

Appendix D: Agency Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

KEVIN WARSH
CHAIRMAN

September 29, 2026

Mr. Michael Horowitz
Inspector General
Board of Governors of the Federal Reserve System
20th and Constitution Ave. NW
Washington, DC 20551

Inspector General Horowitz:

I have received your report on the renovation of the Federal Reserve's Eccles and East Buildings, and I'm grateful for your thorough and rigorous evaluation of the project. We strongly agree on the necessity of completing the work in the most efficient and transparent way possible.

Soon after being sworn in as Chairman, I was briefed on the renovations and learned of the ongoing challenges that have hindered their progress. That was my introduction to this five-year-old construction project, and I have gained further understanding of the circumstances from you and your team in our periodic meetings.

In early August, I also sought the advice of Administrator Edward C. Forst of the General Services Administration. Not only does Administrator Forst lead the agency responsible for managing federal workplaces; he also has considerable private-sector experience in large-scale construction. I've known him for some years and have confidence in his expertise.

Administrator Forst and his GSA team have made substantial progress in their examination of the project. They fully understand the issues of governance, management, scheduling, cost controls, and other problems described in your report. And now that you have completed your own review and presented your recommendations, I have asked GSA to work with the Federal Reserve in the task of finally bringing the renovations to a speedy and successful completion.

Effective immediately, GSA will serve as the Project Executive, reporting to the Board of Governors and to me as its Chairman. Working together, we will ensure that the balance of the project is managed to the highest standards and is finished promptly. I am determined that all of the recommendations in your report be carried out in a systematic way that drives the work forward and keeps the parties accountable. To that end, I have directed a series of actions to be taken at the Federal Reserve.

We will engage an independent auditor to verify the accuracy and compliance of all awarded costs to date.

The Federal Reserve will promptly complete negotiations for a Guaranteed Maximum Price for the project. Even at this late stage, such controls are advisable in our effort to make wise use of public funds. GSA can help us make certain that taxpayers are getting the best terms and the best value.

Board staff in coordination with the Project Executive will establish fixed metrics for the project's budget and schedule, to ensure that all remaining costs are set, solid numbers understood by all. If any arm of government should be showing vigilance in cost control, it is the nation's central bank – and this will be the practice going forward.

Together with Administrator Forst's team, the Federal Reserve will also lead a review of project contracts, determine the value of any services not received, and pursue appropriate remedies. As necessary, we will seek reimbursement or project credits for any work paid for but not performed.

Finally, as you advise, the Federal Reserve will set clear internal controls and standards for budgeting, performance, and oversight for the future, so that no issues of this kind will be repeated. There are important lessons to be learned, and those lessons, combined with your conclusions and with recommendations from GSA, will have permanent value for our successors on the Board of Governors.

I took up the position of Chairman with deep pride in the Federal Reserve, and in the dedicated and talented public servants who fill our ranks. With the changes we are putting in place, we will deliver a superior result for this project and add to our strengths as an institution. Here, as in every other office of government, we owe the American people a prudent and conscientious use of public funds. We take that obligation seriously at the Federal Reserve, and your report and recommendations are timely and most welcome.

Please convey my thanks to your whole team for their diligence and excellent work.

Sincerely,

A handwritten signature in dark ink, consisting of the letters 'R', 'W', and 'L' in a stylized, cursive-like font.