

Council of Inspectors General on Financial Oversight (CIGFO)

June 27, 2023

Video Conference Call

10:00 a.m.

Meeting Minutes

Council Members Present

Rich Delmar, Acting Chair, Deputy Inspector General, Department of the Treasury (Treasury)
Mark Bialek, Inspector General, Board of Governors of the Federal Reserve System (Board)/Consumer Financial Protection Bureau (CFPB)
Brian Tomney, Inspector General, Federal Housing Finance Agency (FHFA)
James Hagen, Inspector General, National Credit Union Administration
Melissa Bruce, Acting Inspector General, Special Inspector General for Troubled Asset Relief Program
Dr. Brett Baker, Acting Inspector General, Commodity Futures Trading Commission (CFTC)
Terry Gibson, Assistant Inspector General for Audits, Evaluations, and Cyber, Federal Deposit Insurance Corporation (FDIC) Office of Inspector General (OIG)
Christopher Fontanesi, Senior Counsel, U.S. Department of Housing and Urban Development OIG
Katherine Reilly, Deputy Inspector General for Investigations (Acting), U.S. Securities and Exchange Commission (SEC) OIG

Guests

James Lisle, Audit Director, FHFA OIG
Jacqueline Becker, Senior Advisor and Senior Associate Inspector General, Board/CFPB OIG
Amy Altemus, Acting Counsel to the Inspector General, Treasury OIG
Debbie Harker, Assistant Inspector General for Audit, Treasury OIG
Susan Barron, Deputy Assistant Inspector General for Audit, Treasury OIG
Jeffrey Hawkins, Audit Director, Treasury OIG
Camille Callender, Assistant Counsel, Treasury OIG
Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment U.S. Government Accountability Office (GAO)
Michael Clements, Director, Financial Markets and Community Investment, GAO
Jill Naamane, Director, Financial Markets and Community Investment, GAO
Karen Tremba, Assistant Director GAO
Winnie Tsen, Assistant Director GAO

At 10:00 a.m. Rich Delmar, Acting Chair, called the meeting to order and welcomed everyone. Mr. Delmar acknowledged the recent appointments of Dr. Brett Baker as

Acting Inspector General of the CFTC and Deborah Jeffrey as Inspector General of the SEC. Mr. Delmar then welcomed and introduced Mr. Daniel Garcia-Diaz from GAO.

Mr. Garcia-Diaz introduced the GAO team in attendance and turned the presentation over to Mr. Michael Clements to discuss recent GAO efforts that are of interest to CIGFO. Mr. Clements discussed the recently issued GAO report *Preliminary Review of Agency Actions Related to March 2023 Bank Failures*. GAO concluded that risky business management practices and supervisory inaction were contributing factors to the failures of Silicon Valley Bank and Signature Bank. Mr. Clements then summarized each of the audit objectives and results. Mr. Clements also discussed recent Congressional testimony given by GAO related to the failures and GAO's report. Mr. Clements also discussed GAO's ongoing and imminent work in areas related to bank supervision and the recent bank failures. One of which, based on a request from the Senate Banking Committee, deals with the escalation and communication process bank regulators use to elevate supervisory concerns. Other imminent work will be based on Congressional requests or in the case of the recent systemic risk exceptions, mandated by law. Mr. Clements then gave a brief overview of additional work GAO has planned based on requests they have received from the House Financial Services Committee (HFSC) or derived from legislative authorities. This work has yet to be fully defined.

Some CIGFO members commented that their offices are looking at issues that are similar to the work GAO mentioned and remarked that it is important for the audit teams from each organization to meet and coordinate to avoid duplication of effort. GAO commented that this is a good practice and they have been meeting with some of the OIGs. Another member commented that some of the planned work outlined seems duplicative of work an OIG might do and asked if GAO would do work in an area if an OIG has work open in the same area. GAO responded they would discuss this with the OIG and if necessary, would confer with the HFSC to further understand and define the needs of the request to avoid duplication. Additional discussion was had relating to recent news reports concerning some of the failed banks and the role their external auditors may have played. GAO commented that this may be considered as part of a future planned audit. Finally, GAO informed the group that thus far, the cooperation they have received from the agencies involved in the recent and ongoing work has been excellent. Mr. Delmar thanked the GAO team for their time and expressed that he hopes GAO will provide the group future updates as needed.

Mr. Delmar then proceeded to CIGFO business. He asked for consideration of the meeting minutes from the quarterly CIGFO meeting on March 15, 2023 and the interim meetings on March 28, April 27, and May 15, 2023. He asked if the members had any corrections or additions. Hearing none, Mr. Delmar then called for a motion to approve the minutes for each of the four meetings, which was made and seconded. The minutes were approved by unanimous consent.

Mr. James Lisle, FHFA OIG, was introduced and proceeded to provide an update on the CIGFO Working Group project, *Review of the Financial Stability Oversight Council (FSOC) and Its Member Agencies' Response to the Executive Order on Climate-Related Financial Risk*. A copy of the formal draft report was included with the meeting materials and is presented to the CIGFO members for consideration and a vote to issue the formal draft to FSOC for management comment. Mr. Delmar asked the attendees if there were any comments. Hearing none, he called for a motion to approve the report for issuance to FSOC, which was made and seconded. The issuance of the formal draft report to FSOC for management comment was approved by unanimous consent.

The next item on the agenda was an update on the CIGFO Annual Report. Mr. Jeffrey Hawkins, Treasury OIG, shared that the report is in process and is on track to be issued by the end of July. The first draft of the report has been prepared and shared with all of the offices for review and comment. The team is finalizing the report with the goal of issuing the final draft to the CIGFO members for review in early July. After incorporating any final comments or edits, an electronic vote to finalize and issue the report will be held.

Ms. Amy Altemus, Treasury OIG, then briefly discussed some recent legislative proposals pending in Congress. There was a bill introduced on June 22, which would rescind discretionary appropriations in the event of a debt ceiling crisis and would honor the full faith and credit of the debts of the United States (S. 2168). It is currently with the Senate Committee on Finance. Another bill introduced by Sen Joni Ernst (R-IA) on June 13, (S. 1949) purports to prohibit the Internal Revenue Service from providing firearms and ammunition to its employees. A copy of this bill is not yet available. Another pending bill (H.R. 277), introduced by Representative Kammack, (R-FL) is called the "REINS Act of 2023", which stands for "the Regulations from the Executive in Need of Scrutiny Act of 2023". This bill seeks to require federal agencies when proposing a new rule to provide a significant amount of reporting, estimates, evidence, and analyses to Congress, along with the proposed rule. It then requires the Comptroller General to report on each major rule, and the rule must then be approved by Congress. This bill appears to affect what are known as 'major' and 'nonmajor' rules. A 'major' rule is defined as any rule likely to result in an annual effect on the economy of \$100M or more; a major increase in costs or prices for consumers, industries, Federal/State/Local government agencies, or regions; have significant adverse effects on competition, employment, investment, productivity, innovation, or foreign competition; or result in an increase in mandatory vaccinations. A nonmajor rule is defined as any rule that is not a major rule. While this bill has passed the House, it is unclear if it will advance in the Senate.

Mr. Delmar then updated the group on the request from the HFSC to review FSOC's role in the recent bank failures. A written response was sent to the Committee. Mr. Delmar has not received a reply.

Mr. Delmar then opened the floor for discussion. Ms. Deborah Harker remarked that Treasury OIG has been in contact with the Department of the Treasury regarding the recent MOVEIt cyberattacks and that the situation is still developing. Treasury OIG continues to monitor the response. FDIC OIG commented that they are in the same situation and are monitoring the FDIC response.

A motion was made and seconded to adjourn and was approved by all.

The meeting adjourned at 10:45 a.m.