



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

March 18, 2026

Anthony D'Esposito
Inspector General
Department of Labor Office of Inspector General
200 Constitution Avenue, NW
Room S-5502
Washington, D.C. 20210

Subject: *External Peer Review of the Department of Labor Office of Inspector General Inspection and Evaluation Organization*

Dear Mr. D'Esposito,

Attached are the external peer review report and letter of comment for our review of the Department of Labor Office of Inspector General inspection and evaluation organization. On March 5, 2026, we provided drafts for your review and comment. We included your March 12, 2026, responses as enclosures to the final documents.

We appreciate the courtesies and cooperation extended to us during this review. Please contact us with any questions.

Respectfully,

Kevin B. Muhlendorf
Inspector General

Enclosure(s)

cc: Michael Dillinger, Department of Labor, Office of Inspector General, Deputy Inspector General
Laura B. Nicolosi, Department of Labor, Office of Inspector General, Assistant Inspector General for Audits
Rebecca L. Sharek, U.S. Securities and Exchange Commission, Office of Inspector General, Deputy Inspector General for Audits, Evaluations, and Special Projects



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External Peer Review Report

March 18, 2026

Anthony D'Esposito
Inspector General
Department of Labor Office of Inspector General
200 Constitution Avenue, NW
Room S-5502
Washington, D.C. 20210

Dear Mr. D'Esposito,

We reviewed the system of quality control for the Department of Labor (DOL) Office of Inspector General (OIG) in effect for the year ended September 30, 2025. A system of quality control includes multiple aspects of an organization, including, but not limited to, policies and procedures designed to provide reasonable assurance of complying with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE's) *Quality Standards for Inspection and Evaluation*, December 2020 (Blue Book).

In our opinion, the system of quality control for the DOL OIG in effect for the year ended September 30, 2025, has been suitably designed and complied with to provide the U.S. Securities and Exchange Commission (SEC) OIG with reasonable assurance of performing and reporting in conformity with the Blue Book.

Inspection and Evaluation (I&E) organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The DOL OIG has received an external peer review rating of *pass*.

Letter of Comment

We have issued a letter dated March 5, 2026, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

This required external peer review was conducted in accordance with CIGIE's *Guide for Conducting External Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General* (July 2023) and the Memorandum of Understanding between SEC OIG and DOL OIG, entered into on November 24, 2025.

During our review, we obtained an understanding of the nature of DOL OIG's I&E function and the design of DOL OIG's system of quality control sufficient to assess the risks implicit in its I&E function. Based on our assessments, we selected I&E reports and administrative files to test for conformity with Blue Book standards and compliance with DOL OIG's system of quality control.

In performing our review, we obtained an understanding of the system of quality control for DOL OIG's I&E function. In addition, we tested compliance with DOL OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DOL OIG's policies and procedures on selected I&E reports. 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 shared with DOL OIG management 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 I&E reports we reviewed.

DOL OIG's management officials provided a response to our peer review report (Enclosure 2) in which they agreed with our overall rating.

Responsibilities and Limitations

DOL OIG is responsible for establishing and maintaining a system of quality control designed to provide DOL OIG with reasonable assurance that the organization and its personnel comply in all material respects with Blue Book standards. Our responsibility is to express an opinion on the design of the system of quality control and DOL 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.

We appreciate the courtesies and cooperation extended to us during this review. Please contact us with any questions.

Respectfully,

Kevin B. Muhlendorf
Inspector General

Enclosure(s)

cc: Michael Dillinger, Department of Labor, Office of Inspector General, Deputy Inspector General
Laura B. Nicolosi, Department of Labor, Office of Inspector General, Assistant Inspector General for Audits
Rebecca L. Sharek, U.S. Securities and Exchange Commission, Office of Inspector General, Deputy Inspector General for Audits, Evaluations, and Special Projects

Enclosure 1. Scope and Methodology

We reviewed DOL OIG inspection organization's system of quality control in effect for the year ended September 30, 2025, to the extent we considered appropriate. DOL OIG issued four I&E reports between October 1, 2022, and September 30, 2025. Because there were only four reports issued in the period under review, we determined that a sample of two reports was sufficient. As such, we judgmentally selected the following two reports taking into consideration the report topic and the report issuance date:

1. *Insights on Telehealth Use and Program Integrity Risks in DOL Workers' Compensation Programs During the Pandemic*, Report No. 19-23-002-04-001 (December 13, 2022).
2. *A Review of Pandemic Unemployment Insurance Relief and Its Impact on Six Different U.S. Communities*, Report No. 19-24-002-03-315 (March 28, 2024).

SEC OIG conducted the peer review remotely. The SEC OIG Review Team obtained relevant supporting documentation via email or through a secure file sharing service. The Review Team did not have any constraints on its ability to exercise professional judgment and did not have any limitations on or impairments to independence.

Enclosure 2. Reviewed Organization's Comments to Draft External Peer Review Report

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 12, 2026

The Honorable Kevin Muhlendorf
Inspector General
Securities and Exchange Commission
Office of Inspector General
100 F Street NE
Washington, DC 20549

Dear Inspector General Muhlendorf:

Thank you for the opportunity to comment on the External Peer Review Draft Report. We are pleased that your review concluded that our policies and procedures, as well as the two reports reviewed, were consistent with and complied with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Quality Standards for Inspection and Evaluation applicable to this external peer review.

We agree with your team's assessment that our office can further enhance its compliance with CIGIE's quality standards, and we appreciate the recommendations identified by your team. We will share your team's observations with our staff as part of our ongoing efforts to continuously improve our processes.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony P. D'Esposito". The signature is stylized and includes a large flourish that extends upwards and to the right.

Anthony P. D'Esposito
Inspector General



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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March 18, 2026

Anthony D'Esposito
Inspector General
Department of Labor Office of Inspector General
200 Constitution Avenue, NW
Room S-5502
Washington, D.C. 20210

Dear Mr. D'Esposito,

We reviewed the system of quality control for the Department of Labor (DOL) Office of Inspector General (OIG) in effect for the year ended September 30, 2025. We issued our peer review report on March 18, 2026, in which DOL OIG received an overall rating of *pass*. That report should be read in conjunction with the comments in this letter, which were considered in determining the overall rating. The findings described below were not considered to be of sufficient significance to impact our overall conclusions or the overall rating.

Finding 1. Continued Lack of Guidance for I&E Projects

DOL OIG's internal guidance (2021 OA Handbook) states that it applies to all reviews, audits, and non-audit engagements such as inspection and evaluation (I&E) projects. While this guidance provides specific policies and procedures for planning, conducting fieldwork, and reporting for performance audits, financial audits, and attestation engagements "in accordance with [Generally Accepted Government Auditing Standards]," it does not explicitly state those policies and procedures that also apply to I&E projects or explain how the Blue Book standards are addressed.

The lack of clear guidance applicable to I&E projects was also noted in two prior peer reviews. In its 2019 Letter of Comment, the Federal Deposit Insurance Corporation OIG suggested that DOL OIG (a) include a statement in Chapter 13 of its OA Handbook to explain how the Blue Book standards are integrated throughout the document, and (b) add specific Blue Book references throughout. Likewise, in 2023 the Federal Housing Finance Agency OIG suggested that DOL OIG specify in the OA Handbook which of its audit requirements apply to I&E projects.

In response to the Federal Housing Finance Agency OIG suggestion, DOL OIG indicated that management would continue to update organizational policies and procedures and would specify

in the OA Handbook that the requirements contained therein apply to audit and/or I&E projects. However, at the time of our review, DOL OIG had not yet updated the OA Handbook to reflect the suggested changes. DOL OIG officials informed us that the OA Handbook should be updated no later than March 16, 2026.

Recommendation 1

We recommend that the Assistant Inspector General for Audits:

1. Update the OA Handbook to specify which requirements apply to I&E projects, and to explain how the organization addresses Blue Book requirements applicable to I&E projects.

Views of Responsible Official

DOL OIG agreed with the review team's conclusion. According to the DOL Inspector General, DOL OIG is updating the OA Handbook to directly reflect our recommendation. DOL OIG's complete response is reprinted as an enclosure to this letter.

Finding 2. Noncompliance with DOL OIG Independence and Supervision Requirements

The OA Handbook requires that DOL OIG audit managers "use a Memorandum for Record at the beginning and end of each project to certify auditors assigned to the project are independent and remained independent throughout the course of the project or certify and document any independence issues that arose were eliminated or reduced to an acceptable level." The OA Handbook also requires that the Memorandum for Record be documented in each project's electronic file. However, the two project files we reviewed did not include the Memorandum for Record. DOL OIG officials explained that they are updating the OA Handbook to align with current policies and procedures related to independence and that the revised version will remove this requirement.

The OA Handbook also requires DOL OIG Audit Directors to review and approve all summary workpapers for each objective and all finding summaries. DOL OIG did not comply with this requirement for one of the project files we reviewed. The Federal Housing Finance Agency OIG's 2023 Letter of Comment also noted that DOL OIG did not comply with this supervision and/or review requirement.

Recommendations 2 and 3

We recommend that the Assistant Inspector General for Audits:

2. Update the OA Handbook to reflect the current procedures for documenting independence; and
3. Implement a mechanism to ensure that each project file complies with the OA Handbook's supervision and/or review requirement.

Views of Responsible Official

DOL OIG agreed with the review team's conclusion. According to the DOL Inspector General, DOL OIG is updating the OA Handbook to align with its current practices by removing the requirement for audit managers to prepare a Memorandum for Record certifying the independence of assigned auditors at the beginning and end of each project; and implementing revised workpaper sign-off requirements. DOL OIG's complete response is reprinted as an enclosure to this letter.

We appreciate the courtesies and cooperation extended to us during this review. Please contact us with any questions.

Respectfully,

Kevin B. Muhlendorf
Inspector General

Enclosure

cc: Michael Dillinger, Department of Labor, Office of Inspector General, Deputy Inspector General
Laura B. Nicolosi, Department of Labor, Office of Inspector General, Assistant Inspector General for Audits
Rebecca L. Sharek, U.S. Securities and Exchange Commission, Office of Inspector General, Deputy Inspector General for Audits, Evaluations, and Special Projects

Enclosure. Reviewed Organization's Comments to Draft Letter of Comment

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 12, 2026

The Honorable Kevin Muhlendorf
Inspector General
Securities and Exchange Commission
Office of Inspector General
100 F Street NE
Washington, DC 20549

Dear Inspector General Muhlendorf:

Thank you for the opportunity to comment on the *External Peer Review Draft Letter of Comment*. Our responses to each of the Peer Review team's two findings are presented below.

Finding 1. Continued Lack of Guidance for I&E Projects

DOL OIG's internal guidance (2021 OA Handbook) states that it applies to all reviews, audits, and non-audit engagements, such as inspection and evaluation (I&E) projects. While this guidance provides specific policies and procedures for planning, conducting fieldwork, and reporting for performance audits, financial audits, and attestation engagements "in accordance with [Generally Accepted Government Auditing Standards]," it does not explicitly state those policies and procedures that also apply to I&E projects or explain how the Blue Book standards are addressed.

The lack of clear guidance applicable to I&E projects was also noted in two prior peer reviews. In its 2019 Letter of Comment, the Federal Deposit Insurance Company OIG suggested that DOL OIG (a) include a statement in Chapter 13 of its OA Handbook to explain how the Blue Book standards are integrated throughout the document, and (b) add specific Blue Book references throughout. Likewise, in 2022 the Federal Housing Finance Agency OIG suggested that DOL OIG specify in the OA Handbook which of its audit requirements apply to I&E projects. In response to the Federal Housing Finance Agency's suggestion, DOL OIG indicated that management would continue to update organizational policies and procedures and would specify in the OA Handbook that the requirements contained therein apply to audit and/or I&E projects. However, at the time of our review, DOL OIG had not yet updated the OA Handbook to reflect the suggested changes. DOL OIG officials informed us that the OA Handbook should be updated no later than March 16, 2026.

The review team suggested that the Assistant Inspector General for Audits update the OA Handbook to specify which requirements apply to I&E projects, and to explain how the organization addresses Blue Book requirements applicable to I&E projects.

DOL OIG Response

We agree with the review team's conclusion. OA is updating the OA Handbook to directly implement the SEC OIG's recommendation. The revised Handbook will specify which requirements apply to I&E projects and explain how OA addresses all seven Blue Book standards applicable to I&E work.

To support implementation, OA developed the Non-GAGAS Projects Standard Operating Procedure (SOP), which establishes distinct procedures specific to I&E projects. The SOP outlines the applicable Blue Book standards and aligns OA's policy and procedures accordingly, providing engagement teams with clear guidance at the start of each project.

The updated OA Handbook and Non-GAGAS Projects SOP are expected to be implemented no later than March 31, 2026. Once implemented, the OA Handbook and SOP will clearly specify requirements applicable to I&E projects and cross-reference the relevant Blue Book standards. OA will also communicate the updated guidance through targeted training to ensure consistent understanding and application across engagement teams.

Finding 2. Noncompliance with DOL OIG Independence and Supervision Requirements

The OA Handbook requires that DOL OIG audit managers "use a Memorandum for Record at the beginning and end of each project to certify auditors assigned to the project are independent and remained independent throughout the course of the project or certify and document any independence issues that arose were eliminated or reduced to an acceptable level." The OA Handbook also requires that the Memorandum for Record be documented in each project's electronic file. However, the two project files we reviewed did not include the Memorandum for Record. DOL OIG officials explained that they are updating the OA Handbook to align with current policies and procedures related to independence and that the revised version will remove this requirement.

The OA Handbook also requires DOL OIG Audit Directors to review and approve all summary workpapers for each objective and all finding summaries. DOL OIG did not comply with this requirement for one of the project files we reviewed. Federal Housing Finance Agency OIG's 2023 Letter of Comment also noted that DOL OIG did not comply with this supervision and/or review requirement.

The review team suggested that the Assistant Inspector General for Audits: (1) Update the OA Handbook to reflect the current procedures for documenting independence; and (2) Implement a mechanism to ensure that each project file complies with the OA Handbook's supervision and/or review requirement.

DOL OIG Response

We agree with the review team's conclusion. Regarding independence requirements, we agree that the current OA Handbook requirement for a Memorandum for Record documenting independence at the beginning and end of each project does not reflect OA's current practice. During the peer review, we communicated to the review team that OA is updating the OA Handbook to align with current practices by removing the requirement for audit managers to prepare a Memorandum for Record certifying the independence of assigned auditors at the beginning and end of each project.

Auditors currently certify their independence through the annual independence certification process, promptly notify their supervisor if an independence issue arises during the engagement, and documents independence threat assessments within the audit workpapers. In addition, personnel assigned as Subject Matter Experts and non-auditors with a substantial role in an engagement are required to complete a per-engagement independence certification.

Regarding supervision requirements, we agree that the current OA Handbook requirement for Audit Directors to review and approve all summary workpapers for each objective and all finding summaries was not fully met for one of the project files reviewed. As communicated to the review team during the peer review, OA is updating the OA Handbook to rescind this requirement and implement revised workpaper sign-off requirements. Under the revised approach, Audit Directors will review and approve the overall sufficiency of evidence and GAGAS statement, as applicable, within the engagement workpapers. To support implementation, OA has modified the Audit Director Report Release Checklist and the Reporting Phase Engagement Quality Review Checklist to help ensure that each project file complies with the OA Handbook's supervision requirements.

The updated OA Handbook, expected to be issued no later than March 31, 2026, will reflect these policies and procedures and will directly implement SEC OIG's recommendations. OA will also communicate the updated guidance through targeted training to ensure consistent understanding and application across engagement teams.

We appreciate the improvement opportunities that your team identified, and we will share your team's observations with our staff to help us continuously improve our processes.

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

Sincerely,



Anthony P. D'Esposito
Inspector General