



NATIONAL ARCHIVES *and* RECORDS ADMINISTRATION
8601 ADELPHI ROAD, RM 1300 COLLEGE PARK, MD 20740-6001
www.archives.gov

October 13, 2020

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System and
Bureau of Consumer Financial Protection
20th Street and Constitution Avenue NW
Mail Stop K-300
Washington, DC 20551

Subject: System Review Report on the Board of Governors of the Federal Reserve System and
Bureau of Consumer Financial Protection, Office of Inspector General Audit Organization

Dear Mr. Bialek:

Attached is the System Review Report of the Board of Governors of the Federal Reserve System and Bureau of Consumer Financial Protection, Office of Inspector General audit organization conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an enclosure.

We appreciate the cooperation and courtesies extended to our staff during the review.



James Springs
Inspector General

Enclosures



NATIONAL ARCHIVES *and* RECORDS ADMINISTRATION
8601 ADELPHI ROAD, RM 1300 COLLEGE PARK, MD 20740-6001
www.archives.gov

System Review Report

October 13, 2020

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System and
Bureau of Consumer Financial Protection
20th Street and Constitution Avenue NW
Mail Stop K-300
Washington, DC 20551

We have reviewed the system of quality control for the audit organization of the Board of Governors of the Federal Reserve System (Board) and Bureau of Consumer Financial Protection (Bureau), Office of Inspector General (OIG) in effect for the year ended March 31, 2020. A system of quality control encompasses the Board/Bureau OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of the Board/Bureau OIG in effect for the year ended March 31, 2020, has been suitably designed and complied with to provide the Board/Bureau OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The Board/Bureau OIG has received an External Peer Review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to the Board/Bureau OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the Board/Bureau OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on the Board/Bureau OIG's monitoring of work performed by IPAs.

We have issued a letter dated October 13, 2020 that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we interviewed the Board/Bureau OIG personnel and obtained an understanding of the nature of the Board/Bureau OIG audit organization, and the design of the Board/Bureau OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with the Board/Bureau OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the Board/Bureau OIG audit organization.

In performing our review, we obtained an understanding of the system of quality control for the Board/Bureau OIG audit organization. In addition, we tested compliance with the Board/Bureau OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Board/Bureau OIG's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with the Board/Bureau OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the Board/Bureau OIG engagements we reviewed.

The Board/Bureau OIG is responsible for establishing and maintaining a system of quality control designed to provide the Board/Bureau OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the Board/Bureau OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.



James Springs
Inspector General

Scope and Methodology

We tested compliance with the Board/Bureau OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of 11 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from April 1, 2019, through March 31, 2020 and one report issued from April 1, 2018, through March 31, 2019¹. We also reviewed the internal quality control reviews performed by the Board/Bureau OIG.

In addition, we reviewed the Board/Bureau OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2019, through March 31, 2020. During the period, the Board/Bureau OIG contracted for the audit of the Board of Governors of the Federal Reserve System and the Federal Financial Institutions Examination Council's fiscal years 2019 and 2018 financial statements.

Reviewed GAGAS Engagements performed by the Board/Bureau OIG

Report Number	Report Date	Report Title
2018-MO-B-023	December 12, 2018	The Board Can Strengthen Controls Over Its Academic Assistance Program
2019-IT-C-015	October 31, 2019	2019 Audit of the Bureau's Information Security Program
2020-FMIC-B-012	March 30, 2020	The Board Can Improve Its Contract Administration Processes

Reviewed Monitoring Files of the Board/Bureau for Contracted GAGAS Engagements

Report Number	Report Date	Report Title
2020-FMIC-B-004	March 11, 2020	Board of Governors of the Federal Reserve System Financial Statements as of and for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Reports

¹ NARA OIG leveraged Appendix E of the 2014 *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* for the review of the Board/Bureau OIG performance audits as they started prior to the effective date of the 2018 Revision Government Auditing Standards.



Office of Inspector General

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

October 7, 2020

Mr. James Springs
Inspector General
National Archives and Records Administration
8601 Adelphi Road, RM 1300
College Park, MD 20740-6001

Dear James:

Thank you for the opportunity to review and comment on the draft *System Review Report* on the system of quality control in the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection.

We agree with your conclusion that our system of quality control for the audit organization has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We are pleased that your independent review of our audit operations resulted in a *pass* rating.

We would like to thank you and your staff for the thorough and professional review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Bialek', written in a cursive style.

Mark Bialek
Inspector General