



Office of Inspector General United States Department of State

System Review Report

UNCLASSIFIED

September 16, 2026

The Honorable Michael E. Horowitz
Inspector General
Office of Inspector General for the
Board of Governors of the Federal Reserve System
and the Consumer Financial Protection Bureau
1850 K Street NW
Washington, DC 20006

The U.S. Department of State, Office of Inspector General (State OIG), reviewed the system of quality management for the audit organization of the OIG for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB/CFPB) in effect for the year ended March 31, 2026.¹ This External Peer Review was conducted in accordance with both the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and *Government Auditing Standards* (GAGAS)² peer review requirements. We used the March 2026 CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* in the conduct of the review.

In State OIG's opinion, the system of quality management for the audit organization of FRB/CFPB OIG in effect for the year ended March 31, 2026, has been suitably designed and complied with to provide the organization with reasonable assurance that it is fulfilling its responsibilities in accordance with professional standards and performing and reporting in conformity with such standards in all material respects. Therefore, FRB/CFPB OIG has received a rating of pass.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FRB/CFPB OIG's response to this report is included in Enclosure 2.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing the system of quality management, State OIG applied certain limited procedures related to FRB/CFPB OIG's monitoring of engagements conducted by Independent Public Accountants (IPA) under contract where the IPA served as the auditor. The purpose of

¹ For purposes of this review, the term quality management refers collectively to the policies and procedures that the audit organization developed to comply with the 2021 *Government Auditing Standards* established by the Government Accountability Office (GAO) prior to March 16, 2026, and the policies and procedures the audit organization developed to comply with the 2024 *Government Auditing Standards* established by GAO thereafter.

² GAO, *Government Auditing Standards*, 2024 Revision (GAO-24-106786, February 2024).

these limited procedures was to determine whether FRB/CFPB OIG performed reasonable procedures to ensure that the work performed by IPAs adhered to applicable professional standards. However, the objective was not to express an opinion on FRB/CFPB OIG's monitoring of work performed by IPAs; accordingly, we do not express an opinion on these activities.

Letter of Comment

State OIG issued a letter dated September 16, 2026, that sets forth findings that were not considered to be of sufficient significance to affect State OIG's opinion expressed in this report.

Basis of Opinion

The objective of the review was to determine whether, for the period under review, the FRB/CFPB OIG audit organization's system of quality management was suitably designed and complied with to provide it with reasonable assurance that it is fulfilling its responsibilities in accordance with professional standards and performing and reporting in conformity with such standards in all material respects.

During the review, State OIG interviewed FRB/CFPB OIG personnel and obtained an understanding of the audit organization and the design of its system of quality management sufficient to assess risks inherent in its audit function. Based on that assessment, State OIG selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with the system of quality management. The engagements selected represented a reasonable cross-section of the FRB/CFPB OIG audit organization, with an emphasis on higher-risk engagements.

In performing the review, State OIG tested compliance with the system of quality management to the extent that it was considered appropriate. These tests covered the application of the system on selected GAGAS engagements. State OIG believes that the procedures performed provide a reasonable basis for the opinion. Enclosure 1 to this report identifies the FRB/CFPB OIG offices and GAGAS engagements that State OIG reviewed.

Prior to concluding the review, State OIG met with FRB/CFPB OIG management to discuss the results of the review.

Responsibilities and Limitation

FRB/CFPB OIG's audit organization is responsible for designing, implementing, and operating a system of quality management to provide the organization with reasonable assurance that it is fulfilling its responsibilities and performing and reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements. State OIG's responsibility is to express an opinion on the design of and compliance with that system of quality management based on State OIG's review.

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



Arne B. Baker

Acting Inspector General

Enclosures: As stated.

ENCLOSURE 1: SCOPE AND METHODOLOGY

The U.S. Department of State, Office of Inspector General (State OIG), tested compliance with the OIG for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB/CFPB) audit organization's system of quality management to the extent that State OIG considered appropriate. These tests included a review of 3 of 20 GAGAS engagement reports issued from April 1, 2024, through March 31, 2026. State OIG also reviewed the internal monitoring and remediation activities performed by FRB/CFPB OIG. Table 1 identifies the GAGAS engagements selected by State OIG for review.

Table 1: Reviewed GAGAS Engagements Performed by FRB/CFPB OIG

Report Number	Report Date	Report Title
2025-FMIC-B-014	December 15, 2025	<i>The Board's Contract Solicitation, Selection, and Award Processes for the Contracts We Reviewed Were Generally Effective but Can Be Further Enhanced</i>
2025-IT-C-012	October 31, 2025	<i>2025 Audit of the CFPB's Information Security Program</i>
2024-MO-C-016	June 24, 2024	<i>The CFPB Effectively Monitors Consumer Complaints but Can Enhance Certain Processes</i>

Source: Generated by State OIG from data that FRB/CFPB OIG provided.

In addition, State OIG reviewed FRB/CFPB OIG's monitoring of GAGAS engagements performed by Independent Public Accountants (IPA) for which the IPA served as the auditor from April 1, 2025, through March 31, 2026. During this period, FRB/CFPB OIG contracted for the audit of its agency's FY 2025 financial statements. Table 2 identifies the IPA audit selected by State OIG for review.

Table 2: Reviewed Monitoring Files of FRB/CFPB OIG for Contracted GAGAS Engagements

Report Number	Report Date	Report Title
2026-FMIC-B-003	March 12, 2026	<i>Board of Governors of the Federal Reserve System Financial Statements as of and for Years Ended December 31, 2025 and 2024, and Independent Auditors' Reports</i>

Source: Generated by State OIG from data that FRB/CFPB OIG provided.

Furthermore, State OIG reviewed one engagement that FRB/CFPB OIG closed out during the peer review period—April 1, 2023, through March 31, 2026—to determine whether the results of the work were appropriately documented and the reason for closing the engagement was appropriately communicated to officials. Table 3 identifies the engagement that was closed out that was selected by State OIG for review.

Table 3: Reviewed GAGAS Engagements Closed Out by FRB/CFPB OIG

Report Number	Report Date	Report Title
Memorandum	March 30, 2026	<i>Conclusion of the Audit of the Board's Gifts and Decorations and Nonfederally Sponsored Travel Programs</i>

Source: Generated by State OIG from data that FRB/CFPB OIG provided.

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ENCLOSURE 2: OFFICE OF INSPECTOR GENERAL FOR THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND THE CONSUMER PROTECTION BUREAU, RESPONSE

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OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

September 2, 2026

The Honorable Arne B. Baker
Acting Inspector General
U.S. Department of State
1701 North Fort Myer Drive
Arlington, VA 22209

Dear Mr. Baker:

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 Consumer Financial Protection Bureau.

We are pleased that your independent review of our audit operations resulted in a pass rating and 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 that we are fulfilling our responsibilities in accordance with professional standards and performing and reporting in conformity with such standards in all material respects.

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

Sincerely,

Michael E. Horowitz
Inspector General

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