



## Office of Inspector General

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

April 26, 2023

The Honorable Rick Scott  
United States Senate  
Washington, DC 20510

Dear Senator Scott:

I am writing to express my views on S. 915, a bill that would require presidential appointment and Senate confirmation (PAS) of the inspector general (IG) for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau. The argument is that a PAS IG for the Board and the CFPB would be a more independent IG. I disagree, and I want to provide you with information about our authorities and operations as a designated federal entity (DFE) IG to better inform you on this matter.

As a DFE IG, we currently have the exact same authorities as PAS IGs to audit and investigate the Board and the CFPB without interference from our agency heads. Specifically, we have unfettered access to all agency records and documents; subpoena authority to require the production of records from nonfederal entities; law enforcement powers, such as executing arrest and search warrants; and the ability to hire our own staff and control our own resources. We also have the same reporting mechanisms at our disposal if attempts are made to resist or object to oversight activities conducted by our office or to significantly delay our access to information. Converting us into a PAS IG would in no way enhance our independence or existing authorities.

As a DFE IG, we are subject to the same removal provisions as PAS IGs. All IGs are subject to removal, whether by the president in the case of PAS IGs or an agency head in the case of DFE IGs. Under the Inspector General Act of 1978, the president or an agency head must notify Congress in writing of the reasons why an IG will be removed at least 30 days beforehand. This safeguard is intended to prevent IGs from being removed for political reasons or simply because they are effectively identifying fraud, waste, or abuse. In our case, there is an added barrier to removal under the Inspector General Act of 1978 that most other IGs lack. If a DFE agency is led by a board or a commission, removal of the DFE IG requires the written concurrence of two-thirds of the members of the board or commission. In the case of my office, removal would require the approval of four of the seven Board governors, not just the chair.

Like PAS IGs, DFE IGs are subject to the same congressional oversight to ensure we are held accountable. DFE IGs are mandated to keep Congress fully and currently informed about issues of fraud, waste, or abuse within our agencies through various reporting mechanisms. We also provide congressional testimonies, briefings, and responses to correspondence and inquiries regarding our work.

Converting our office into a PAS IG could also lead to an extended vacancy and difficulty in attracting quality candidates for the position. There are over 1,200 positions that require Senate confirmation in the

federal government. The number and length of IG vacancies over the years have raised questions about the effect such vacancies have on the ability of offices of inspector general to carry out their statutory duties and responsibilities. A 2018 study conducted by the U.S. Government Accountability Office found that over a 10-year period, PAS IGs had more and longer IG vacancies than DFE IGs. As of April 2023, there are 13 IG vacancies, 7 of which are PAS IG positions. Additionally, converting us into a PAS IG would set the position's compensation at level III of the Executive Schedule (plus 3 percent), which is lower than the pay scale the Board has determined is necessary to compete with the private sector and other federal financial regulators and attract and retain talent. Thus, directors of other Board divisions and even subordinate IG staff would earn significantly more than the IG, a dilemma that PAS IGs are now facing and which deters experienced, high-quality candidates from seeking the position.

My office is currently providing the rigorous and independent oversight that Congress is seeking. Over the last 5 years, we have issued 108 reports: 61 reports focused on the Board and included 175 recommendations, of which 129 have been closed; 47 reports focused on the CFPB and included 122 recommendations, of which 85 have been closed. During the same period, we closed 170 cases, leading to 116 convictions and \$4.4 billion in fines, restitution, special assessments, forfeiture, and civil judgments. Our COVID-19 pandemic response-related investigations resulted in nearly \$66 million in financial actions (criminal fines, restitution, special assessments, forfeiture, civil judgments, and civil monetary penalties). We opened a total of 141 pandemic response-related cases; 37 of them are closed, resulting in 62 convictions.

I firmly believe our current DFE IG structure is best suited to provide independent and objective oversight of the Board and the CFPB. I welcome the opportunity to meet with you to discuss our position and to answer any questions you may have regarding my office. You may contact me at 202-973-5000, or your staff may contact John Manibusan, senior congressional and media liaison, at 202-973-5043. We are providing similar letters to members of our oversight and authorizing committees.

Sincerely,



Mark Bialek  
Inspector General