rule's credit-related provisions to digital wallets that are capable of storing funds; certain other clarifications and minor adjustments; technical corrections; and an extension of the overall effective date to April 1, 2019. The notice of proposed rulemaking and request for comments was published on June 29, 2017 and the comment period closed on August 14, 2017. The rule was finalized within 9 nine months of the due date for receipt of final comments. The Bureau received 32 comment letters from consumer advocacy groups; national and regional trade associations; members of the prepaid industry, including issuing banks and credit unions, program managers, and a digital wallet provider; a think tank; and several anonymous commenters. The Bureau also considered comments received after the comment period closed, via several ex parte meetings and other communications.[5] The Bureau considered all the comments it received regarding the proposal.

- In March 2018, the Bureau issued a final rule amending certain aspects of the mortgage servicing rule issued in 2016 relating to periodic statements. These amendments revise the timing requirements for servicers transitioning between modified or unmodified periodic statements and coupon books when consumers enter or exit bankruptcy. The notice of proposed rulemaking and request for comments was published on October 18, 2017 and the comment period closed on November 17, 2017. The rule was finalized within 9 nine months of the due date for receipt of final comments. The Bureau received

[5] The Bureau's Policy on Ex Parte Presentations in Rulemaking Proceedings is available at 82 FR 18687 (Apr. 21, 2017).

ten comments, including seven from industry trade associations, two from individual consumers, and one from consumer advocacy groups and considered the comments in adopting the final rule.

- In April 2018, the Bureau issued a final rule amending federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) that are implemented in Regulation Z. The amendments relate to when a creditor may compare charges paid by or imposed on the consumer to amounts disclosed on a Closing Disclosure, instead of a Loan Estimate, to determine if an estimated closing cost was disclosed in good faith. The notice of proposed rulemaking and request for comments was published on August 11, 2017 and the comment period closed on October 10, 2017. The rule was finalized within 9 nine months of the due date for receipt of final comments. The Bureau received 43 unique comments from industry commenters (including trade associations, creditors, and industry representatives), a consumer advocate group, and others.

- In August 2018, the Bureau finalized a rule proposed in July 2016 to update Regulation P to implement a December 2015 statutory amendment to the Gramm-Leach-Bliley Act. The final rule provides an exception under which financial institutions that meet certain conditions are not required to provide annual privacy notices to customers. To qualify for this exception, a financial institution must not share nonpublic personal information about customers except as described in certain statutory exceptions. In addition, the rule requires that the financial institution must not have changed its policies and practices with regard to disclosing nonpublic personal information from those that the institution disclosed in the most recent privacy notice it sent. As part of its implementation, the Bureau is also amending Regulation P to provide timing requirements for delivery of annual privacy notices in the event that a financial institution that qualified for this annual notice exception later changes its policies or practices in such a way that it no longer qualifies for the exception. The Bureau is further removing the Regulation P provision that allows for use of the alternative delivery method for annual privacy notices because the Bureau believes the alternative delivery method will no longer be used in light of the annual notice exception. The notice of proposed rulemaking and request for comments was published on July 11, 2016 and the comment period closed on August 10, 2016. The Bureau received 23 comments and considered the comments in adopting the final rule. The rule was not finalized or otherwise resolved within 9 nine months of the due date for receipt of final comments. The Bureau delayed finalization because the rule was designed largely to update the regulation to reflect a statutory amendment that had already taken effect. Given other priorities, the Bureau decided to focus on projects that had greater potential impact on Bureau stakeholders.

The Bureau also issued a number of rules that were interim, procedural, or corrective and did not require notice and comment. Most of these rules consequently became effective immediately upon publication in the Federal Register or within 30 days of publication in the Federal Register and were not subject to this performance measure.

Goal 2: Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive.

Performance goal 2.2.6: Cooperate and share information with federal and state partners as part of Supervision efforts to protect consumers and deter wrongdoers.

This goal ensures that the Bureau works well with its partners at the local, state, and federal level to share information while still complying with the Bureau's regulations, policies on information sharing, and other legal restrictions, across jurisdictions and to make the best use of limited resources.

Performance measure

TABLE 3: PERCENTAGE OF EXAM REPORTS SHARED WITH OTHER REGULATORS, AS APPROPRIATE (NEW MEASURE)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target							90%	90%
Actual							100%	NA

Progress update and future action

Under the Dodd-Frank Act, the Bureau is required to coordinate its supervisory work with various other regulators at both the State and the Federal level, to the extent possible. The Bureau makes it a priority to share information about its supervisory activity and coordinate its work with other regulators, when possible. The above metrics will continue to ensure that this remains a focus for the Bureau going forward. In fiscal year 2018, the Bureau shared 100% of exam reports with other regulators, consistent with the Memorandum of Understanding on Supervisory Coordination.

Performance goal 2.2.7: Where the Bureau determines enforcement action is warranted, file or settle action within two years of opening its investigation.

Filing enforcement actions in a timely manner is an important measure of the Bureau's effectiveness. The Bureau seeks to balance the need to effectively pursue complicated and time-consuming cases while minimizing any unnecessary delay between conduct and resolution. Timely pursuit of resolutions increases deterrence and provides consumers with greater protections of law.

Performance measure

TABLE 4: AVERAGE DURATION, IN MONTHS, TO FILE OR SETTLE INVESTIGATIONS (NEW MEASURE)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target						NA	24	24
Actual						23	25	NA

Progress update and future action

After the Bureau determines that enforcement action is warranted, Bureau staff review each matter at regular intervals to ensure that it is progressing in a timely manner. The Bureau's experience so far and the experience of other similar enforcement agencies informed the selection of the target. The Bureau will, however, continue to monitor this target to assess whether it is an appropriate way to measure the Bureau's performance going forward.

Goal 3: Foster operational excellence through efficient and effective processes, governance, and security of resources and information.

Performance goal 3.1.1: Improve comprehensive cybersecurity protection

of Bureau information and resources.

Information security continues to be a key risk in the federal government due to the advanced persistent threat to information technology (IT) infrastructures. As such, the Bureau must consistently seek to ensure its cybersecurity program evolves accordingly.

Performance measures

TABLE 5: MITIGATE CRITICAL AND HIGH PLAN OF ACTION & MILESTONES (POA&M) FROM 2018 THIRD-PARTY CYBER ASSESSMENT (% MITIGATED) (NEW MEASURE)

	FY 2012	FY2013	FY2014	FY2015	FY2016	FY 2017	FY 2018	FY 2019
Target							50%	80%
Actual							100%	NA

Progress update and future action

The Bureau has taken several steps to enhance its cybersecurity program including implementing an information security continuous monitoring program consistent with federal requirements. In FY2018, the Bureau completed a Risk and Vulnerability Assessment (RVA) in which a third party attempted to hack into Bureau IT systems to proactively identify security vulnerabilities and initiate any required mitigating actions. The RVA concluded with no "Critical" findings and the three technical recommendations from the assessment have all been remediated. In FY19 and beyond, the Bureau will further enhance its cybersecurity protection by continuing to enhance an asset management solution to populate detailed system inventories to inform the cybersecurity risk management process and correlate asset data with cybersecurity audit log analysis capabilities. The Bureau will also conduct another RVA to ensure Bureau systems are proactively managed from ongoing cybersecurity threats.

Performance goal 3.2.1: Maintain high-performing, diverse employees with the right skills and abilities.

One of the measures that the Bureau uses to assess progress on this goal is the extent to which managers are able to apply the skills they've learned from management training to their day-to-day management responsibilities. The Bureau has developed a metric that combines feedback from several training assessment surveys. This metric provides the Bureau with information that is used to evaluate and improve management training opportunities. This metric, along with other data sources, is used to determine the effectiveness of current management training, assess the resources needed to promote and facilitate training, and identify the type of management training needed in the future.

Performance measures

TABLE 6: MANAGEMENT TRAINING SURVEY RATING ON APPLYING LEARNED SKILLS TO JOB RESPONSIBILITIES (AGGREGATE OF THREE QUESTIONS ON 7 POINT SCALE) (NEW MEASURE)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target							5.75	5.75
Actual							6.41	NA

Progress update and future action

In FY 2018, the Bureau offered several leadership and management development courses that contributed to this metric, including:

- Supervisor Development Seminars that covers workplace topics required for all senior leaders and managers by the Office of Personnel Management
- Leadership Excellence Seminars that covers best management practices to help senior leaders and managers engage and motivate individuals and teams
- Leadership resiliency training for senior leaders and managers
- Executive coaching for senior leaders and some mid-level managers

Moving forward, the Bureau will continue to deliver management training solutions to meet Federal mandates and Bureau requirements. The Bureau will continue to offer proven and successful training programs that leverage leading management practices while building new programs to meet the evolving needs of the Bureau's leaders and managers.

1.3 Civil Penalty Fund annual report

Section 1055(a) of the Dodd-Frank Act authorizes the BCFP to obtain any appropriate legal or equitable relief for violations of Federal consumer financial laws. That relief may include civil penalties. Section 1017(d) of the Dodd-Frank Act further establishes a Consumer Financial Civil Penalty Fund (Civil Penalty Fund) into which the Bureau deposits civil penalties it collects in judicial and administrative actions under Federal consumer financial laws.

Under the Act, funds in the Civil Penalty Fund may be used for payments to the victims of activities for which civil penalties have been imposed under the Federal consumer financial laws. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

On May 7, 2013, the Bureau published the Civil Penalty Fund rule, 12 C.F.R. part 1075, a final rule governing the Bureau's use of the funds in the Civil Penalty Fund. That rule requires the Bureau to issue regular reports on the Civil Penalty Fund. Included in this Annual Report is a summary of the Civil Penalty Fund activity since inception through September 30, 2018, a description of Civil Penalty Fund collections in fiscal year 2018, a description of Civil Penalty Fund allocations in fiscal year 2018 and the basis for those allocations, and an overview of the distribution of those funds.

Additional background information on the Civil Penalty Fund can be found at: https://www.consumerfinance.gov/about-us/payments-harmed-consumers/

As of September 30, 2018, the Civil Penalty Fund had $524.3 million in funds available for future allocation to harmed consumers and/or financial education. Table 7 below summarizes significant activity of the fund from inception through September 30, 2018:

TABLE 7: CIVIL PENALTY FUND SIGNIFICANT ACTIVITY

Activity	Amount	Amount
Cash Collections:		
FY 2012-2016	$524,280,841	
FY 2017	$42,488,801	
FY 2018	$522,761,388	
Total Cash Collections		$1,089,531,030
Amounts Unallocated and Returned to the Fund:[6]		
FY 2017	$4,132,145	
FY 2018	$27,141,876	

[6] This amount includes funds that were unallocated and returned to the Fund following the completion of distributions to victims (see the Civil Penalty Fund Distributions section for more information).

Activity	Amount	Amount
Total Returned		$31,274,021
Less Allocations:		
Victim Compensation		
FY 2013-2016	($320,816,713)	
FY 2017	($161,415,457)	
FY 2018	($69,582,179)	
Subtotal: Allocations to Victim Compensation		($551,814,349)
Consumer Education and Financial Literacy Programs		
FY 2013-2016	($28,812,809)	
FY 2017	0	
FY 2018	0	
Subtotal: Allocations to Consumer Education and Financial Literacy Programs		($28,812,809)
Total Allocations		($580,627,158)
Less Administrative Set-aside:		
FY 2013-2016		($4,573,322)
FY 2017		($1,000,000)
Total Unallocated Balance		$534,604,571[7]

[7] This total includes $10,283,886 that was collected pursuant to an order that is pending appeal and is thus not yet a "final order" as defined in 12 C.F.R. § 1075.101. Those funds are therefore not available for allocation.

Civil Penalty Fund collections

TABLE 8: FISCAL YEAR 2018 COLLECTIONS

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
Tempo Venture, Inc. d/b/a Culpeper Pawnbroker	$2,500	$2,500	November 2, 2017
Transworld Systems, Inc.	$2,500,000	$1,000,000[8]	November 13, 2017
Citibank, N.A.	$2,750,000	$2,750,000	November 28, 2017
Conduent Business Services, LLC	$1,100,000	$1,100,000	December 4, 2017
Top Notch Funding II, LLC – Defendants Donadio and Top Notch Funding II, LLC	$62,500[9]	$62,500	March 6, 2018 March 14, 2018 September 7, 2018 September 19, 2018
CashCall, Inc.	$10,283,886	$10,283,886[10]	March 23, 2018
Wells Fargo Bank, N.A.	$1,000,000,000	$500,000,000[11]	April 20, 2018
Security Group, Inc.	$5,000,000	$5,000,000	June 18, 2018

[8] The consent order required Transworld Systems, Inc. to pay $1.5 million in civil penalties within 10 days of the effective date of the order and the remaining $1 million within 60 days. The $1.5 million was previously collected in the fourth quarter of FY 2017.

[9] The consent order required Defendants Donadio and Top Notch Funding II, LLC, jointly and severally, to pay a civil money penalty of $20,000 within 30 days of the effective date of the order and the remaining $42,500 within 120 days.

[10] This amount was collected pursuant to an order that, as of 9/30/2018, was under appeal. Therefore, according to the Civil Penalty Fund rule, this amount is not currently available for allocation.

[11] The amount that Wells Fargo was required to pay to the Bureau was reduced by $500 million under 12 U.S.C. § 5565(c)(4), based on Wells Fargo's payment of $500 million in penalties to the Office of the Comptroller of the Currency (OCC) for related conduct.

Defendant name	Civil Penalty Imposed	Civil Penalty Collected	Collection date
National Credit Adjusters, LLC and Bradley Hochstein – Defendant Hochstein	$3,000,000	$100,000[12]	July 19, 2018
National Credit Adjusters, LLC and Bradley Hochstein – Defendant National Credit Adjusters, LLC	$3,000,000	$450,000[13]	July 20, 2018 August 17, 2018 September 14, 2018
Top Notch Funding II, LLC – Defendant Cavalli	$12,500	$12,500	July 27, 2018
Richard F. Moseley, Sr., *et al.* – Defendant Randazzo	$1	$1	July 27, 2018
TCF National Bank	$5,000,000	$2,000,000[14]	August 2, 2018
Triton Management Group, Inc., *et al.*	$1	$1	August 28, 2018
Total	$1,032,711,388	$522,761,388	

In fiscal year 2018, the Bureau collected civil penalties from 14 defendants totaling $522.8 million.

Allocations from the Civil Penalty Fund

Under the Civil Penalty Fund rule, the Civil Penalty Fund Administrator allocates funds in the Civil Penalty Fund to classes of victims of violations for which civil penalties have been imposed under the Federal consumer financial laws and, to the extent that such victims cannot be located or such payments are otherwise not practicable, to consumer education and financial literacy

[12] The consent order suspended full payment of the civil money penalty (CMP) imposed upon satisfaction of certain requirements, including that Defendant Hochstein must pay $300,000 toward the CMP in installments of $100,000 within 10 days of the order's effective date and two subsequent payments of $100,000 every 90 days thereafter for 180 days.

[13] The consent order suspended full payment of the CMP imposed upon satisfaction of the requirement that Defendant National Credit Adjusters, LLC, pay $500,000 toward the CMP in installments of $400,000 within 10 days of the order's effective date and four subsequent payments of $25,000 every 30 days thereafter for 120 days.

[14] The amount that TCF was required to pay to the Bureau was reduced by $3 million under 12 U.S.C. § 5565(c)(4) based on TCF's payment of a $3 million in penalties to the OCC in connection with OCC's order into the same conduct.

programs. The Fund Administrator makes these allocations according to a schedule published in accordance with the rule. That schedule established six-month periods and provides that an allocation will be made within 60 days of the end of each period. The Fund Administrator may allocate only those funds that were available as of the end of the six-month period, and may allocate funds to a class of victims only if that class had uncompensated harm as of the end of the six-month period.

Allocations in fiscal year 2018

Period 10: April 1, 2017- September 30, 2017

On November 29, 2017, the Bureau made its tenth allocation from the Civil Penalty Fund. As of September 30, 2017, the Civil Penalty Fund contained an unallocated balance of $54.3 million. This amount was available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 9: PERIOD 10: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order[15]
Security National Automotive Acceptance Company, LLC	April 26, 2017
The Mortgage Law Group, LLP, *et al.*	June 21, 2017
Commercial Credit Consultants, *et al.*	June 30, 2017
A to Z Pawn, Inc.	July 18, 2017
Siringoringo, *et al.* – Defendants Clausen & Cobb Management Company, Inc., and Joshua Cobb	August 1, 2017
JPMorgan Chase Bank, N.A.	August 2, 2017
Prime Marketing Holdings, LLC	August 31, 2017
Zero Parallel, LLC	September 6, 2017
Davit Gasparyan a/k/a David Gasparyan	September 8, 2017
Transworld Systems, Inc.	September 18, 2017

[15] The Civil Penalty Fund rule provides that the term “final order” means a consent order or settlement issued by a court or by the Bureau, or an appealable order issued by a court or by the Bureau as to which the time for filing an appeal has expired and no appeals are pending.

A civil penalty was imposed in 10 cases with final orders from Period 10. Of those 10 cases, four cases had classes of eligible victims with uncompensated harm that is compensable from the Civil Penalty Fund.

Of the Period 10 cases with compensable uncompensated harm, three cases, The Mortgage Law Group, Commercial Credit Consultants, *et al.*, and Prime Marketing Holdings, LLC, received an allocation from the Civil Penalty Fund. The fourth case, Clausen & Cobb did not receive an allocation. As of the time of this allocation, the Fund Administrator did not have sufficient information to determine whether funds should be allocated specifically to the class of victims made eligible by the Default Judgment against Clausen & Cobb Management Company, Inc. and Joshua Cobb.[16] As a result, in accordance with section 1075.106(d)(1) of the rule, the Fund Administrator exercised her discretion to depart from the allocation procedures described in 1075.106 and did not make an allocation to victims in this matter until additional information becomes available.

In the The Mortgage Law Group, LLP case, the class of eligible victims—consumers who purchased mortgage assistance relief products from TMLG between May 2011 and January 2013—had $18,331,737 in uncompensated harm. In the Commercial Credit Consultants case, the class of eligible victims—all consumers who paid fees to the defendants for credit repair services from August 1, 2009 to September 30, 2014—had $30,650,002 in uncompensated harm. In the Prime Marketing Holdings, LLC case, the class of eligible victims—all consumers who paid fees to the defendants for credit repair services from October 1, 2014 to August 31, 2017—had $20,600,440 in uncompensated harm. During this allocation period, total eligible uncompensated harm exceeded available funds. As a result, a review of case factors including quality and availability of victim data was completed, and a determination was made to provide full compensation in the The Mortgage Law Group matter, and partial compensation in the Commercial Credit Consultants, and Prime Marketing Holdings, LLC matters. For the The Mortgage Law Group class, $18,331,737 was allocated. For the Commercial Credit Consultants, and Prime Marketing Holdings, LLC matters, amounts of $21,500,716, and $14,451,033 were allocated respectively—enough to compensate 70% of those victims' uncompensated harm. In accordance with the Civil Penalty Fund Rule, if sufficient funds become available in future periods, these victim classes may receive additional allocations to compensate their remaining uncompensated harm.

During Period 10, $0 were allocated for Consumer Education and Financial Literacy purposes.

[16] The majority of the class of eligible victims in this matter overlaps with the class of victims that received an allocation in Period 9 under the final judgment with Siringoringo. As of the time of the Period 10 allocation, the Fund Administrator lacked sufficient information about the uncompensated harm of the remaining victims in the class to make an allocation.

Period 10 Allocation Summary:

Victim Compensation: $54,283,486

- The Mortgage Law Group, LLP
  - Victim Class Allocation: $18,331,737
- Commercial Credit Consultants, *et al.*
  - Victim Class Allocation: $21,500,716
- Prime Marketing Holdings, LLC
  - Victim Class Allocation: $14,451,033

Consumer Education and Financial Literacy Programs: $0

Total Allocation: $54,283,486

Period 11: October 1, 2017 – March 31, 2018

On May 30, 2018 the Bureau made its eleventh allocation from the Civil Penalty Fund. As of March 31, 2018, the Civil Penalty Fund contained an unallocated balance of $38,822,890. Of this amount, $10,283,886 was collected pursuant to an order that was pending appeal and was thus not yet a “final order” as defined in 12 C.F.R. § 1075.101. The funds collected from that case were therefore not available for allocation, leaving $28,539,004 available for allocation pursuant to 12 C.F.R. § 1075.105(c).

TABLE 10: PERIOD 11: CASES IN WHICH A CIVIL PENALTY WAS IMPOSED

Defendant name	Date of Final Order[17]
Orion Processing, LLC, *et al.* – Defendants World Law Debt Services, LLC, World Law Processing, LLC, and Family Capital Investment & Management LLC	October 20, 2017
Orion Processing, LLC, *et al.* – Defendant Bradley Haskins	October 20, 2017
Tempo Venture, Inc., d/b/a Culpeper Pawnbroker	October 27, 2017
Conduent Business Services, LLC	November 20, 2017

[17] The Civil Penalty Fund rule defines the term “final order” as a consent order or settlement issued by a court or by the Bureau, or an appealable order issued by a court or by the Bureau as to which the time for filing an appeal has expired and no appeals are pending.

Defendant name	Date of Final Order[17]
Citibank, N.A.	November 21, 2017
Top Notch Funding II, LLC	January 30, 2018

Civil penalties were imposed with 6 final orders from Period 11. No Period 11 cases had uncompensated harm that is compensable from the Civil Penalty Fund.

As $0 had been allocated to current period victims, $28,539,004 was available for allocation to prior period cases. The total eligible uncompensated harm for the Period 10 allocation exceeded available funds, resulting in allocations to classes in two cases of less than 100% of their victims' uncompensated harm. One of those cases, Commercial Credit Consultants, received a Period 10 allocation of $21,500,716, and received a Period 11 allocation of $9,149,286. The other matter, Prime Marketing Holdings, LLC received a Period 10 allocation of $14,451,033, and received a Period 11 allocation of $6,149,407. These allocations were sufficient to fully compensate all prior period victim classes' eligible uncompensated harm.

During Period 11, $0 were allocated for Consumer Education and Financial Literacy purposes.

Period 11 Allocation Summary:

Victim Compensation: $15,298,693

- Commercial Credit Consultants, *et al.*
  - Victim Class Allocation: $9,149,286
- Prime Marketing Holdings, LLC
  - Victim Class Allocation: $6,149,407

Consumer Education and Financial Literacy Programs: $0

Total Allocation: $15,298,693

Fiscal year 2018 cases eligible for allocation in fiscal year 2019

On or before November 29, 2018, the Bureau will make its twelfth allocation from the Civil Penalty Fund. As of September 30, 2018, the Civil Penalty Fund had an unallocated balance of $534.6 million. Of this amount, $524.3 million is available for allocation pursuant to 12 C.F.R. § 1075.105(c).

Civil Penalty Fund distributions

In fiscal year 2018, Civil Penalty Fund distributions began for three Civil Penalty Fund allocations made in Periods 5 through 10.

TABLE 11: CIVIL PENALTY FUND DISTRIBUTIONS INITIATED IN FISCAL YEAR 2018

Defendant	Period	Amount Allocated	Amount Distributed	Number of Checks Mailed	Year & Quarter of Initial Distribution
College Education Services	5	$3,459,628	$2,419,473	2,716	FY18 Q2
Orion Processing, LLC, *et al.*	9	$98,408,416	$90,212,602	20,485	FY18 Q2
The Mortgage Law Group, LLP	10	$18,331,737	$18,331,734	5,394	FY18 Q3
Totals		**$120,199,781**	**$110,963,809**	**28,595**	

The table above identifies cases for which distributions of Civil Penalty Fund monies to harmed consumers began in fiscal year 2018. It reflects the period in which an allocation was made to victims in the case, the total amount allocated, the total dollar amount that has been mailed to harmed consumers, the number of consumers to whom checks were mailed, and when distributions began. In fiscal year 2018, a total of $110.9 million was distributed to 28,595 harmed consumers using the Civil Penalty Fund.

Distributions are expected to begin in fiscal year 2019 for the Commercial Credit Consultants, *et al.*, Prime Marketing Holdings, LLC, and Siringoringo, *et al.* cases.

Five Civil Penalty Fund distributions concluded in fiscal year 2018. In these cases, unclaimed funds were or will be unallocated and returned to the Civil Penalty Fund to be available for allocation to future cases.

TABLE 12: CIVIL PENALTY FUND DISTRIBUTIONS CONCLUDED IN FISCAL YEAR 2018

Defendant	Amount Allocated	Amount Distributed	Number of Checks Mailed	Percent of Distributed Funds Cashed	Year & Quarter of Distribution Conclusion
Gordon, *et al.*	$10,000,000	$9,977,166	3,790	91%	FY18 Q1

Defendant	Amount Allocated	Amount Distributed	Number of Checks Mailed	Percent of Distributed Funds Cashed	Year & Quarter of Distribution Conclusion
Amerisave Mortgage Corporation	$1,380,470	$1,366,268	50,061	63%	FY18 Q3
Student Financial Aid Services, Inc.	$9,300,000	$9,243,731	99,338	79%	FY18 Q3
Hoffman Law Group	$11,074,842	$10,599,805	1,331	95%	FY18 Q3
Union Workers Credit Services	$18,908,744	$18,902,446	463,745	63%	FY18 Q3
Totals	**$50,664,056**	**$50,089,416**	**618,265**		

The table above reflects the cases where a distribution concluded in fiscal year 2018. For each case, it displays the amount allocated from the Civil Penalty Fund, the total dollar amount that was mailed to harmed consumers, the number of consumers to whom checks were mailed, the percent of the distributed funds that were claimed, and when the distribution concluded.

In fiscal year 2018, the remaining undistributed funds from five cases that had concluded in fiscal years 2017 and 2018 were unallocated from the victim classes to whom they had previously been allocated and made available for future allocations. A total of $12,141,875.88 was unallocated as follows: $3,816,726.31 from 3D Resorts-Bluegrass; $969,383.46 from Gordon, *et al.*; $517,529.24 from Amerisave Mortgage Corporation; $4,849,778.04 from National Corrective Group; and $1,988,458.83 from Student Financial Aid Services, Inc.

In addition, $15,000,000 was unallocated from the Morgan Drexen, Inc. and Walter Ledda case upon further assessment of available victim data and funding needs. These funds were made available for future allocations.

For the remaining two cases where distributions have concluded, Hoffman Law Group and Union Workers Credit Services, although undistributed funds were returned to the Bureau, they remain allocated to their respective victim classes. It is anticipated that the remaining funds will be unallocated and made available for future allocation in early fiscal year 2019.

1.4 Bureau-administered redress

Dodd-Frank Act Section 1055 authorizes a court in a judicial action, or the Bureau in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury. The Bureau refers to these collections as Bureau-Administered Redress.

TABLE 13: COLLECTIONS IN FISCAL YEAR 2018

Defendant	Amount Collected	Date of Collection
Triton Management Group, Inc., *et al.*	$500,000	August 28, 2018
Total	**$500,000**	

In fiscal year 2018, the Bureau collected $500,000 in Bureau-Administered Redress funds from one defendant. Funds are distributed in accordance with the terms of the final order for the case.

Bureau-administered redress distributions

In fiscal year 2018, distributions of redress began for three cases.

TABLE 14: BUREAU-ADMINISTERED REDRESS DISBURSEMENTS INITIATED IN FISCAL YEAR 2018

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Number of Checks Mailed
Orion Processing, LLC, *et al.*[18]	FY18 Q2	$8,170,633	1,797
Security National Automotive Acceptance Company, LLC	FY18 Q2	$719,516	872
Corinthian Colleges, Inc.	FY18 Q4	$211,598	9,640

[18] The final orders in the Orion Processing, LLC, *et al.* case included one class of victims. The class was compensated using both the Civil Penalty Fund and Bureau-Administered Redress funds.

Defendant	Year & Quarter of Initial Distribution	Amount Distributed	Number of Checks Mailed
Totals		**$9,101,747**	**12,309**

The table above reflects matters for which redress funds were collected, the time period when distributions began, the total dollar amount that has been mailed to harmed consumers, and the number of consumers to whom checks were mailed. In fiscal year 2018, the Bureau distributed a total of $9.1 million in redress funds to 12,309 consumers.

Ten Bureau-Administered Redress distributions concluded in fiscal year 2018. In these cases, unclaimed funds were treated in accordance with the terms of the final order for each case.

TABLE 15: BUREAU-ADMINISTERED REDRESS DISBURSEMENTS CONCLUDED IN FISCAL YEAR 2018

Defendant	Year & Quarter of Distribution Conclusion	Amount Distributed	Number of Checks Mailed	Percentage of Funds Cashed
Gordon, *et al.*	FY18 Q1	$34,619	360	94%
Flagstar Bank, F.S.B.	FY18 Q1	$27,429,594	6,773	99%
Freedom Stores, Inc.	FY18 Q1	$348,178	722	98%
Franklin Loan Corporation	FY18 Q2	$688,400	821	90%
S/W Tax Loans, Inc.	FY18 Q2	$203,115	1,549	89%
Residential Credit Solutions, Inc.	FY18 Q2	$1,460,279	372	99%
Fort Knox National Company and Military Assistance Company, LLC	FY18 Q2	$2,784,333	41,922	67%
Amerisave Mortgage Corporation	FY18 Q3	$14,487,551	96,780	94%
Hoffman Law Group	FY18 Q3	$655,737	474	88%
Student Financial Aid Services, Inc.	FY18 Q3	$5,199,930	56,118	78%
Totals		**$53,291,736**	**205,891**	

Table 15 above reflects the cases where a distribution concluded in fiscal year 2018. For each case, it displays when the distribution concluded, the total dollar amount that was mailed to harmed consumers, the number of consumers to whom checks were mailed, and the percent of the distributed funds that were claimed.

1.5 Management assurances and audit results

BCFP Statement of Management Assurance

Fiscal Year 2018, November 9, 2018

The management of the Bureau of Consumer Financial Protection (BCFP) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Continuous monitoring and periodic evaluations provide the basis for the annual assessment and report on management's controls, as required by FMFIA. The BCFP is leveraging the established OMB Circular A-123 and the FMFIA assessment methodologies to assist in assessing the applicable entity-wide controls, documenting the applicable processes, and identifying and testing the key controls. Based on the results of these ongoing evaluations, the BCFP can provide reasonable assurance that internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations meet the objectives of FMFIA, and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2018.

Section 1017(a)(4)(D) of the Dodd-Frank Act requires the BCFP to provide a management assertion as to the effectiveness of the BCFP's internal control over financial reporting. The BCFP conducted its assessment of the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. Sec. 3512(c) and applicable sections of OMB Circular A-123. Based on the results of this evaluation, the BCFP can provide reasonable assurance that its internal control over financial reporting as of September 30, 2018 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the BCFP to maintain financial management systems that comply substantially with Federal financial management systems requirements and applicable Federal accounting standards. The BCFP utilizes financial management systems that substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Mick Mulvaney, Acting Director
Bureau of Consumer Financial Protection

Federal Managers' Financial Integrity Act

The BCFP was established as an independent bureau in the Federal Reserve System under the Dodd-Frank Act Section 1011 (a). As an independent, non-appropriated bureau, BCFP recognizes the importance of Federal laws associated with implementing effective risk management, including the Federal Managers' Financial Integrity Act. This includes ensuring that BCFP operations and programs are effective and efficient and that internal controls are sufficient to minimize exposure to waste and mismanagement.

In fiscal year 2018, BCFP performed an evaluation of its risks and systems of internal controls. Based on the results of those evaluations, the BCFP is able to provide a reasonable statement of assurance that the internal control over the effectiveness and efficiency of operations, and compliance with applicable laws and regulations meet the objectives of FMFIA, and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2018. While there were no material weaknesses identified, the BCFP identified one (1) significant deficiency that is listed below. The BCFP is committed to continuously enhancing and improving its systems of internal control and realizing more effective and efficient ways to accomplish its mission; as well as taking appropriate steps to implement timely corrective actions.

Information Technology Controls (*Significant Deficiency*)

In fiscal year 2016, while there were no material weaknesses identified, the BCFP identified a significant deficiency in the operational effectiveness of certain information technology controls. In fiscal year 2018, the Bureau implemented corrective actions to mitigate the risks of this deficiency. The corrective actions implemented did not fully mitigate the risks and therefore this significant deficiency is still identified in fiscal year 2018. During fiscal year 2019, the Bureau will continue to implement and improve processes to enhance internal control and improve its operational effectiveness.

Federal financial management systems requirements

Section 1017(a)(4)(C) of the Dodd-Frank Act requires the BCFP to implement and maintain financial management systems that substantially comply with Federal financial management systems requirements and applicable Federal accounting standards. The BCFP performs or is subject to a number of other assessments in order to further support compliance with the requirement set forth within the Dodd Frank Act requiring the BCFP to implement and maintain financial management systems that comply substantially with the federal financial management systems requirements and applicable accounting standards. Assessments include but are not limited to:

- Internal Control over Financial Reporting (ICOFR)
- Federal Information Security Management Act (FISMA)
- Improper Payments
- Federal Manager's Financial Integrity Act Reporting of 1982 (FMFIA)

Based on the results of these assessments, the BCFP provided reasonable assurance that as of September 30, 2018, the BCFP financial management systems substantially comply with the requirements for Federal financial management systems and applicable Federal accounting standards.

Additionally, as discussed in the section on Financial Management System Strategy below, the BCFP has entered into an agreement with the Bureau of the Fiscal Service, Administrative Resource Center (BFS/ARC) for the cross-servicing of the BCFP's core financial management system needs. As such, BFS/ARC has provided assurances to the BCFP that BFS/ARC's system is in compliance with the Federal Financial Management Improvement Act (FFMIA) whereby the system is substantially compliant with:

- Federal financial management system requirements,
- Applicable federal accounting standards, and
- The United States Standard General Ledger at the transaction level.

BFS/ARC has reported that its system substantially complies with these three requirements of FFMIA and recently completed a System and Organization Controls (SOC) 1 Report in accordance with Statements on Standards for Attestation Engagements No. 18, AT-C Section 320, *Report on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*. The independent auditors opined in the SOC 1 report that BFS/ARC's controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved if customer agencies applied the complementary customer agency controls. The BCFP determined that the scope of the SOC 1 report was sufficient to support its assessment of internal control over financial reporting.

The BCFP evaluated its internal controls over the processing of transactions between the BCFP and BFS/ARC. The BCFP has determined it has adequate complementary customer controls in place.

Financial statement audit and audit of internal control over financial reporting

Sections 1017(a)(4)(B) and (D) of the Dodd-Frank Act require the BCFP to prepare and submit to GAO annual financial statements and an assertion of the effectiveness of the internal control over financial reporting. Section 1017(a)(5)(A) and (B) of the Dodd-Frank Act also require GAO to audit those financial statements and report their results to the Bureau, Congress and the President. The BCFP prepared comparative financial statements for fiscal years 2018 and 2017.

GAO issued an unmodified audit opinion on the BCFP's fiscal years 2018 and 2017 financial statements. GAO opined that BCFP maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018. Also, GAO reported that its tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reported under U.S. generally accepted government auditing standards.

Financial management systems strategy

The BCFP recognized during its initial years of operation that it needed to leverage from other federal agencies existing financial management resources, systems and information technology platforms. The BCFP continues to maintain an agreement with the BFS/ARC for the cross-servicing of a commercial off-the-shelf core financial management system designed and configured to meet generally accepted accounting principles for Federal entities. In addition to the core financial management system, BFS/ARC provides services that include transactional processing, financial reporting, human resource services, procurement services, and travel services. The BCFP's goal is to continue providing an effective strategy that supports our financial management systems.

The BCFP recognizes the importance of financial management systems and oversight as a part of the capital planning and investment control process. Accordingly, the BCFP relies on its Investment Review Board (IRB) as the executive advisory body responsible for ensuring that all business and technology investments are aligned to the BCFP's mission, vision, strategic goals and initiatives, and utilize program management best practices to achieve the maximum return on investments. The IRB is chaired by the Chief Financial Officer (CFO). Investments over $0.5 million are reviewed by the IRB, unless waived by the Chair in consultation with IRB members. The Chair may require IRB review of investments less than $0.5 million if the investment is deemed significant.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide program to provide security for the information and information systems that support the operations and assets of the agency. The BCFP has developed a Cyber Security Program in accordance with FISMA that is grounded in a foundation of well-documented policies, standards and processes. The Bureau relies on the soundness of this program to conduct reviews of its third-party service organizations including other federal entities with whom we have cross servicing agreements that enable us to leverage their existing information technology and platforms. As the BCFP continues to mature and grow, the security program will adjust as well to ensure the safety and protection of the Bureau's data and assets.

Improper payments

The Improper Payments Elimination and Recovery Act of 2011 (IPERA) requires agencies to review their programs and activities annually to identify those susceptible to significant improper payments. While the BCFP's Bureau Fund is not subject to the Act, it was determined that the Bureau's Civil Penalty Fund is subject to the Act. The Office of the Chief Financial Officer conducted a review and risk assessment of the Civil Penalty Fund for fiscal year 2018 and determined that the program is low risk and not susceptible to significant improper payments. The Office of Management and Budget's (OMB) guidance only requires an agency to conduct a program risk assessment once every three years if a prior risk assessment determined the program to be low risk.   Additionally, the Office of the Chief Financial Officer determined that the Civil Penalty Fund did not meet the reporting threshold for fiscal years 2018 and 2017.

Fraud reduction report

The Fraud Reduction and Data Analytics Act of 2015 (the Act) requires the Office of Management and Budget (OMB) to establish guidelines for federal agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments. These guidelines are intended to incorporate the leading practices identified in the report published by the Government Accountability Office on July 28, 2015, entitled "Framework for Managing Fraud Risks in Federal Programs."

In fiscal year 2017, the BCFP Legal Department reviewed the requirements of the Act and determined that while the Bureau is not obligated to comply with OMB-issued circulars, memoranda, or other guidance, it would be prudent to voluntarily comply with the OMB guidance under the Act.

During fiscal year 2018, the BCFP continued to raise awareness of fraud risks and fraud risk management requirements under the Act. As part of the BCFP's fiscal year 2018 internal control assessment, the Bureau evaluated the maturity of its fraud risk management activities and to what extent fraud controls have been implemented into the Bureau's overall internal control framework. To perform the evaluation, the BCFP conducted a survey centered on the Act's requirements to include five areas related to fraud risk management: (1) Fraud Risk Governance, (2) Fraud Risk Management, (3) Fraud Control Activities, (4) Fraud Investigation and Corrective Action, and (5) Fraud Monitoring Activities to determine enhancements to the Bureau's fraud risk management activities. The results of the survey highlighted areas of focus for the BCFP as it continues its efforts to develop a framework of anti-fraud practices.

Limitations of the financial statements

The principal financial statements contained in this report have been prepared to present the financial position and results of operations of the BCFP pursuant to the requirements of the Dodd-Frank Act Section 1017(a)(4)(B). While the statements have been prepared from the books and records of the Bureau of Consumer Financial Protection, in accordance with generally accepted accounting principles for the Federal Government, and follow the general presentation guidance provided by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared using the same books and records. The financial and performance data in this report are reliable and complete. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

1.6 Financial analysis

Analysis of FY 2018 Financial Condition and Results

The data provided in Table 16 below report on significant financial changes between fiscal years 2018 and 2017.

TABLE 16: SUMMARY OF FINANCIAL INFORMATION

(In Dollars)	Percentage Change	FY 2018	FY 2017
Total Assets	33%	$1,118,653,723	$844,230,229
Total Liabilities	-33%	$225,733,679	$339,084,407
Total Net Position	77%	$892,920,044	$505,145,822
Total Net Cost of Operations	-32%	$523,035,432	$766,776,748
Total Budgetary Resources	9%	$1,355,721,692	$1,248,935,174
Total New Obligations and Upward Adjustments	-23%	$661,383,970	$856,006,456
Total Outlays	-26%	$660,947,171	$895,949,106

Total Assets are $1,118.7 million as of September 30, 2018, an increase of $274.4 million (or 33 percent) over fiscal year 2017. The main factors contributing to the net increase was a $500.0 million increase in the Civil Penalty Fund Cash due to the Wells Fargo Case that was offset by a decrease of $170.1 million in investments that resulted from not having a second quarter transfer request from the Federal Reserve to fund the BCFP.

Total Liabilities are $225.7 million as of September 30, 2018, a decrease of $113.4 million (or -33 percent) over fiscal year 2017. The Bureau's liabilities generally represent the resources due to others such as benefits owed to employees and payments owed to vendors and Federal agencies for goods and services provided. Liabilities also include victim compensation amounts allocated from the Civil Penalty Fund (net of distributions to date). The reduction in total liabilities is primarily associated with the reduction in the Civil Penalty Fund liability as a result of payments to harmed consumers and other liquidations.

Total Net Position at the end of fiscal year 2018 increased by $387.7 million (an increase of 77 percent) from fiscal year 2017. Factors for the net increase are primarily due to an increase in financing sources of $500.0 million due to the collection of a large civil penalty and a decrease in overall net costs of operations of $243.7 million.

Total Net Cost of Operations decreased from $766.8 million in fiscal year 2017 to $523.0 million in fiscal year 2018 (a decrease of $243.7 million or -32 percent). The net decrease is partly due to the reduction in the dollar amount of civil penalty fund allocations made in fiscal year 2018 as compared to the dollar amount of civil penalty fund allocations made in fiscal year 2017 to various classes of harmed consumers in the Civil Penalty Fund.

Total New Obligations and Upward Adjustments decreased from $856 million in fiscal year 2017 to $661.4 million in fiscal year 2018 (a decrease of $194.6 million or -23 percent). The $661.4 million of obligations and upward adjustments in fiscal year 2018 can be broken out by the two primary funds of the Bureau – the Bureau Fund had $553 million of new obligations and upward adjustments and the Civil Penalty Fund had $108.4 million of new obligations and upward adjustments. Further, the total new obligations and upward adjustments amount of $661.4 million that is reported here and on the Statement of Budgetary Resources, includes $5.8 million in upward adjustments to prior year obligations, and $655.6 million associated with the new obligations in fiscal year 2018.

How the Bureau is funded and other sources of revenue and collections

Bureau fund

Under the Dodd-Frank Act, the Bureau is funded principally by transfers from the Board of Governors of the Federal Reserve System up to a limit set forth in the statute. The Bureau requests transfers from the Board of Governors in amounts that are reasonably necessary to carry out its mission. Funding is capped at a pre-set percentage of the total 2009 operating expenses of the Federal Reserve System, subject to an annual adjustment. Specifically, the Bureau fund transfers are capped as follows:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately $498 million),
- In fiscal year 2012, up to 11 percent of these expenses (or approximately $547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately $597.6 million), and

- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the federal government.

The Dodd-Frank Act requires the Bureau to maintain an account with the Federal Reserve – "Bureau of Consumer Financial Protection Fund" (Bureau Fund). Funds requested from the Board of Governors are transferred into the Bureau Fund. Bureau funds determined not to be needed to meet the current needs of the Bureau are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. During fiscal year 2018 three transfers totaling $381 million were received from the Board of Governors. The amount transferred from the Board of Governors to the Bureau was $282[19] million less than the funding cap of $663 million for fiscal year 2018.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the Bureau are not government funds or appropriated funds.

Civil Penalty Fund

As discussed previously in Section 1.3 of this report entitled, "Civil Penalty Fund Annual Report," the Bureau collected civil penalties from judicial or administrative actions in the amount of $522.8 million for fiscal year 2018 and $42.5 million for fiscal year 2017.

Other collections

During fiscal year 2018, the Bureau collected $110,100 in filing fees pursuant to the Interstate Land Sales Full Disclosure Act of 1968. The fees were deposited into an account maintained by the Department of the Treasury, and are retained and available until expended for the purpose of covering all or part of the costs that the Bureau incurs to operate the Interstate Land Sales program.

Fiduciary activity and custodial revenue

Dodd-Frank Act section 1055 authorizes a court in a judicial action, or the Bureau in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at

[19] In lieu of the second quarter transfer request from the Federal Reserve, the Bureau chose to use $145 million of available unobligated funds.

the Department of the Treasury. Fiduciary assets are not assets of the Bureau and are not recognized on the balance sheet. During fiscal year 2018, the Bureau collected $0.5 million in redress to be administered by the Bureau. Further information is contained in our financial statements at Note 20 entitled, "Fiduciary Activities."

Further, section 1055 of the Act provides that the Bureau may obtain the remedy of disgorgement for a violation of Federal consumer law. Disgorgement paid by the defendant is treated by the Bureau as custodial revenue and maintained in the Miscellaneous Receipts Fund of the U.S. Treasury. The Bureau reported fiscal year 2018 disgorged deposits of $3 million and any other miscellaneous funds collected or receivable on the Statement of Custodial Activity – a statement that displays all custodial revenue for fiscal years 2018 and 2017.

TABLE 17: OVERALL SUMMARY OF BUREAU RECEIPTS BY TYPE AND FISCAL YEAR

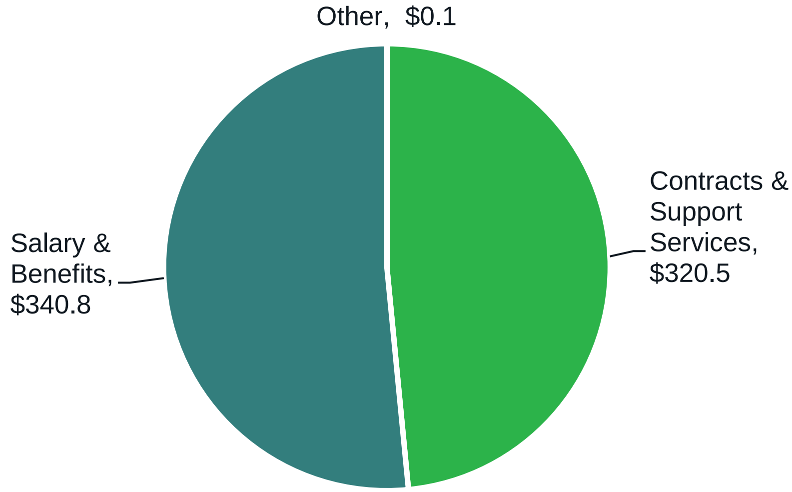
Fiscal Year	Transfers requested	Civil Penalty Fund receipts	Fiduciary receipts	Custodial receipts
2018	$381,300,000	$522,761,388	$500,000	$3,000,688
2017	$602,000,000	$42,488,801	$8,975,227	$32,092,616

What the Bureau has funded

The Bureau's fiscal year 2018 obligations related to resources essential to operations and activities such as personnel, information technology, mission-specific and human capital support, and other general support service activities. The Bureau incurred $661.4 million in obligations – $320.5 million in Contracts & Support Services[20], $340.8 million in Salary & Benefits, and $0.1 million in All Other.

[20] Includes $55.8 million of interagency agreements (IAA) the Bureau entered into with other Federal agencies and other Federal payments made to Federal Agencies. IAA's are not reported in USASpending.gov

FIGURE 4: FISCAL YEAR 2018 NEW OBLIGATIONS AND UPWARD ADJUSTMENTS ($ IN MILLIONS)



Examples of some of the larger obligations incurred for Bureau's fiscal year 2018 activities included in the $320.5 million for contracts and support services include:

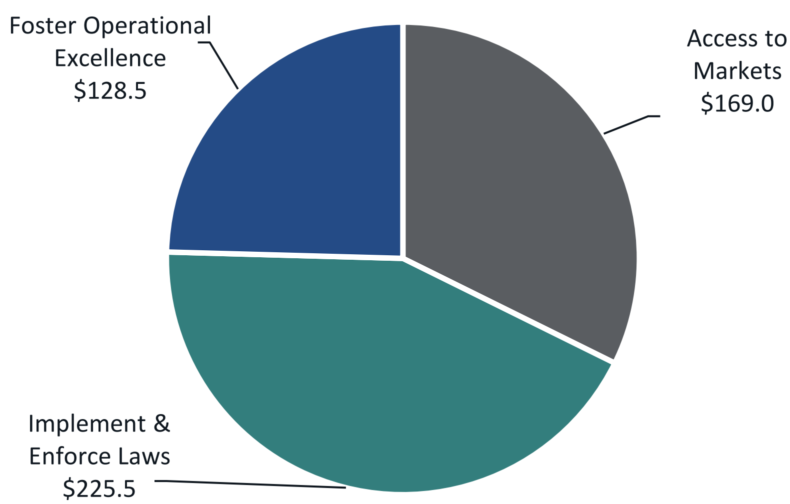
- $11.4 million to the Board of Governors of the Federal Reserve System for services provided by the Office of the Inspector General of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection.
- $10.9 million for continued development of a cost-effective, internally managed cloud infrastructure. These investments assure the Bureau will have an infrastructure with flexibility, scalability and on-demand capacity that is adequate to support the agile and expanding environment of the Bureau.
- $9.6 million for the Bureau's standard enterprise application platform, the IT Service Desk, and other business-process automation efforts.
- $9.4 million to continue to fulfill the Dodd-Frank requirement to facilitate the centralized collection, monitoring and response to consumer complaints, as well as maintain a toll-free consumer hotline.
- $8.2 million for financial coaching services to transition veterans and economically vulnerable consumers, helping them proactively take control of their finances at crucial moments in their lives.
- $7.9 million for operation and development of the cybersecurity program that provides the Bureau a way of securing communications, data, and IT resources.

- $7.8 million for IT portfolio and project management support services, which assist and support the Bureau in its on-going efforts to develop, sustain and mature its IT program management and business process capabilities.
- $6.2 million for expert witnesses to support enforcement matters, investigations, or litigations, which are mission critical functions of the Bureau.

Net costs of the Bureau's operations

The Statement of Net Cost presents the Bureau net cost for its newly revised three strategic goals: (1) Ensure that all consumers have access to markets for consumer financial products and services; (2) Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive; and, (3) Foster operational excellence through efficient and effective processes, governance, and security of resources and information. Net program costs for fiscal year 2018 total $523.0 million and are displayed in the chart below.

FIGURE 5: FISCAL YEAR 2018 NET PROGRAM COSTS ($ IN MILLIONS)



1.7 Possible future risks and uncertainties

Possible future impact on financial services environment

It is anticipated that markets in both U.S. and foreign financial services sectors will evolve to address different and ever-changing risk factors based on their programs, unique business mixes, and organizational structures. These future external challenges must be monitored, as they will impact the work of the Bureau in protecting financial consumers and addressing a continually changing financial environment.

2. Financial statements and note disclosures

Message from Elizabeth Reilly

Chief Financial Officer of the Bureau

I am pleased to join Acting Director Mick Mulvaney in presenting the Bureau's Financial Report for fiscal year 2018. The Financial Report is the Bureau's principal statement of accountability to the American people, the United States Congress, and the President of the United States. Our commitment to transparency and accountability is evident in the Bureau earning its eighth consecutive unmodified (clean) audit opinion on our comparative financial statements for fiscal years 2018 and 2017.

Financial Results for 2018

The Bureau continues to be a responsible steward of agency funds and remains dedicated to sound financial management practices. In 2018, the Bureau Fund obligations totaled approximately $553 million, which represents a decrease of $43 million (-7 percent) from 2017. Outlays totaled approximately $556 million. The BCFP's full-time equivalent staffing decreased in 2018 from 1668 to 1510, a 9 percent reduction due to a hiring freeze implemented by Acting Director Mulvaney on November 28, 2017. The unobligated balance held in the Bureau Fund was $56 million as of September 30, 2018, compared to the year-end 2017 balance of $177 million. The reduction resulted primarily from requesting no funding from the Federal Reserve Board of Governors (BOG) for second quarter expenses. During 2018, the Bureau requested a total of $381 million from the BOG to fund Bureau operations. The unobligated balance held in the Consumer Financial Civil Penalty Fund was $638 million as of September 30, 2018. This amount primarily represents the funding available for harmed consumers who are eligible for full or partial relief from illegal actions taken by financial institutions.

The Bureau continues to make progress in providing compensation to consumers who have been harmed by violations of federal consumer financial protection law. During fiscal year 2018, our enforcement actions resulted or will result in financial institutions, businesses, and individuals providing more than $363 million in restitution. The Bureau distributed $9 million in redress collected from these entities to more than 12,000 consumers and $111 million from our Civil

Penalty Fund to another 29,000 consumers. We collected over $522 million in civil penalties from financial institutions, businesses, and individuals for various violations of consumer financial protection laws ordered in fiscal year 2018. Additionally, the Bureau collected $3 million in disgorgement paid to the U.S. Department of the Treasury from all fiscal years.

Provided herein are the Bureau’s financial statements as an integral part of the fiscal year 2018 Financial Report. Our statements provide the combined financial activity of the Bureau Fund and the Civil Penalty Fund for reporting purposes. For fiscal year 2018, the Government Accountability Office rendered an unmodified audit opinion on the Bureau’s financial statements and noted no material weaknesses, no significant deficiencies, and no instances of non-compliance with laws and regulations.

Sincerely,

Elizabeth Reilly

2.1 U.S. Government Accountability Office auditor's report

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Acting Director of the Bureau of Consumer Financial Protection

In our audits of the fiscal years 2018 and 2017 financial statements of the Bureau of Consumer Financial Protection, known as the BCFP,[1] we found

- BCFP's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- BCFP maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes required supplementary information (RSI)[2] and other information included with the financial statements;[3] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

Report on the Financial Statements and on Internal Control over Financial Reporting

In accordance with title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act[4] and the Full-Year Continuing Appropriations Act, 2011,[5] we have audited BCFP's financial statements. BCFP's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. We also have audited BCFP's internal control over financial reporting as of September 30, 2018, based on criteria established under 31 U.S.C. § 3512(c), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), and applicable sections of Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

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[1]In fiscal year 2018, the Consumer Financial Protection Bureau (CFPB) was renamed the Bureau of Consumer Financial Protection (BCFP).

[2]The RSI consists of Management's Discussion and Analysis, which is included with the financial statements.

[3]Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

[4]Pub. L. No. 111-203, title X, § 1017(a)(5), 124 Stat. 1376, 1976-77 (2010), *classified at* 12 U.S.C. § 5497(a)(5).

[5]Pub. L. No. 112-10, div. B, title V, § 1573(a), 125 Stat 38, 138 (2011), *classified at* 12 U.S.C. § 5496a.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

BCFP management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and applicable sections of OMB Circular A-123; and (6) its assessment about the effectiveness of internal control over financial reporting as of September 30, 2018, included in the accompanying Management's Report on Internal Control over Financial Reporting in appendix A.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on BCFP's internal control over financial reporting based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists.[6] The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also includes obtaining an understanding of internal control over financial reporting, and evaluating and testing the design and operating

[6]A material weakness is a deficiency, or a combination of deficiencies, in internal control, 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. 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.

effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered BCFP's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion on Financial Statements

In our opinion, BCFP's financial statements present fairly, in all material respects, BCFP's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

In our opinion, BCFP maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on criteria established under FMFIA and applicable sections of OMB Circular A-123.

During our fiscal year 2018 audit, we identified deficiencies in BCFP's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.[7] Nonetheless, these deficiencies warrant BCFP management's attention. We have communicated these matters to BCFP management and, where appropriate, will report on them separately.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

BCFP's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on BCFP's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of BCFP's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

BCFP management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to BCFP.

[7] A 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.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to BCFP that have a direct effect on the determination of material amounts and disclosures in BCFP's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BCFP.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to BCFP. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, BCFP stated that it was pleased to receive an unmodified audit opinion on its fiscal years 2018 and 2017 financial statements. In addition, BCFP stated that it will continue to work to enhance its system of internal control and ensure the reliability of BCFP's financial reporting.

The complete text of BCFP's response is reproduced in appendix B.

Cheryl E. Clark

Cheryl E. Clark
Director
Financial Management and Assurance

November 9, 2018

APPENDIX A:

Management’s report on internal control over financial reporting

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

November 9, 2018

Mr. Gene Dodaro
Comptroller General of the United States
441 G Street, NW Washington, DC 20548

Dear Mr. Dodaro,

As required by Section 1017 of the Dodd-Frank Act, 12 U.S.C. Section 5497(a)(4)(D), the Bureau of Consumer Financial Protection (BCFP) provides this management assertion regarding the effectiveness of internal control that apply to financial reporting by the BCFP based on criteria established in Section 3512(c) of Title 31, United States Code (commonly known as the Federal Managers' Financial Integrity Act) and applicable sections of Office of Management and Budget Circular A-123.

The BCFP's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements, noncompliance with which could have a material effect on the financial statements.

BCFP management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. BCFP management evaluated the effectiveness of BCFP's internal control over financial reporting as of September 30, 2018, based on the criteria established under 31 U.S.C. 3512(c) (commonly known as the Federal Managers' Financial Integrity Act) and applicable sections of OMB Circular A-123.

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Based on that evaluation, we conclude that, as of September 30, 2018 BCFP's internal control over financial reporting was effective.

Mick Mulvaney
Acting Director
Bureau of Consumer Financial Protection

Elizabeth Reilly
Chief Financial Officer
Bureau of Consumer Financial Protection

APPENDIX B

Management's response to the auditor's report

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

November 9, 2018

Cheryl Clark
U.S. Government Accountability Office
441 G Street, N.W., Room 5T45
Washington, DC 20548

Dear Ms. Clark:

I appreciate the opportunity to respond to the Government Accountability Office's (GAO) draft audit report titled, Financial Audit: Bureau of Consumer Financial Protection's Fiscal Years 2018 and 2017 Financial Statements, and want to thank you and your staff for your dedicated efforts and collaboration to meet the audit requirements.

We are pleased that GAO's auditors rendered an unmodified or "clean" audit opinion, meaning GAO found that the Bureau of Consumer Financial Protection (BCFP or Bureau) financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles, and that there were no instances of reportable noncompliance with laws and regulations tested by GAO. Maintaining an unmodified or "clean" audit opinion on the BCFP's comparative financial statements for fiscal years 2018 and 2017 is a significant accomplishment.

The BCFP will continue to work to enhance our system of internal control and ensure the reliability of BCFP's financial reporting. The BCFP looks forward to working with GAO in future audits and truly appreciates GAO's work over the past fiscal year.

If you have any questions relating to this response, please contact Elizabeth Reilly, Chief Financial Officer.

Mick Mulvaney
Acting Director
Bureau of Consumer Financial Protection

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2.2 Financial statements and notes

BUREAU OF CONSUMER FINANCIAL PROTECTION
BALANCE SHEET
As of September 30, 2018 and 2017
(In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 28,389,999	$ 29,164,054
Investments (Note 3)	232,697,027	402,842,702
Advances and Prepayments (Note 7)	2,853,042	2,211,434
Total Intragovernmental	263,940,068	434,218,190
Cash, and Other Monetary Assets		
Cash in the Bureau Fund (Note 4)	337,241	324,111
Cash in the Civil Penalty Fund (Note 4)	640,429,162	220,230,791
Total Cash, and Other Monetary Assets	640,766,403	220,554,902
Accounts Receivable (Note 5)	10,095,170	1,314,036
Property, Equipment, and Software, Net (Note 6)	198,062,801	178,593,031
Advances and Prepayments (Note 7)	5,789,281	9,550,070
Total Assets	$1,118,653,723	$ 844,230,229
Liabilities:		
Intragovernmental		
Accounts Payable	$ 14,193,280	$ 23,226,569
Benefits Payable	46,494,187	36,609,188
Liability for Advances (Note 8)	9,050,218	6,250,000
Other (Note 9)	751,770	527,021
Total Intragovernmental	70,489,455	66,612,778
Accounts Payable	18,421,131	21,673,427
Employer Benefits Contributions	18,510,700	26,949,193
Accrued Funded Payroll	8,177,787	8,452,329
Civil Penalty Fund Liability (Note 10)	85,727,771	190,162,147
Unfunded Leave	24,367,268	25,197,278
Other (Note 9)	39,567	37,255
Total Liabilities (Note 11)	$ 225,733,679	$ 339,084,407
Commitments and Contingencies (Note 12)		
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 19)	$ 892,920,044	$ 505,145,822
Total Liabilities and Net Position	$1,118,653,723	$ 844,230,229

The accompanying notes are an integral part of these financial statements.

BUREAU OF CONSUMER FINANCIAL PROTECTION
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
Gross Program Costs (Note 13):		
Ensure that all consumers have access to markets for consumer financial products and services		
Gross Costs	$ 169,600,358	$ 189,763,115
Less: Earned Revenue	(613,085)	(107,555)
Net Ensure that all consumers have access to markets for consumer financial products and services	$ 168,987,273	$ 189,655,560
Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive		
Gross Costs	$ 226,281,602	$ 227,551,990
Less: Earned Revenue	(734,863)	(9,448)
Net Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive	$ 225,546,739	$ 227,542,542
Foster operational excellence through efficient and effective processes, governance and security of resources and information:		
Gross Costs	$ 129,513,403	$ 349,603,882
Less: Earned Revenue	(1,011,983)	(25,236)
Net Foster operational excellence through efficient and effective processes, governance and security of resources and information	$ 128,501,420	$ 349,578,646
Total Gross Program Costs	$ 525,395,363	$ 766,918,987
Less: Total Earned Revenues	(2,359,931)	(142,239)
Net Cost of Operations (Note 13)	$ 523,035,432	$ 766,776,748

The accompanying notes are an integral part of these financial statements.

BUREAU OF CONSUMER FINANCIAL PROTECTION
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
Cumulative Results of Operations:		
Beginning Balances	$ 505,145,822	$ 623,760,941
Budgetary Financing Sources:		
Nonexchange Revenue		
Transfers from the Board of Governors of the Federal Reserve System	381,300,000	602,000,000
Civil Penalties	522,011,389	41,668,801
Interstate Land Sales Fees	110,100	97,800
Interest from Investments	6,077,423	3,456,293
Total Nonexchange Revenue	909,498,912	647,222,894
Other	(9,968)	17,568
Other Financing Sources:		
Imputed Financing Sources	1,352,146	946,403
Non-Entity Collections Transferred to the General Fund	(31,436)	(25,236)
Total Financing Sources	910,809,654	648,161,629
Net Cost of Operations	(523,035,432)	(766,776,748)
Net Change	387,774,222	(118,615,119)
Cumulative Results of Operations - Funds from Dedicated Collections (consolidated totals) (Note 19)	$ 892,920,044	$ 505,145,822
Net Position	$ 892,920,044	$ 505,145,822

The accompanying notes are an integral part of these financial statements.

BUREAU CONSUMER FINANCIAL PROTECTION
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net	438,875,688	597,031,270
Funds Available for Obligation	910,159,378	647,454,401
Spending Authority from Offsetting Collections	6,686,626	4,449,503
Total Budgetary Resources	$1,355,721,692	$1,248,935,174
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total) (Note 14)	$ 661,383,970	$ 856,006,456
Unobligated Balance, End of Year:		
Exempt from Apportionment , Unexpired Accounts	694,337,722	392,928,718
Total Budgetary Resources	$1,355,721,692	$1,248,935,174
Outlays, net		
Outlays, net (total)	660,947,171	895,949,106
Agency Outlays, Net	$ 660,947,171	$ 895,949,106

The accompanying notes are an integral part of these financial statements.

BUREAU OF CONSUMER FINANCIAL PROTECTION
STATEMENT OF CUSTODIAL ACTIVITY
For the Fiscal Years Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
Revenue Activity:		
Sources of Cash Collections:		
Disgorgement	$ 2,998,750	$ 32,091,287
Miscellaneous	1,938	1,329
Total Cash Collections	3,000,688	32,092,616
Accrual Adjustments	(266,698)	(110)
Total Custodial Revenue	2,733,990	32,092,506
Disposition of Collections:		
Amounts Transferred to the Department of the Treasury	3,000,688	32,092,616
Increase/(Decrease) in Amounts Yet to be Transferred	(266,698)	(110)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of significant accounting policies

A. Reporting entity

The Bureau of Consumer Financial Protection (Bureau or 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). The BCFP was established 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. Section 1017 of the Dodd-Frank Act provides that the BCFP financial statements are not to be consolidated with the financial statements of either the Board of Governors (BOG) of the Federal Reserve or the Federal Reserve System.

The Dodd-Frank Act authorizes the BCFP to exercise its authorities to ensure that, with respect to consumer financial products and services:

a. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions;

b. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination;

c. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens;

d. Federal consumer financial law is enforced consistently in order to promote fair competition; and

e. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

Under the Dodd-Frank Act, on the designated transfer date, July 21, 2011, certain authorities and functions of several agencies relating to Federal consumer financial law were transferred to the BCFP in order to accomplish the above objectives. These authorities were transferred from the BOG, Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Department of Housing and Urban Development (HUD). In addition, the Dodd-Frank Act vested the Bureau with authority to enforce in certain circumstances the Federal Trade Commission's (FTC) Telemarketing Sales Rule and its rules under the FTC Act, although the FTC retains full authority over these rules. The Dodd-Frank Act also provided the BCFP with certain other federal consumer financial regulatory authorities in addition to these transferred authorities.

To accomplish its mission, the BCFP is organized into six primary divisions/offices:

1. **Consumer Education and Engagement:** provides, through a variety of initiatives and methods, including offices on specific populations, information to consumers to allow them to make financial decisions that are best for them. Additionally, they hear directly from consumers about challenges they face in the marketplace through their complaints, questions, and feedback.
2. **Supervision, Enforcement and Fair Lending:** ensures compliance with Federal consumer financial laws by supervising market participants and bringing enforcement actions when appropriate.
3. **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.
4. **Legal Division:** ensures the Bureau's compliance with all applicable laws and provides advice to the Director and the Bureau's divisions.
5. **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.
6. **Operations:** builds and sustains the BCFP's operational infrastructure to support the entire organization.

The BCFP workforce is spread across the country with its headquarters in Washington, D.C. and regional offices in Chicago, New York City, and San Francisco. The headquarters is in several locations within Washington, D.C., utilizing space pursuant to interagency agreements with the Department of the Treasury (Treasury), the Office of the Comptroller of the Currency; the General Services Administration (GSA); and the Federal Housing Finance Agency (FHFA). In addition to its locations within Washington D.C., the BCFP also utilizes space pursuant to occupancy agreements with GSA for the regional offices in New York, Chicago and San Francisco.

Additional information on the organizational structure and responsibilities of BCFP is available on BCFP's website at http://www.consumerfinance.gov/.

B. Basis of presentation

The BCFP's principal statements were prepared from its official financial records and general ledger in conformity with U.S. generally accepted accounting principles (GAAP) and, while not required to comply with all OMB guidance such as OMB Circular A-136, BCFP generally tracks the general presentation guidance established by OMB Circular A-136, *Financial Reporting Requirements*, as revised. The financial statements are a requirement of the Dodd-Frank Act. The financial statements are in addition to the financial reports prepared by the BCFP, which are used to monitor and control budgetary resources. The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, the status and availability of budgetary resources, and the custodial activities of the BCFP. Financial statements are presented on a comparative basis. During fiscal year 2018, the BCFP prepared and issued a five-year strategic plan for fiscal years 2018 through 2022 that contains three strategic goals and associated performance metrics. The five-year strategic plan was designed to meet the objectives of the Government Performance and Results Act and help the BCFP measure its performance in fulfilling its responsibilities under the Dodd-Frank Act.

The newly adopted BCFP strategic goals result in the preparation of a Statement of Net Cost with three responsibility segments to report fiscal years 2018 and 2017 activity. The change from four responsibility segments to three has no impact to the overall total net cost of operations; consequently, fiscal year 2017 was reclassified into the new three responsibility segments. It is the same total net cost of operations allocated by direct and indirect costs to the three responsibility segments based on the strategic goals instead of the four responsibility segments based on the BCFP's previous strategic plan.

C. Basis of accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements and controls over the use of funds. The Statement of Custodial Activity is presented on the modified cash basis of accounting. Cash collections and amounts transferred to Treasury are reported on a cash basis. The change in receivables is reported on an accrual basis. The BCFP conforms to GAAP for federal entities as prescribed by the standards set forth by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the body designated to establish GAAP for federal government entities.

Certain assets, liabilities and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental assets and liabilities are those due from or to other federal entities. Intragovernmental costs are payments or accruals due to other federal entities. Accounting transactions with the Federal Financial Institutions Examination Council (FFIEC) are classified as intragovernmental whereas accounting transactions with the Federal Reserve, which includes both the BOG and the Federal Banks, are classified as non-federal.

The BCFP has rights and ownership of all assets, except for custodial or non-entity assets, reported in these financial statements. Custodial/Non-entity assets can result from BCFP enforcement actions that require the defendant to pay disgorgement as well as from the collection of Freedom of Information Act (FOIA) fees. Disgorgement is an equitable remedy that a court or the BCFP can impose in a judicial or administrative action to deprive defendants of their ill-gotten gains and to deter violations of Federal consumer financial laws. In addition, as further discussed in Note 1.S. and Note 20, the BCFP also administers certain funds in a fiduciary capacity.

D. Funding sources

The BCFP's funding is obtained primarily through transfers from the BOG, interest earned on investments, and penalties and fees collected. The Dodd-Frank Act requires the BCFP to maintain an account with the Federal Reserve – the "Bureau of Consumer Financial Protection Fund" (Bureau Fund). The Director of the BCFP, or his designee, requests transfers from the BOG in amounts necessary to carry out the authorities and operations of the Bureau. The BOG transfers the funds into the Bureau Fund, which is maintained at the Federal Reserve Bank of New York (FRBNY). Bureau funds determined not needed to meet the current needs of the Bureau are invested in Treasury securities on the open market. Earnings from the investments are also deposited into this fund. The BCFP requests funds on a quarterly basis. The funds maintained at the FRBNY are reported in the financial statements and related notes and represent budget authority for BCFP.

The BCFP funding requests for the Bureau Fund are capped as follows:

The amount that shall be transferred to the Bureau in each fiscal year shall not exceed a fixed percentage of the total operating expenses ($4.98 billion) of the Federal Reserve System, subject to an annual inflation adjustment, as reported in the Annual Report, 2009, of the BOG, equal to:

- In fiscal year 2011, up to 10 percent of these Federal Reserve System expenses (or approximately $498 million),
- In fiscal year 2012, up to 11 percent of these expenses (or approximately $547.8 million),
- In fiscal year 2013, up to 12 percent of these expenses (or approximately $597.6 million), and

- In fiscal year 2014 and beyond, the cap remains at 12 percent but will be adjusted annually based on the percentage increase in the employment cost index for total compensation for State and local government workers published by the federal government.

The Dodd-Frank Act explicitly provides that Bureau funds obtained by or transferred to the Bureau Fund are not government funds or appropriated funds.

The BCFP also collects filing fees from developers under the Interstate Land Sales Full Disclosure Act (ILSA). ILSA protects consumers from fraud and abuse in the sale or lease of land. On July 21, 2011, the responsibility for administering ILSA was transferred to the BCFP from HUD pursuant to the Dodd-Frank Act. The Dodd-Frank Act requires land developers to register subdivisions of 100 or more non-exempt lots and to provide each purchaser with a disclosure document called a Property Report. Developers must pay a fee when they register such subdivisions. While the BCFP continues to administer the legislation with respect to the transfer of these functions under the ILSA, and collect the fees, the fees are currently being deposited into a separate subaccount. The fees collected may be retained and are available until expended for the purpose of covering all or part of the costs that the Bureau incurs for ILSA program operations.

The BCFP also began collecting advances from the members[21] of the FFIEC and the U.S Department of the Housing and Urban Development (HUD) for the development of the system to collect data per authority under the Home Mortgage Development Act. Through a Memoranda of Understanding (MOU) an agreement was reached on the funding needed to develop a new Home Mortgage Disclosure Act (HMDA) system. The amounts collected represent a liability for advances and prepayments until the system is developed. A further discussion can be found in Note 1. Q and Note 8.

Pursuant to the Dodd-Frank Act, the BCFP is also authorized to obtain civil penalties for violations of Federal consumer financial laws. The Act requires the BCFP to maintain a separate fund, known as the Consumer Financial Civil Penalty Fund (Civil Penalty Fund). Civil penalties are deposited into the Civil Penalty Fund established and maintained at the FRBNY. The Act authorizes the BCFP to use the Civil Penalty Fund for payment to the victims of activities for which civil penalties have been imposed and, in certain circumstances, for consumer education and financial literacy programs. Amounts in the Civil Penalty Fund are available “without fiscal

[21] The FFIEC agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection.

year limitation." The Civil Penalty Fund had its initial collections and deposits in fiscal year 2012.

The BCFP also recognizes imputed financing sources. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The BCFP recognizes imputed costs and financing sources as prescribed by accounting standards. The BCFP recognizes as an imputed financing source the amount of pension and post-retirement benefit expenses for current employees that OCC and the Office of Personnel Management (OPM) has or will pay on the BCFP's behalf. Further, BCFP recognizes earned revenue for reimbursable activity of BCFP staff detailed to either public or non-public entities.

E. Use of estimates

The Bureau has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, accruals, and the disclosure of contingent liabilities to prepare these financial statements. The estimates are based on current conditions that may change in the future. Actual results could differ from these estimates. Some of the significant transactions subject to estimates include accruals, costs regarding benefit plans for the BCFP employees that are administered by OPM, OCC and the Federal Reserve System, costs regarding payments to victims from the Civil Penalty Fund, and cost allocations among the programs on the Statement of Net Cost.

F. Funds from dedicated collections

FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, as amended by SFFAS 43, contains three requirements for funds to be considered funds from dedicated collection: (1) A statute committing the federal government to use specifically identified revenues and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits or purposes; (2) Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) A requirement to account for and report on the receipt, use and retention of the revenues and/or other financing sources that distinguishes the fund from the federal government's general revenues.

Based on the standard's criteria, BCFP has determined that the Bureau Fund is a fund from dedicated collections due to its meeting the three required criteria – source of funds are from a non-federal source, explicit authority to retain funds for future use, to finance designated activities, benefits, or purposes, and a requirement to account for and report on the funds receipt, use and retention separate from the federal government's general revenues. Further, the BCFP has determined based on the criteria of SFFAS 27 & 43 that the Civil Penalty Fund is also a fund from dedicated collections and has established a separate special fund to account for its activity. These funds, which also qualify as special funds, are discussed further in Note 1.H. below. See additional disclosure in Note 19 "Funds from Dedicated Collections."

G. Entity and non-entity assets

Entity assets are assets that the BCFP may use in its operations. This includes amounts where the BCFP management has the authority to decide how funds will be used. Non-Entity Assets are those assets that an agency holds on behalf of another Federal agency or on behalf of a third party and are not available for the agency's use. The BCFP's non-entity assets include cash from disgorgement payments made by defendants and other miscellaneous fees collected and recorded in the Statement of Custodial Activity. FOIA non-entity fees collected are reported on the Statement of Changes in Net Position and the Statement of Net Cost.

H. Fund balance with Treasury

The U.S. Treasury holds funds in the Treasury General Account for BCFP which 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 BCFP's behalf. As discussed in Note 1.D. above, BCFP also maintains an account with the FRBNY known as the Bureau Fund. During the year, increases to the Bureau Fund are generally comprised of fund transfers from the BOG and investment interest. These funds are available for transfer to BCFP's Fund Balance with Treasury. Also, as discussed above in Note 1.D., BCFP maintains an additional account at the FRBNY for the Civil Penalty Fund. These funds are also available for transfer to BCFP's Fund Balance with Treasury under a separate fund symbol from the Bureau Fund. BCFP's Fund Balances with Treasury for all funds described above are maintained as special funds. A special fund is established where the law requires collections to be used for a specific purpose, and the law neither authorizes the fund to conduct a cycle of business-type operations (making it a revolving fund) nor designates it as a trust fund.

BCFP also receives non-entity assets, custodial revenues and fiduciary activity that are maintained in the Miscellaneous Receipts Fund of the U.S. Treasury, and a deposit fund respectively. The Miscellaneous Receipts fund holds non-entity receipts that the BCFP cannot deposit into funds under its control. This fund includes disgorgement deposits and any other miscellaneous funds collected (e.g., FOIA fees) that will be sent to the U.S. Treasury General Fund upon collection. Enforcement activity can result in BCFP receiving redress funds that are maintained in a deposit fund. Redress funds are held in a fiduciary capacity until BCFP can make payment directly to the harmed individuals or entities.

I. Investments

BCFP has the authority to invest the funds in the Bureau Fund account that are not required to meet the current needs of the Bureau. BCFP invests solely in U.S. Treasury securities purchased at a discount on the open market, which are normally held to maturity and carried at cost. BCFP selects investments with maturities suitable to its needs, currently three-month Treasury bills. Investments are adjusted for discounts. In accordance with GAAP, BCFP records the value of its investments in U.S. Treasury securities at cost and amortizes the discount on a straight-line basis over the term of the respective issues. Results under the straight line method approximate results under the interest method. Interest is credited to the Bureau Fund.

J. Accounts receivable

Accounts receivable consists of amounts owed to BCFP. An allowance for uncollectible accounts receivable from the public is established when either (1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts, or (2) an account for which no allowance has been established is submitted to Treasury for collection, which generally takes place when it becomes 120 days delinquent.

K. Property, Equipment, and Software, Net

Property, Equipment, and Software is recorded at historical cost. It consists of tangible assets and software. Under BCFP's property management policy, equipment acquisitions of $50,000 or more are capitalized and depreciated using the straight-line method (using a half year convention for the year assets are placed into service) over the estimated useful life of the asset. Similarly, internal use software, software purchased or developed to facilitate the operation of an entity’s programs, is capitalized for software of $750,000 or more and depreciated using the straight-line method (using a half year convention) over the estimated useful life of the asset. Additionally, for bulk purchases of similar items, which individually do not meet the capitalization threshold, the acquisition is capitalized and depreciated if the depreciated basis of the bulk purchase is $500,000 or more. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property and equipment.

The useful life classifications for capitalized assets are as follows:

TABLE 18: TABLE OF PP&E CATEGORY USEFUL LIVES

PP&E Category	Useful Lives (years)
Laptop/Desktop Computers	3

PP&E Category	Useful Lives (years)
Internal Use Software	5
Mainframe Computer System	7
Servers	7
Telecommunications Equipment	7
Furniture	8
Other Equipment	10

A leasehold (capital) improvement's useful life is equal to the remaining occupancy agreement term or the estimated useful life of the improvement, whichever is shorter. BCFP has no real property holdings or stewardship or heritage assets. Once the on-going building improvements are completed at 1700 G Street, N.W., Washington, D.C. those costs will be captured as leasehold improvements and amortized over a period of time consistent with the policy above. Leasehold improvement were completed at 1990 K Street N.W., Washington D.C. in fiscal year 2018 and those costs were capitalized and amortized as disclosed in Note 6. Other property items, normal repairs, and maintenance are charged to expense as incurred.

L. Advances and Prepaid Charges

Advances and prepayments may occur as a result of reimbursable agreements, subscriptions, payments to contractors and employees, and payments to entities administering benefit programs for BCFP employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

M. Liabilities

Liabilities represent the amount of monies likely to be paid by BCFP as a result of transactions or events that have already occurred. Liabilities may be intragovernmental (claims against the BCFP by other Federal agencies) or with the public (claims against BCFP by an entity or person that is not a Federal agency). However, no liability can be paid if there is no funding. Liabilities for which funds are not available are classified as not covered by budgetary resources. There is no certainty that the funding will be received. Additionally, the government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components not requiring or generating resources on the Reconciliation of Net Cost of Operations to Budget in Note 16.

CIVIL PENALTY FUND

The BCFP has determined that for the funds collected and deposited into the Civil Penalty Fund (CPF), victims do not have ownership rights to those funds that the Federal government must uphold. Of the funds deposited into the CPF, the Civil Penalty Fund Administrator allocates funds to classes of victims of violations for which civil penalties have been imposed under the Federal consumer financial laws and, to the extent that such victims cannot be located or such payments are otherwise not practicable, to consumer education and financial literacy programs. The amount allocated by the Fund Administrator may differ from the amount of uncompensated harm initially estimated based on the court order, settlement agreement, or documentation provided by the Office of Enforcement due to additional research and documentation obtained after the initial estimate was calculated. The measurement of the liability for consumer education and financial literacy programs is based on the services provided under the applicable contracts and any year end accruals. The measurement of the liability for potential payments to harmed consumers is based on the results of the defined allocation process and any year end accruals.

N. Annual, Sick, and Other Leave

Annual leave, compensatory time, and credit hours earned by the Bureau's employees, but not yet used, are reported as accrued liabilities. The accrued balance is adjusted annually to current pay rates. The accrued leave, for which funding is not available, is recorded as an unfunded liability. Sick and other leave are expensed as taken.

O. Employee Benefits

BCFP employees may enroll in some benefit programs administered by OPM and also have the option to enroll in non-Title 5 benefit programs sponsored by BCFP in addition to, or in lieu of, OPM programs. For those employees participating in OPM's benefit programs, BCFP records the employer's contribution to those programs. For those employees participating in BCFP's non-Title 5 benefit programs, BCFP directly contracts with vendors to provide those services. The Bureau recognizes the employer's contributions for these benefits as the benefits are earned. All of these costs are reflected as expenses in BCFP's financial statements.

P. Pension costs and other retirement benefits

BCFP employees are enrolled in several retirement and pension programs and post-employment benefits in accordance with the Dodd-Frank Act.

EMPLOYEES TRANSFERRED FROM THE FEDERAL RESERVE, OCC, OTS, FDIC, AND HUD

The Dodd-Frank Act allowed employees transferred from OCC, OTS, FDIC, and HUD to continue participating in the pension or retirement plans in which they were enrolled at their transferring agency or to affirmatively elect, between January 21, 2012 and January 20, 2013, to join the Federal Reserve System Retirement Plan and the Federal Reserve System Thrift Plan. Many transferee employees from these agencies are in the traditional Title 5 retirement plans (Federal Employees Retirement System (FERS), Civil Service Retirement System (CSRS), or CSRS Offset); however, a few transferees from OTS are in a non-Title 5 plan (i.e., Pentegra Defined Benefit Plan). Transferees from the Federal Reserve were allowed to remain in the Federal Reserve System retirement program or to affirmatively elect into the appropriate Title 5 retirement plan during that same timeframe. For those employees who elected to enroll in an alternative retirement plan, the enrollment became effective in January 2013.

BCFP does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the Federal Reserve System, OCC, or OPM as the administrator of their respective plans. In all cases, BCFP pays any employer contributions required by the plans. Refer to the chart below for information on which agency administers each of the retirement plans for BCFP employees.

OCC, OTS, and FDIC also offered other agency-only savings plans to employees. Any transferees who participated in such plans are allowed to continue their participation as long as they remain enrolled in their current retirement plans. In such cases, BCFP pays any employer contributions. Employees who elect to enroll in the Federal Reserve System retirement plan will not be allowed to continue their participation in either the Title 5 Thrift Savings Plan or the OCC, OTS, and FDIC agency savings plans.

BCFP has also reimbursed the transferring agencies for administrative costs pursuant to memoranda of understanding with the transferring agencies. These costs are reflected as expenses in BCFP's financial statements.

ALL OTHER EMPLOYEES OF BCFP

Employees hired with prior Title 5 Federal Retirement System coverage who are not transferees under the Dodd Frank Act may remain enrolled in the appropriate retirement programs administered by OPM – CSRS, CSRS Offset, or FERS. These employees alternatively have the option to enroll in the Federal Reserve System retirement plans (FRSRP). BCFP began providing these new employees the opportunity to enroll in the Federal Reserve retirement system plans beginning in November 2011. For those employees electing to enroll in the Federal Reserve System's retirement plans, the enrollment becomes effective at the beginning of the pay period following receipt of their written election decision. New employees with no previous coverage under a Title 5 retirement plan are automatically enrolled in the Federal Reserve System's retirement plans. BCFP pays the employer's contribution into those plans.

TABLE 19: PENSION/RETIREMENT PLANS FOR BCFP EMPLOYEES

Name	Administering Agency
Federal Reserve System Retirement Plan (FRSRP)	Federal Reserve System
Federal Reserve System Thrift Plan	Federal Reserve System
Pension Enhancement Plan for Officers of the Board of Governors of the Federal Reserve System	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan[1]	Federal Reserve System
Retirement Plan for Employees of the Federal Reserve System Benefits Equalization Plan for Section 415 Excess Benefits	Federal Reserve System
Thrift Plan for Employees of the Federal Reserve System Benefits Equalization Plan[1]	Federal Reserve System
Civil Service Retirement System (CSRS)	OPM
CSRS Offset	OPM
Federal Employees Retirement System (FERS)	OPM
Thrift Savings Plan	Federal Retirement Thrift Investment Board
FDIC Savings Plan	FDIC
OCC 401(k)	OCC
OTS 401(k)	OCC
OTS Deferred Compensation Plan	OCC
Pentegra Defined Benefit Plan (OTS)	OCC (administration is through Pentegra)

[1] This retirement program does not have any BCFP participants for fiscal years 2018 or 2017.

The Bureau does not have a separate pension or retirement plan distinct from the plans described above. BCFP expenses its contributions to the retirement plans of covered employees as the expenses are incurred. BCFP reported imputed costs (not paid by BCFP) with respect to retirement plans (OPM-administered), health benefits and life insurance (for employees retiring under Title 5 retirement plans; OPM-administered) pursuant to guidance received from OPM.

These costs are paid by OPM. Disclosure is intended to provide information regarding the full cost of BCFP's program in conformity with GAAP. BCFP, however, records expenses for the post-retirement health benefits (i.e., health benefits also OPM-administered) for those employees retiring under the Federal Reserve System retirement plans. These costs are not imputed costs with OPM. The associated liabilities for these post-retirement health benefits are incorporated as part of the line item on the Balance Sheet for Benefits Payable.

The Bureau recognizes the employer's contributions for the retirement plans administered by the Federal Reserve. The Bureau is responsible for transferring to the Federal Reserve both the employer's contributions and the employee's contributions that the Bureau has collected from employees. Under section 1013(a)(3)(C) of the Dodd-Frank Act, BCFP is required to pay an employer contribution to the FRSRP in an amount established by the employer contribution under the Federal Employees Retirement System – for fiscal year 2018 it was 13.7 percent of salary. For fiscal years 2018 and 2017 those amounts were $27.3 million and $27.4 million, respectively.

Consistent with the disclosures in the financial statements of the Board of Governors of the Federal Reserve System, the FRSRP provides retirement benefits to employees of the Board, the Federal Reserve Banks and certain employees of the BCFP. The FRBNY, on behalf of the Federal Reserve System, recognizes the net assets and costs associated with the System Plan in its financial statements. Consistent with provisions of a single-employer plan, costs associated with the System Plan are aggregated by the FRBNY on behalf of the Federal Reserve Systems and were not redistributed to individual entities (e.g., BCFP). Accordingly, the BCFP cannot report the full cost of the plan benefits applicable to BCFP employees. Please see the Federal Reserve Banks Combined Financial Statements for the net assets and costs associated with the System Plan (https://www.federalreserve.gov/aboutthefed/fed-financial-statements.htm)

Q. Liability for Advances

Through a Memoranda of Understanding (MOU) with the Federal Financial Institutions Examinations Council (FFIEC), the FFIEC members[22] and the U.S. Department of Housing and Urban Development (HUD) reached an agreement on the funding needed to develop a new Home Mortgage Disclosure Act (HMDA) system. The new HMDA system design and development is expected to be a multi-year endeavor spanning over several annual financial report cycles – fiscal years 2016, 2017, 2018 and 2019. During the design and development of

[22] The FFIEC Federal agencies with HMDA responsibilities and party to the MOU for the design and development of the new HMDA system are: Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection.

the system, the BCFP will treat the receipt of payments made by FFIEC members and HUD as advances and record the collections as a liability for advances. With two phases of deployment planned, the first phase of the HMDA system became operational and made available for use to the FFIEC members and HUD in fiscal year 2018. The associated portion of the BCFP's liability for advances will be liquidated to earned exchange revenue over the useful life of the asset. For the second phase the design and development will continue into fiscal year 2019. Once completed the treatment of the associated liability will be in a manner consistent with the process described above for the first phase.

R. Commitments and Contingencies

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. Examples of a commitment include purchase requisitions or unsigned contracts. All open commitments at year end are closed out and new commitments (requisitions) need to be recorded in the next fiscal year. Accordingly, no open commitments exist at year end to report in the either the financial statements or notes.

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. Contingencies are recognized on the Balance Sheet and Statement of Net Cost when the future outflow or sacrifice of resources is probable and can be reasonably estimated. Contingencies are disclosed in the notes to the financial statements when there is a reasonable possibility of a loss from the outcome of future events or when there is a probable loss that cannot be reasonably estimated. See Note 12 for additional information.

S. Fiduciary activities

The Dodd-Frank Act, section 1055 authorizes the court in a judicial action or the BCFP in an administrative proceeding to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Relief that is intended to compensate victims is treated as fiduciary funds and deposited into the "Legal or Equitable Relief Fund" established at the Department of the Treasury. Fiduciary assets are not assets of the BCFP and are not recognized on the Balance Sheet. See Note 20, Fiduciary Activities.

T. Custodial activities

Under section 1055 of the Dodd-Frank Act, the BCFP may obtain disgorgement for violations of Federal consumer law. Disgorgement paid by the defendant is treated by BCFP as a custodial activity. BCFP will report those disgorged deposits and any other miscellaneous funds collected on the Statement of Custodial Activity.

Note 2: Fund balance with Treasury

Fund Balance with Treasury account balances as of September 30, 2018 and September 30, 2017 were as follows:

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 694,337,722	$ 392,928,718
Obligated Balance Not Yet Disbursed	209,378,980	260,035,364
Uncollected Federal Payments	(2,790,414)	(1,250,000)
Investments at Cost	(231,769,886)	(401,995,126)
Cash Held Outside of Treasury (See Note 4)	(640,766,403)	(220,554,902)
Total	$ 28,389,999	$ 29,164,054

Unobligated Balance Available represents the amount of budget authority that can be used to enter into new obligations. This amount, or a portion thereof, may be administratively dedicated for specific purposes that have not yet been obligated. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made.

Note 3: Investments

As discussed further in Note 4, the BCFP invests the portion of the Bureau Fund that is not required to meet the current needs of the Bureau. The BCFP funds available are used to invest in three month U.S. Treasury bills. The market value is determined by the secondary U.S. Treasury market and represents the value an individual investor is willing to pay for these securities, as of September 30, 2018 and September 30, 2017.

Investments as September 30, 2018 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	231,769,886	Straight-Line	927,141	232,697,027	232,617,982
Total	$ 231,769,886		$ 927,141	$ 232,697,027	$ 232,617,982

Investments as of September 30, 2017 consist of the following:

	Cost	Amortization Method	Amortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	401,995,126	Straight-Line	847,576	402,842,702	402,844,894
Total	$ 401,995,126		$ 847,576	$ 402,842,702	$ 402,844,894

Note 4: Cash and other monetary assets

BCFP has both cash and investments held outside of Treasury. When transfers are made from the BOG to BCFP, the funds are deposited into an account held within the FRBNY referred to as the Bureau Fund. The account has a required minimum balance of $250,000 and any funds in excess of this minimum are invested in Treasury securities in increments of $100,000. BCFP requests cash disbursement from the Bureau Fund to the BCFP's Fund Balance with Treasury based on projections of future cash outlays.

Funds obtained by, transferred to, or credited to the Bureau Fund are immediately available to BCFP and under the control of the Director, and shall remain available until expended, to pay for the expenses of the Bureau in carrying out its duties and responsibilities. Any civil penalty obtained from any person in any judicial or administrative action under Federal consumer financial laws is deposited into the Civil Penalty Fund. Amounts in the Civil Penalty Fund are immediately available to BCFP and under the control of the Director, and shall remain available until expended, for payments to victims of activities for which civil penalties have been imposed. To the extent that such victims cannot be located or such payments are otherwise not practicable, the Bureau may use funds in the Civil Penalty Fund for the purpose of consumer education and financial literacy programs.

In enforcement actions and proceedings under Federal consumer financial laws, a court or the BCFP may order any appropriate legal or equitable relief for a violation of Federal consumer financial law. Relief provided may include certain types of monetary relief, including refunds, restitution, disgorgement, and civil penalties. The BCFP deposits civil penalties it obtains in these judicial and administrative actions into the Civil Penalty Fund. Funds obtained by or transferred to the Bureau Fund shall not be construed to be government funds or appropriated monies. Funds in the Bureau Fund and the Civil Penalty Fund are not subject to apportionment for purposes of chapter 15 Title 31, United States Code, or under any other authority.

Account balances as of September 30, 2018 and September 30, 2017:

	2018	2017
Cash		
Cash Held in the Bureau Fund at the Federal Reserve	337,241	324,111
Cash Held in the Civil Penalty Fund at the Federal Reserve	640,429,162	220,230,791
Total Cash and Other Monetary Assets	$ 640,766,403	$ 220,554,902

As of September 30, 2018 and 2017, the BCFP had allocated or set-aside, but not distributed, $118.1 million and $214.7 million, respectively, for victim compensation, consumer education and financial literacy programs, and administrative set-asides. See Note 10 for a discussion regarding victim compensation allocation and Note 12 for a discussion regarding the amount available for future allocations.

Note 5: Accounts receivable

Accounts receivable represents amounts owed to the BCFP. Account balances as of September 30, 2018 and September 30, 2017:

	2018	2017
With the Public		
Accounts Receivable:		
Bureau Fund	$ 9,549,003	$ 284,568
Civil Penalty Fund	250,001	1,000,000
Custodial Funds	296,166	29,468
Total Accounts Receivable	$ 10,095,170	$ 1,314,036

Account receivable amounts disclosed above are for Federal and Non-federal transactions. As of September 30, 2018 and 2017, all accounts receivable were due from the public. There were no uncollectable accounts receivable as of September 30, 2018 and 2017 respectively.

Note 6: Property, equipment and software, net

Schedule of Property, Equipment, and Software as of September 30, 2018 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvement	$ 7,485,788	386,955	7,098,833
Furniture & Equipment	$ 32,337,340	$ 11,637,901	$ 20,699,439
Internal Use Software	19,222,244	6,377,190	12,845,054
Leasehold (Capital) Improvement-in-Development	156,555,450	N/A	156,555,450
Internal Use Software-in-Development	864,025	N/A	864,025
Total	$ 216,464,847	$ 18,402,046	$ 198,062,801

Schedule of Property, Equipment, and Software as of September 30, 2017 consist of the following:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	$ 28,434,923	$ 10,058,069	$ 18,376,854
Internal Use Software	11,900,999	3,437,325	8,463,674
Leasehold (Capital) Improvement-in-Development	146,204,703	N/A	146,204,703
Internal Use Software-in-Development	5,547,800	N/A	5,547,800
Total	$ 192,088,425	$ 13,495,394	$ 178,593,031

Leasehold (Capital) Improvements-in-Development primarily represent costs incurred for the building renovation at 1700 G Street N.W., Washington D.C. which began in fiscal year 2013. BCFP has obligated $145 million with GSA for the renovation project. Upon completion of the building's renovation, BCFP will begin to amortize the cost incurred over the shorter period of time of either the estimated life of the improvements or the years remaining on the occupancy agreement. Leasehold improvements were completed at 1990 K Street N.W., Washington D.C. in fiscal year 2018 and those costs were capitalized and amortized.

Note 7: Advances & prepayments

Advances and Prepayment balances as of September 30, 2018 and September 30, 2017 were as follows:

	2018	2017
Intragovernmental		
Advances and Prepayments	$ 2,853,042	$ 2,211,434
Total Intragovernmental Other Assets	$ 2,853,042	$ 2,211,434
With the Public		
Advances and Prepayments	$ 5,789,281	$ 9,550,070
Total Public Other Assets	$ 5,789,281	$ 9,550,070

In fiscal years 2018 and 2017 the intragovernmental advances and prepayments are primarily composed of the payments to the Federal Housing Finance Agency for the maintenance of the National Mortgage Database and to the U.S. Government Publishing Office for printing services. In fiscal years 2018 and 2017 the public advances and prepayments are primarily a result of payments for software licenses and to the BOG to help fund the Office of Inspector General.

Note 8: Liability for advances

The BCFP is treating the receipt of all payments collected from the FFIEC (via payments made by FFIEC members and HUD) for the development phase of the new HMDA system as a liability for advances. With two phases of deployment planned, the first phase of the HMDA system became operational and made available for use to the FFEIC members and HUD in fiscal year 2018. The associated portion of BCFP's liability for advances will be liquidated to earned exchange revenue over the useful life of the asset.

Liability for Advances as of September 30, 2018 and September 30, 2017 consist of the following:

	2018	2017
Intragovernmental Liabilities		
Liability for Advances	$ 9,050,218	$ 6,250,000
Total Liability for Advances	$ 9,050,218	$ 6,250,000

Note 9: Other liabilities

Other liabilities as of September 30, 2018 and September 30, 2017 consist of the following:

	2018	2017
Intragovernmental Liabilities		
FECA Liability	$ 5,529	$ 18,422
Payroll Taxes Payable	450,075	479,131
Custodial Liability	296,166	29,468
Total Intragovernmental Liabilities	$ 751,770	$ 527,021
With the Public		
Employee Withholdings	$ 30,123	$ 29,953
Other	9,444	7,302
Total Public Liabilities	$ 39,567	$ 37,255

Other liabilities comprise several items the largest being payroll taxes payable. All other liabilities are considered current liabilities.

Note 10: Civil penalty fund liability

The Civil Penalty Fund (CPF) Liability account is the cumulative balance of activity comprised of the beginning balance, plus new allocations to victims, less distributions made to victims and other adjustments. Consistent with the CPF rule, the CPF Administrator made two allocations of money to victims during FY 2018. The ending balance of the CPF Liability as of September 30, 2018 and September 30, 2017 is calculated as the following:

	2018	2017
Civil Penalty Fund Allocation:		
Beginning Balance	$ 190,162,147	$ 247,458,846
Plus: New Allocations to Victims	69,582,179	161,415,457
Year End Accrual for Potential Allocations	1,022,298	48,981,739
Less: Reversal of Prior Year End Accrual for Potential Allocations	(48,981,739)	
Less: Distributions and Other Adjustments	(126,057,114)	(267,693,895)
Ending Balance	$ 85,727,771	$ 190,162,147

Note 11: Liabilities not covered by budgetary resources

Liabilities not covered by budgetary resources as of September 30, 2018 and September 30, 2017 consist of the following:

	2018	2017
Intragovernmental		
FECA	$ 5,529	$ 18,422
Benefits Payable	43,395,597	33,527,307
With the Public		
Unfunded Leave	24,367,268	25,197,278
Actuarial FECA	87,052	210,495
Total Liabilities Not Covered by Budgetary Resources	$ 67,855,446	$ 58,953,502
Total Liabilities Covered by Budgetary Resources	157,582,067	280,101,437
Total Liabilities Not Requiring Budgetary Resources	296,166	29,468
Total Liabilities	$ 225,733,679	$ 339,084,407

As described in Note 1.P., benefits payable also include costs for post-retirement benefits for BCFP employees retiring under the Federal Reserve retirement plans.

Note 12: Commitments and contingencies

BCFP's General Counsel has determined there are no pending legal cases that are deemed to be at least reasonably possible that an unfavorable outcome may occur and therefore, are required to be disclosed. The case that was reported last year as reasonably possible that an unfavorable outcome may occur settled in November 2017.

The Civil Penalty Fund Administrator made two allocations from the Civil Penalty Fund in fiscal year 2018, the tenth allocation on November 29, 2017 and the eleventh allocation on May 30, 2018. The Fund Administrator will make the twelfth allocation from the Civil Penalty Fund on or before November 29, 2018. At that time, there will be seven cases considered for allocation and the total amount available for allocation is $524.3 million. As of September 30, 2018, $1.02 million was accrued in the financial statements for these cases.

Note 13: Intragovernmental costs and exchange revenue

Intragovernmental costs represent goods and services provided between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Earned exchange revenue with the public results from transactions between the Federal government and a non-Federal entity. Earned exchange intragovernmental revenue results from transactions between two Federal entities.

During fiscal year 2018, the BCFP prepared and issued a five-year strategic plan for fiscal years 2018 through 2022 that contains three strategic goals and associated performance metrics. The five-year strategic plan was designed to meet the objectives of the Government Performance and Results Act and help the BCFP measure its performance in fulfilling its responsibilities under the Dodd-Frank Act.

The newly adopted BCFP strategic goals result in the preparation of a Statement of Net Cost with three responsibility segments to report fiscal years 2018 and 2017 activity. The change from four responsibility segments to three has no impact to the overall total net cost of operations; consequently, fiscal year 2017 was reclassified into the new three responsibility segments. It is the same total net cost of operations allocated by direct and indirect costs to the three responsibility segments based on the strategic goals instead of the four responsibility segments based on the BCFP's previous strategic plan. Such costs and earned revenues for fiscal years 2018 and 2017 are summarized as follows:

By Program

	2018	2017
Ensure that all consumers have access to markets for consumer financial products and services		
Intragovernmental Costs	$ 23,348,976	$ 26,724,969
Public Costs	146,251,382	163,038,146
Total Program Costs	169,600,358	189,763,115
Less: Public Earned Revenue	(613,085)	(107,555)
Net Ensure that all consumers have access to markets for consumer financial products and services	$ 168,987,273	$ 189,655,560
Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive		
Intragovernmental Costs	$ 33,735,677	$ 40,801,460
Public Costs	192,545,925	186,750,530
Total Program Costs	226,281,602	227,551,990
Less: Public Earned Revenue	(734,863)	(9,448)
Net Implement and enforce the law consistently to ensure that markets for consumer financial products and services are fair, transparent, and competitive	$ 225,546,739	$ 227,542,542
Foster operational excellence through efficient and effective processes, governance and security of resources and information:		
Intragovernmental Costs	$ 26,975,334	$ 30,937,715
Public Costs	102,538,069	318,666,167
Total Program Costs	129,513,403	349,603,882
Less: Public Earned Revenue	(1,011,983)	(25,236)
Net Foster operational excellence through efficient and effective processes, governance and security of resources and information:	$ 128,501,420	$ 349,578,646
Total Intragovernmental Costs	$ 84,059,987	$ 98,464,144
Total Public Costs	441,335,376	668,454,843
Total Program Costs	525,395,363	766,918,987
Less: Total Public Earned Revenue	(2,359,931)	(142,239)
Total Program Net Cost	$ 523,035,432	$ 766,776,748

Note 14: Apportionment categories of new obligations and upward adjustments

All new obligations and upward adjustments are characterized as Category E, Exempt from apportionment (i.e., not apportioned), on the Statement of Budgetary Resources. New obligations and upward adjustments reported in the Statement of Budgetary Resources in fiscal years 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category E	$ 659,643,137	$ 853,605,113
Reimbursable Obligations, Category E	1,740,833	2,401,343
Total New Obligations and Upward Adjustments	$ 661,383,970	$ 856,006,456

Note 15: Undelivered orders at the end of the period

SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. BCFP's Undelivered Orders represent obligated amounts designated for future payment of goods and services ordered but not received.

Undelivered Orders as of September 30, 2018 were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 2,853,042	$ 5,789,281	$ 8,642,323
Unpaid Undelivered Orders	$ 48,291,403	$ 98,284,462	$ 146,575,865
Total Undelivered Orders	$ 51,144,445	$ 104,073,743	$ 155,218,188

Undelivered Orders as of September 30, 2017 were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 2,211,434	$ 9,550,070	$ 11,761,504
Unpaid Undelivered Orders	$ 82,299,595	$ 94,047,387	$ 176,346,982
Total Undelivered Orders	$ 84,511,029	$ 103,597,457	$ 188,108,486

Note 16: Reconciliation of net cost to budget

BCFP has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations for the periods ended September 30, 2018 and September 30, 2017.

BUREAU OF CONSUMER FINANCIAL PROTECTION
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
For the Fiscal Years Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	$ 661,383,970	$ 856,006,456
Less: Spending Authority From Offsetting Collections and Recoveries	(52,633,596)	(43,669,880)
Obligations Net of Offsetting Collections and Recoveries	608,750,374	812,336,576
Net Obligations	608,750,374	812,336,576
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,352,146	946,403
Net Other Resources Used to Finance Activities	1,352,146	946,403
Total Resources Used to Finance Activities	610,102,520	813,282,979
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	39,576,924	87,365,456
Resources That Fund Expenses Recognized In Prior Periods	(966,346)	(349,873)
Resources That Finance the Acquisition of Assets	(25,577,392)	(98,442,434)
Other Resources or Adjustments to Net Obligated Resources		
Total Resources Used to Finance Items Not Part of Net Cost of Operations	13,033,186	(11,426,851)
Total Resources Used to Finance the Net Cost of Operations	623,135,706	801,856,128
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	-	1,926,700
Civil Penalty Fund Allocation	(104,434,375)	(57,296,699)
Increase in Exchange Revenue Receivable from the Public	(2,328,494)	(117,003)
Increase In Post Retirement Health Benefits	9,868,290	7,622,668
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	(96,894,579)	(47,864,334)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	6,107,622	7,275,040
Revaluation of Assets or Liabilities	-	5,535,150
Other	(9,313,317)	(25,236)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	(3,205,695)	12,784,954
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	(100,100,274)	(35,079,380)
Net Cost of Operations	$ 523,035,432	$ 766,776,748

Note 17: President's Budget

Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the 2017 Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	New Obligations and Upward Adjustments	Net Outlays
Combined Statement of Budgetary Resources	$ 1,248,935,174	$ 856,006,456	$ 895,949,106
Rounding Difference	$ (935,174)	$ (1,006,456)	$ 50,894
Budget of U.S. Government	$ 1,248,000,000	$ 855,000,000	$ 896,000,000
Total Unreconciled Difference	$ -	$ -	$ -

Note 18: Rental payments for space

For all Interagency Agreements the BCFP enters into with another Federal Agency, the BCFP records the rental payments based on the stated monthly amount due in the occupancy agreement.

DESCRIPTION OF AGREEMENT

A. Occupancy Agreement (OA) with the OCC for space to accommodate the BCFP staff assigned to its headquarters at 1700 G Street, N.W., Washington, D.C. The OA with OCC covers use of the premises through February 17, 2032 with two optional five (5) year renewal periods expiring February 17, 2037 and 2042 respectively. The annual rent shall escalate two percent each year. Beginning in August 2016, the retail rental rebates that offset the payments to OCC were suspended because all retailers were vacated from the premises for the building renovation.

Future Payments Due:

Fiscal Year	Buildings
2019	13,255,292
2020	13,520,398
2021	13,790,806
2022	14,066,622
2023 through February 17, 2032	146,592,173
Total Future Payments	$ 201,225,291

DESCRIPTION OF AGREEMENT:

B. OA between the BCFP and the General Services Administration for supplies, services and the use of space at 140 East 45th Street, New York, NY. The OA is for a period through September 28, 2023. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2019	1,261,041
2020	1,271,445
2021	1,282,162
2022	1,293,200
2023 through September 28, 2023	1,304,569
Total Future Payments	$ 6,412,417

DESCRIPTION OF AGREEMENT

C. Description of Agreement: OA between the BCFP and the General Services Administration for supplies, services and the use of space at 301 Howard Street, San Francisco, California. The OA is for a period through December 16, 2027. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year	Buildings
2019	1,406,628
2020	1,411,429
2021	1,416,350
2022	1,421,395
2023 through December 16, 2027	8,272,963
Total Future Payments	$ 13,928,765

DESCRIPTION OF AGREEMENT

D. OA between the BCFP and the General Services Administration for supplies, services and the use of space at 230 S. Dearborn Street, Chicago, IL. The OA is for a period through June 30, 2019. The rent is to be adjusted annually for operating cost.

Future Payments Due:

Fiscal Year		Buildings
2019 through June 30, 2019		370,740
Total Future Payments	$	370,740

DESCRIPTION OF AGREEMENT

E. OA between the BCFP and the General Services Administration for supplies, services and the use of space at 1990 K Street NW, Washington, DC. The OA was modified for a period through December 11, 2018. The rent is to be adjusted annually for operating cost and real estate taxes.

Future Payments Due:

Fiscal Year		Buildings
2019 through December 11, 2018	$	715,905
Total Future Payments	$	715,905

Note 19: Funds from dedicated collections

Provided below is summary consolidated component entity information for BCFP's two primary funds from dedicated collections -- the Bureau Fund and the Civil Penalty Fund. Custodial collections (disgorgement paid and other fees collected) reside in non-budgetary FBWT accounts and are excluded from this presentation.

	Bureau Fund	Civil Penalty Fund	FY 2018
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 27,460,806	$ 929,193	$ 28,389,999
Total	$ 27,460,806	$ 929,193	$ 28,389,999
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 56,005,006	$ 638,332,716	$ 694,337,722
Obligated Balance Not Yet Disbursed	206,353,341	3,025,639	209,378,980
Uncollected Federal Payments	(2,790,414)	-	(2,790,414)
Investments at Cost	(231,769,886)	-	(231,769,886)
Cash Held Outside of Treasury	(337,241)	(640,429,162)	(640,766,403)
Total	$ 27,460,806	$ 929,193	$ 28,389,999
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 263,010,875	$ 929,193	$ 263,940,068
Cash and Other Monetary Assets	337,241	640,429,162	640,766,403
Property, Equipment, and Software, Net	198,062,801	-	198,062,801
Other	15,634,450	250,001	15,884,451
Total Summary Assets	$ 477,045,367	$ 641,608,356	$ 1,118,653,723
Liabilities and Net Position:			
Total Liabilities	$ 139,665,434	$ 86,068,245	$ 225,733,679
Cumulative Results of Operations	337,379,933	555,540,111	892,920,044
Total Liabilities & Net Position	$ 477,045,367	$ 641,608,356	$ 1,118,653,723
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 526,638,181	$ (1,242,818)	$ 525,395,363
Less: Total Earned Revenues	(2,359,931)	-	(2,359,931)
Net Cost of Operations	$ 524,278,250	$ (1,242,818)	$ 523,035,432
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 472,859,918	$ 32,285,904	$ 505,145,822
Total Financing Sources	388,798,265	522,011,389	910,809,654
Net Cost of Operations	(524,278,250)	1,242,818	(523,035,432)
Change in Net Position	(135,479,985)	523,254,207	387,774,222
Net Position End of Period	$ 337,379,933	$ 555,540,111	$ 892,920,044

	Bureau Fund	Civil Penalty Fund	FY 2017
A. Fund Balances & Status of Funds:			
Fund Balances:			
Special Fund	$ 26,366,960	$ 2,797,094	$ 29,164,054
Total	$ 26,366,960	$ 2,797,094	$ 29,164,054
Status of Fund Balance with Treasury:			
Unobligated Balance			
Available	$ 177,095,425	$ 215,833,293	$ 392,928,718
Obligated Balance Not Yet Disbursed	252,840,772	7,194,592	260,035,364
Uncollected Federal Payments	(1,250,000)	-	(1,250,000)
Investments at Cost	(401,995,126)	-	(401,995,126)
Cash Held Outside of Treasury	(324,111)	(220,230,791)	(220,554,902)
Total	$ 26,366,960	$ 2,797,094	$ 29,164,054
B. Summary Assets, Liabilities, and Net Position:			
Assets:			
Total Intragovernmental	$ 431,421,096	$ 2,797,094	$ 434,218,190
Cash and Other Monetary Assets	324,111	220,230,791	220,554,902
Property, Equipment, and Software, Net	178,593,031	-	178,593,031
Other	9,864,106	1,000,000	10,864,106
Total Summary Assets	$ 620,202,344	$ 224,027,885	$ 844,230,229
Liabilities and Net Position:			
Total Liabilities	$ 147,342,426	$ 191,741,981	$ 339,084,407
Cumulative Results of Operations	472,859,918	32,285,904	505,145,822
Total Liabilities & Net Position	$ 620,202,344	$ 224,027,885	$ 844,230,229
C. Summary Statement of Net Cost:			
Total Gross Program Costs	$ 561,912,880	$ 205,006,107	$ 766,918,987
Less: Total Earned Revenues	(142,239)	-	(142,239)
Net Cost of Operations	$ 561,770,641	$ 205,006,107	$ 766,776,748
D. Summary Statement of Changes in Net Position:			
Net Position Beginning of Period	$ 428,137,731	$ 195,623,210	$ 623,760,941
Total Financing Sources	606,492,827	41,668,802	648,161,629
Net Cost of Operations	(561,770,641)	(205,006,107)	(766,776,748)
Change in Net Position	44,722,186	(163,337,305)	(118,615,119)
Net Position End of Period	$ 472,859,917	$ 32,285,905	$ 505,145,822

Note 20: Fiduciary activities

Section 1055 of the Dodd-Frank Act authorizes the court in a judicial action, or the BCFP in an administrative proceeding, to grant any appropriate legal or equitable relief for a violation of Federal consumer financial law. Such relief may include redress for victims of the violations, including refunds, restitution, and damages. Funds paid as relief that is intended to compensate victims of violations are treated as fiduciary funds and deposited into the “Legal or Equitable Relief Fund” established at the Department of the Treasury. Fiduciary assets are not assets of the BCFP. The victims have an ownership interest in the cash or other assets held by the BCFP under provision of law, regulation, or other fiduciary arrangement.

During fiscal years 2018 and 2017, the BCFP had the following fiduciary activity:

BUREAU OF CONSUMER FINANCIAL PROTECTION
SCHEDULE OF FIDUCIARY ACTIVITY
For the Twelve Months Ended September 30, 2018 and 2017
(In Dollars)

	2018	2017
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Net Assets, Beginning of Year	$ 10,013,899	$ 32,598,294
Fiduciary Revenues Collected	500,000	$ 8,975,227
Administrative Expenses	(343,948)	(502,095)
Disbursements to and on behalf of beneficiaries	(4,533,436)	(31,057,527)
Increase/(Decrease) in Fiduciary Net Assets	(4,377,384)	(22,584,395)
Fiduciary Net Assets, End of Year	$ 5,636,515	$ 10,013,899

BUREAU OF CONSUMER FINANCIAL PROTECTION
SCHEDULE OF FIDUCIARY ACTIVITY
As of September 30, 2018 and 2017
(In Dollars)

	2018	2017
	Consumer Financial Legal or Equitable Relief Fund	
Fiduciary Assets:		
Cash	$ 5,636,803	$ 10,018,313
Fiduciary Liabilities:		
Less: Liabilities	288	4,414
Total Fiduciary Net Assets	$ 5,636,515	$ 10,013,899

3. Other Information

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and further amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, directs Federal agencies to adjust for inflation the civil penalty amounts within their jurisdiction each year. The table below describes, for each type of penalty within the Bureau's jurisdiction, the statutory authority, a description of the penalty, the year the statute was enacted, the latest year of penalty adjustment, the date of the current adjustment, the current penalty amount, and the location for additional details on the penalty update.

TABLE 20: FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Location for Penalty Update Details
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(A)	Tier 1 penalty	2010	2018	January 15, 2018	$5,639	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(B)	Tier 2 penalty	2010	2018	January 15, 2018	$28,195	12 CFR Part 1083
Consumer Financial Protection Act, 12 U.S.C. 5565(c)(2)(C)	Tier 3 penalty	2010	2018	January 15, 2018	$1,127,799	12 CFR Part 1083

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Location for Penalty Update Details
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Per violation	1968	2018	January 15, 2018	$1,964	12 CFR Part 1083
Interstate Land Sales Full Disclosure Act, 15 U.S.C. 1717a(a)(2)	Annual cap	1968	2018	January 15, 2018	$1,963,870	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Per failure	1974	2018	January 15, 2018	$92	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(1)	Annual cap	1974	2018	January 15, 2018	$184,767	12 CFR Part 1083
Real Estate Settlement Procedures Act, 12 U.S.C. 2609(d)(2)(A)	Per failure, where intentional	1974	2018	January 15, 2018	$185	12 CFR Part 1083
SAFE Act, 12 U.S.C. 5113(d)(2)	Per violation	2008	2018	January 15, 2018	$28,474	12 CFR Part 1083
Truth in Lending Act, 15 U.S.C. 1639e(k)(1)	First violation	2010	2018	January 15, 2018	$11,279	12 CFR Part 1083

Authority (Statute)	Penalty Description	Year Enacted	Latest Year of Adjustment	Date of Current Adjustment	Current Penalty Amount	Location for Penalty Update Details
Truth in Lending Act, 15 U.S.C. 1639e(k)(2)	Subsequent violations	2010	2018	January 15, 2018	$22,105	12 CFR Part 1083

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