
Council of Inspectors General on Financial Oversight

Presidential Transition Handbook

December 2024



Council of Inspectors General on Financial Oversight

MISSION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)* established the Council of Inspectors General on Financial Oversight (CIGFO) to provide oversight of the Financial Stability Oversight Council's (FSOC) operations and suggest measures to improve financial oversight.

* Public Law 111-203 (July 21, 2010).

Executive Summary

Introduction to CIGFO

In the aftermath of the 2008 financial crisis, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) “to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end ‘too big to fail’, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.”

The Dodd-Frank Act created both the Financial Stability Oversight Council (FSOC or Council) and the Council of Inspectors General on Financial Oversight (CIGFO). CIGFO comprises eight Inspectors General (IG) responsible for oversight of agencies and programs in the financial sector.¹ CIGFO was established to facilitate information sharing among the IG members, provide a forum for discussion of IG member work as it relates to the broader financial sector, and evaluate the effectiveness and internal operations of FSOC.

The Dodd-Frank Act grants CIGFO the authority to convene working groups, by a majority vote, for the purpose of evaluating the effectiveness and internal operations of FSOC. CIGFO has, since 2011, established working groups that are comprised of staff from the CIGFO member IG offices to conduct these reviews of FSOC operations.

In addition to CIGFO’s oversight activities, it performs monitoring activities and shares financial regulatory information among the member IGs, which enhances each IG’s knowledge and insight about specific issues related to current and future work. For example, during its quarterly meetings, CIGFO members discussed recent cyberattacks on financial institutions and turmoil in the banking sector, as well as legislative activities that could impact the financial regulatory system.

Transition Issues Relating to CIGFO

Once leadership of FSOC and its member agencies are appointed, it is important for CIGFO and FSOC’s leadership to have regular and candid communications. Regular communications will enable CIGFO to inform FSOC leadership about ongoing work, the results of completed work, and the status of any open recommendations from CIGFO working group reports.

The transition team should review the July 2024, [*Annual Report of the Council of Inspectors General on Financial Oversight*](#), as this document consolidates each IGs concerns and recommendations with a focus on issues that may apply to the broader financial sector.

¹ When CIGFO was created it was originally comprised of nine IGs. However, during the past year, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) ended its operations as the last remaining investment made by Treasury through the Troubled Asset Relief Program was repaid, thereby ending the program.

Dodd-Frank Act, FSOC, and Role of CIGFO

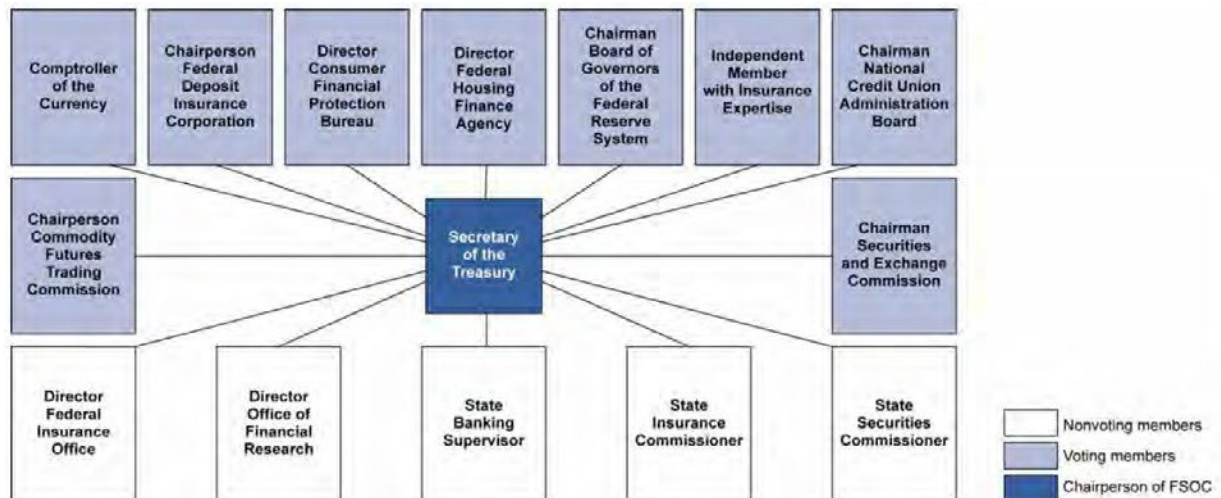
Dodd-Frank Act, FSOC, and Role of CIGFO

Dodd-Frank Act and FSOC

In July 2010, the Dodd-Frank Act was signed into law and created a new regulatory and resolution framework designed to promote the financial stability of the United States. The Dodd-Frank Act is comprehensive in scope, providing for significant changes to the structure of federal financial regulation and substantive requirements that apply to a broad range of market participants, including public companies that are not financial institutions. Among other measures, the Dodd-Frank Act included corporate governance and executive compensation reforms, new registration requirements for hedge fund and private equity fund advisers, heightened regulation of over-the-counter derivatives and asset-backed securities, and new rules for credit rating agencies. The Dodd-Frank Act also mandated significant changes to the authority of the Board of Governors of the Federal Reserve System and the Securities and Exchange Commission as well as enhanced oversight and regulation of banks and non-bank financial institutions. Finally, the Dodd-Frank Act established the Consumer Financial Protection Bureau as a new federal agency to regulate the offering and provision of consumer financial products and services under various consumer financial protection laws.

The Dodd-Frank Act created FSOC which is comprised of ten voting members and five nonvoting members (see Figure 1). Chaired by the Secretary of the Department of the Treasury (Treasury), FSOC is charged with identifying risks to the financial stability of the United States; promoting market discipline; and responding to emerging threats to the stability of the U.S. financial system.

Figure 1: FSOC Membership



Source: GAO 12-886, *Financial Stability – New Council and Research Office Should Strengthen Accountability and Transparency of Decisions*, September 2012

Role and Authorities of CIGFO

The Dodd-Frank Act also created CIGFO, which is comprised of the IGs of the major federal government Financial-Sector Regulatory Organizations, to facilitate information sharing among the IG members, provide a forum for discussion of IG member work as it relates to the broader financial sector, and evaluate the effectiveness and internal operations of the FSOC.

CIGFO is chaired by the IG of Treasury and its members include the IGs of the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission, the Department of Housing and Urban Development, the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, the National Credit Union Administration, and the Securities and Exchange Commission. CIGFO members oversee one or more Financial-Sector Regulatory Organizations, as shown in Figure 2.

Figure 2: CIGFO Membership & Oversight Responsibilities

CIGFO MEMBERSHIP	OVERSIGHT OF FINANCIAL-SECTOR REGULATORY ORGANIZATIONS
Department of the Treasury (Chair)	Department of the Treasury Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation	Federal Deposit Insurance Corporation
Commodity Futures Trading Commission	Commodity Futures Trading Commission
Department of Housing and Urban Development	Department of Housing and Urban Development
Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau	<ul style="list-style-type: none"> • Board of Governors of the Federal Reserve System • Consumer Financial Protection Bureau
Federal Housing Finance Agency	Federal Housing Finance Agency
National Credit Union Administration	National Credit Union Administration
Securities and Exchange Commission	Securities and Exchange Commission

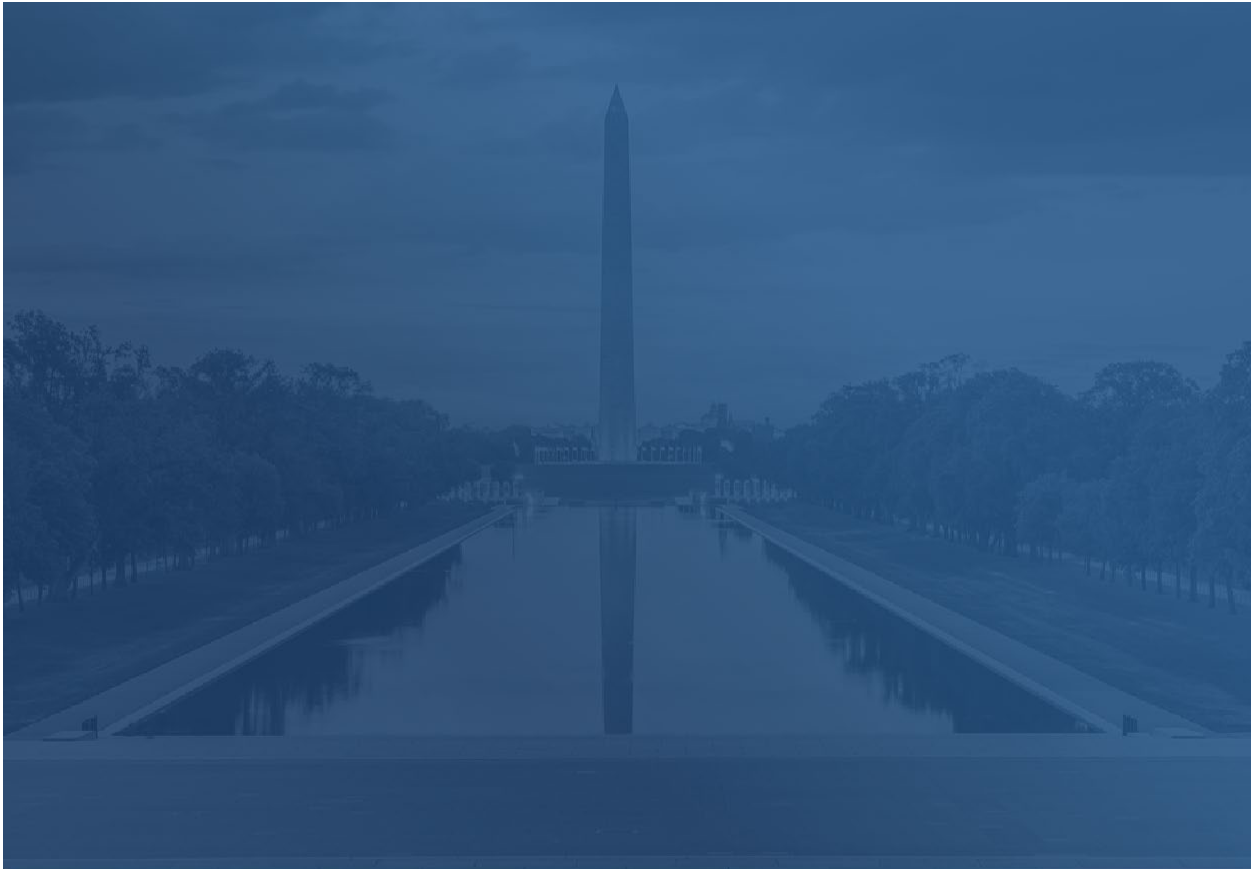
Source: CIGFO's Top Management and Performance Challenges Facing Financial-Sector Regulatory Organizations (July 2019).

CIGFO provides an opportunity to leverage the expertise and experience of its IG members, who bring unique independent perspectives to the table on both joint projects and individual efforts.

The Dodd-Frank Act assigns CIGFO the following duties:

- Meet not less than once each quarter to facilitate the sharing of information and to discuss the ongoing work of each IG who is a member of CIGFO as it applies to the broader financial sector and ways to improve financial oversight.
- Submit annually to Congress and FSOC a report highlighting the concerns and recommendations of each IG, with a focus on issues that may apply to the broader financial sector, and a summary of general observations of CIGFO, with a focus on measures that should be taken to improve financial oversight.

In addition, the Dodd-Frank Act authorizes CIGFO to convene working groups to evaluate the effectiveness and internal operations of the FSOC and it directs CIGFO to submit reports to FSOC and to Congress on these evaluations.



CIGFO Independence

CIGFO Independence

IGs, and by extension, CIGFO, must perform their audits, investigations, evaluations, and special reviews objectively and independently from the agency.

Several key provisions of the Inspector General Act of 1978, as amended (IG Act),² seek to ensure IG independence, in both reality and appearance. For example, according to the IG Act, an agency head may not prevent the IG from initiating, carrying out, or completing any audit or investigation, except for in very limited circumstances.

Moreover, IGs report only to the agency head or in certain instances, the officer next in rank below the agency head. To ensure IG access to relevant information, the IG Act requires IGs to report to their agency heads “without delay” the circumstances of any unreasonable refusal of their information requests. In regards to FSOC, CIGFO reports to its chair, the Treasury Secretary and its members.



² 5 U.S.C. Chapter 4

CIGFO Reports and Process

CIGFO Reports and Process

CIGFO Working Group Projects

Since 2011, CIGFO has established numerous working groups, comprised of staff from the CIGFO member IG offices, to conduct reviews of FSOC operations. CIGFO relies on these working groups to fulfill its mission as outlined in the Dodd-Frank Act. To learn more about CIGFO and to review each of the reports mentioned below and others, visit our website: [Council of Inspectors General on Financial Oversight](https://www.cigfo.gov).

In Progress Working Group Project – FSOC's Designation of Nonbank Financial Companies

Section 113 of the Dodd-Frank Act gives FSOC the authority to designate a nonbank financial company for heightened supervision by the Board of Governors of the Federal Reserve System if it determines that the company could pose a threat to the financial stability of the United States. In November 2023, FSOC issued new interpretive guidance with an effective date of January 16, 2024, that details FSOC's process to make such designations. This working group project will assess (1) the sufficiency of the new guidance to effectively respond to financial stability threats as authorized under Section 113 of the Dodd-Frank Act; (2) the extent that the FSOC members were engaged in the development of the new guidance considering such factors as lessons learned and any identified barriers from earlier guidance; and (3) the impact on the nonbank designation process as a result of the new guidance compared to prior guidance and processes. This report is expected to be issued in the fall of 2025.

Recent Working Group Projects

CIGFO Guidance in Preparing for and Managing Crises ([CIGFO-2022-01](#); June 2022)

CIGFO convened a working group to compile forward-looking guidance for FSOC and its members to consider in preparing for and managing a crisis. The guidance is a compilation of lessons learned drawn from the experiences of federal agencies during prior crises and any learned during the COVID-19 pandemic. This forward-looking guidance will facilitate effective crisis response as FSOC fulfills its mission to identify threats to the financial stability of the country, promote market discipline, and respond to emerging threats to the stability of the U.S. financial system. The guidance did not assess the degree to which the FSOC member agencies employ any of the actions or activities discussed. Rather, the purpose of this guidance is to compile information and activities that agencies and CIGFO Offices of Inspector General (OIG) identified as integral to pre-crisis planning and crisis management so

that FSOC and its member agencies can evaluate its existing efforts and initiate new ones, as needed, consistent with each organization's mission. The working group did not make any recommendations to FSOC.

CIGFO Audit of the FSOC's Efforts to Address Climate-Related Financial Risk (CIGFO-2023-001; August 2023)

CIGFO convened a working group to perform an audit to assess FSOC's response to Executive Order (EO) 14030, *Climate-Related Financial Risk*. CIGFO concluded that FSOC's actions were consistent with the policy, objectives, and directives set forth in EO 14030. Additionally, FSOC engaged with the member agencies to assess climate-related financial risk and implemented an effective process to develop its *Report on Climate-Related Financial Risk*. CIGFO determined that the FSOC Report satisfactorily met the requirements set forth in EO 14030. Finally, FSOC established a means to facilitate ongoing coordination and information sharing among its member agencies on climate-related financial risk. While we made no recommendations in this report, we encouraged FSOC, through the newly established Climate-Related Financial Risk Committee, to consider member agency suggestions and feedback to enhance the assessment and sharing of climate-related financial risk data and information.

CIGFO Annual Reports

The Dodd-Frank Act mandates that CIGFO submit to FSOC and Congress an annual report that summarizes the general observations of CIGFO based on the views expressed by each IG with a focus on measures that should be taken to improve financial oversight. Each IG who is a member of CIGFO has a section within the annual report with exclusive editorial control to highlight the concerns and recommendations from ongoing and completed work of their office. Additionally, CIGFO provides a section within the annual report on all CIGFO issued working group reports. In July 2024, CIGFO was proud to issue its fourteenth annual report to FSOC and Congress and noted that to date, the corrective actions described by FSOC, with respect to the issued CIGFO working group reports, have met the intent of CIGFO's recommendations.

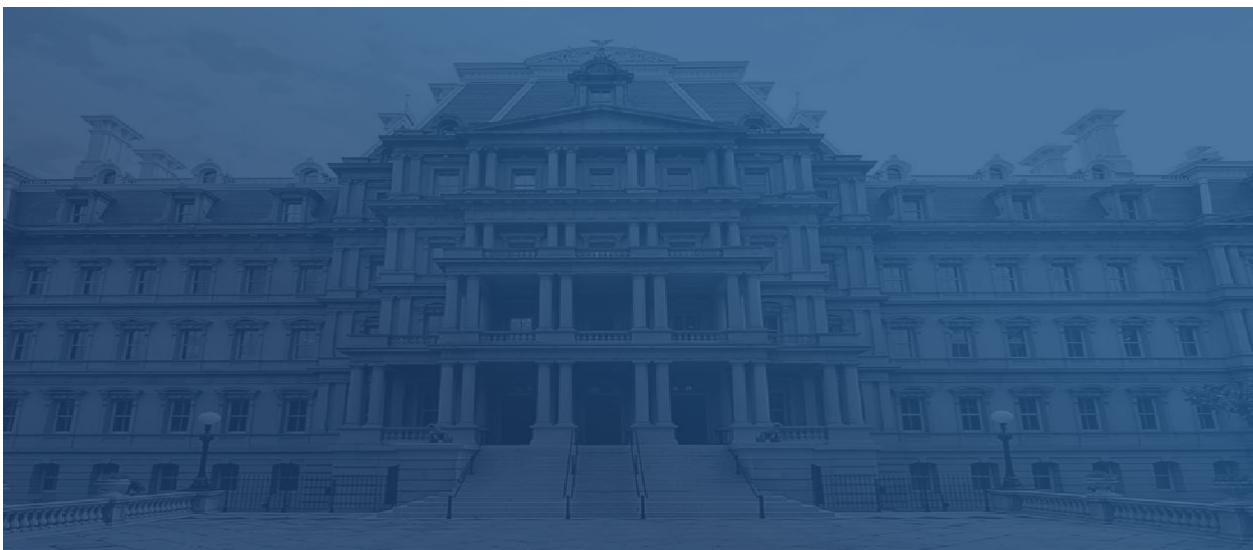
**CIGFO and Council
of the Inspectors General
on Integrity and Efficiency
(CIGIE) Coordination**

CIGFO and Council of the Inspectors General on Integrity and Efficiency (CIGIE) Coordination

All eight IGs comprising CIGFO are also members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Several of them are currently serving, or have served, on various CIGIE committees and working groups such as:

- CIGIE's Integrity Committee which receives, reviews, and refers for investigation allegations of wrongdoing made against: an Inspector General; designated staff members of an OIG; the Special Counsel, U.S. Office of Special Counsel (OSC); and the Principal Deputy Special Counsel, OSC, and ensures the fair, consistent, timely, and impartial disposition of the allegations.
- CIGIE's Professional Development Committee which provides educational opportunities for members of the IG community and ensures the development of competent personnel.
- CIGIE's Pandemic Response Accountability Committee (PRAC) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act),³ to promote transparency and ensure coordinated oversight of the government's spending and coronavirus response. Many of the CIGFO IGs are currently serving, or have served, on this important committee and provided their expertise in leading the PRAC's Financial Institutions Oversight Issue Group.

CIGFO working group efforts generally adhere to the Government Auditing Standards, also known as the Yellow Book, and when applicable, conform to the quality standards developed by CIGIE.⁴



³ Public Law 116-136 (March 27, 2020).

⁴ To learn more about CIGIE, visit www.ignet.gov/content/about-igs.

Transition Issues Relating to CIGFO

Transition Issues Relating to CIGFO

Historically, because of their nonpartisan, independent status, IGs have remained in office when Presidential Administrations change. As a result, the CIGFO member IGs will carry forward the knowledge and experience that is crucial to FSOC, CIGFO, and each IG's respective office.

Role of CIGFO in the Transition to a New Administration

Just as individual CIGFO member IGs can perform a valuable role during Presidential transitions at their respective agencies, CIGFO, as a collective body, can provide an equally valuable role in a transition. Based on its experience and unique perspective, CIGFO can be a valuable source of information about the key financial oversight issues that will confront the new Administration's management team.

In the past, the transition teams for many agencies have met separately with the IG of the respective agency for a briefing on the IG's ongoing and recently completed work, as well as the IG's view of the important issues within the agency that will confront the new Administration. It is useful for the transition teams to meet with the IG of that agency early in the transition process. Reflecting the IGs' independence and unique perspective on their agency, transition teams should meet with the IGs separate from their meetings with other management officials within the agency.

A critical document for the transition team to review is the CIGFO Annual Report. This report summarizes the general observations of CIGFO based on the views expressed by each IG with a focus on measures that should be taken to improve financial oversight. The report also consolidates each IGs concerns and recommendations with a focus on issues at their respective agencies and those that may apply to the broader financial sector. This report can provide a useful overview for the transition team and new Administration appointees in understanding the scope of the issues they will confront not only at each member agency, but in the broader financial sector. We suggest the transition teams review the CIGFO Annual Report and discuss with each respective IG their assessment of these issues.

New Administration Officials' Interaction with CIGFO

Once the new Administration takes office and after leadership of FSOC and their member agencies are appointed, it is important that they establish regular communications with CIGFO and the IGs of their respective agency.

Regular communications will enable CIGFO to inform FSOC leadership about ongoing work, the results of completed work, and the status of open recommendations from working group reports and other working group projects.

CIGFO will also be able to answer questions about the processes and procedures it uses in its work and can raise any impediments to its work or any areas that it believes need management attention for corrective action. CIGFO often invites FSOC leadership to speak at CIGFO's quarterly meetings. This ongoing engagement will allow FSOC members to discuss their priorities and views on future CIGFO reviews that could be valuable for agency programs. On these and other issues, ongoing and regular communication between FSOC and CIGFO is important to establish an effective and candid relationship that fulfills the purposes of the Dodd-Frank Act.





Council of Inspectors General on Financial Oversight



Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

