

Open Recommendations Made to the Board of Governors of the Federal Reserve System



We oversee the Board of Governors of the Federal Reserve System by conducting audits, evaluations, and inspections of the Board's programs and operations and by making recommendations to improve economy, efficiency, and effectiveness.

Audits assess aspects of the economy, efficiency, and effectiveness of Board programs and operations and are conducted in accordance with *Government Auditing Standards*, which is issued by the comptroller general of the United States. Evaluations and inspections include program evaluations and statutorily mandated reviews of failed financial institutions supervised by the Board. Evaluations are generally focused on the effectiveness of specific programs or functions, and inspections are often narrowly focused on particular issues or topics and provide time-critical analyses. Evaluations and inspections are performed according to *Quality Standards for Inspection and Evaluation*, which is issued by the Council of the Inspectors General on Integrity and Efficiency.

Our audit, evaluation, and inspection reports explain why we conducted the review and the issues we found that should be corrected or improved, and they contain specific recommendations for agency corrective action. Table 1 shows, as of September 30, 2020, the total number and status of recommendations we made to the Board by calendar year, beginning with the first year for which recommendations remain open.

Table 1. Status of Recommendations for 2013–2020, as of September 30, 2020

Status	2013	2014	2015	2016	2017	2018	2019	2020
Recommendations	35	57	38	40	41	57	22	39
Open	1	0	0	1	14	18	11	39
Closed	34	57	38	39	27	39	11	0
Public recommendations	20	52	29	30	41	37	22	39
Open	1	0	0	1	14	13	11 ^a	39 ^a
Closed	19	52	29	29	27	24	11	0
Nonpublic recommendations	15	5	9	10	0	20	0	0
Open	0	0	0	0	0	5	0	0
Closed	15	5	9	10	0	15	0	0

Note: Some reports are restricted because they contain sensitive information. The recommendations from these reports are identified as nonpublic.

^aOnly the recommendations that have been open for more than 12 months are reflected in the accompanying list of open recommendations.

This document provides a list of publicly available report recommendations we made to the Board that have been open for more than 12 months as of September 30, 2020, and their status. The status designations and their definitions are as follows:

- **Agency concurrence**—The Board stated that it plans to implement the recommendation.
- **Agency nonconcurrence**—The Board stated that it does not concur with the recommendation. We continue to believe the recommendation should be implemented and are working with the Board to reach a resolution.
- **Agency partial concurrence**—The Board stated that it does not agree with part of the recommendation. We continue to believe the recommendation should be fully implemented and are working with the Board to reach a resolution.
- **Agency action**—The Board reported that it has begun taking steps to implement the recommendation.
- **Partial implementation**—The Board reported that it has completed actions to close part of the recommendation and is taking steps to close the remaining aspects.
- **Verification in progress**—The Board reported that it has completed actions to fully close the recommendation. We are verifying that the actions address the recommendation.

For inquiries about the list of open recommendations, please contact oig.media@frb.gov or 202-973-5043.

Publicly Available Board Recommendations Open for More Than 12 Months

Report title	Issuance date	Recommendation	Recommendation status
The Board Can Benefit from Implementing an Agency-Wide Process for Maintaining and Monitoring Administrative Internal Control 2013-AE-B-013	09/05/2013	1. Designate responsible officials or an office to <ol style="list-style-type: none"> develop and implement an agencywide policy and process to more closely follow the spirit and intent of the Federal Managers' Financial Integrity Act of 1982. develop a training program to increase staff awareness about maintaining and monitoring administrative internal control. 	Agency action
2016 Audit of the Board's Information Security Program 2016-IT-B-013	11/10/2016	1. Work with the chief operating officer to perform a risk assessment to determine which aspects of an insider threat program are applicable to other types of sensitive Board information and develop and implement an agencywide insider threat strategy for sensitive but unclassified Board information, as appropriate.	Agency action
The Board Can Enhance Its Cybersecurity Supervision Approach in the Areas of Third-Party Service Provider Oversight, Resource Management, and Information Sharing 2017-IT-B-009	04/17/2017	1. Reiterate to financial institutions the requirement to notify their primary regulator of the existence of new service relationships, and develop a process to periodically reconcile and refresh the listing of multiregional data processing firms and technology service providers.	Agency action
		2. Evaluate options for enhancing the oversight of multiregional data processing firms and technology service providers, and based on this assessment, identify and implement an enhanced governance structure for supervision of these entities.	Agency action
		3. Work with other federal banking agencies and the Board's Legal Division, as appropriate, to provide clarification and guidance to examination teams regarding the identification of service relationships and the expectations for supervising multiregional data processing servicer firms and technology service providers.	Agency action
		4. Establish a process to document the information technology systems being used at the multiregional data processing servicer firms and technology service providers, and ensure that the Cybersecurity Analytics Support Team is aware of this information so it can provide relevant cybersecurity alerts to supervisory teams.	Agency action
2017 Audit of the Board's Information Security Program 2017-IT-B-018	10/31/2017	1. Ensure that <ol style="list-style-type: none"> an optimal governance structure for enterprise risk management is implemented that includes considerations for a chief risk officer or equivalent function. an enterprise risk management strategy is used to maintain a risk profile for the Board. 	Agency action

Report title	Issuance date	Recommendation	Recommendation status
The Board's Organizational Governance System Can Be Strengthened 2017-FMIC-B-020	12/11/2017	2. Work with the chief information officer to ensure that the agency's standard contracting language includes the Board's security assurance requirements for third parties, as necessary.	Verification in progress
		3. Work with the chief information officer to evaluate applicable contracts with third-party providers to determine whether additional amendments are needed to ensure that the necessary security assurance requirements are referenced.	Verification in progress
		4. Ensure that the Board's enterprise architecture includes technologies managed by all divisions, and work with the chief operating officer to enforce associated review processes agencywide.	Agency action
		5. Develop and implement an agencywide identity, credential, and access management strategy that assesses current processes, provides a vision for the desired future state, and identifies plans to achieve that future state.	Agency action
		8. Develop, implement, and regularly update an information security continuous monitoring strategy that includes performance measures to gauge the effectiveness of related processes and provides agencywide security status.	Agency action
		4. Enhance and document the governor orientation program to better prepare governors for their roles and responsibilities, including but not limited to, a. an overview of policymaking roles and responsibilities. b. an overview of division oversight roles and responsibilities. c. an overview of Board management and operations. d. a list of key experts from each Board area. e. procedures for handling sensitive information. f. reference documents for governors' use.	Agency action
		5. Review and formalize the process for governors to request and obtain dedicated advisors, including presenting new governors with options for and considerations associated with selecting advisors from inside or outside the Board.	Agency action
		6. Determine governors' information needs, both within and outside the committee structure, and communicate those to Board officials, including a. the type of information to be shared, such as information regarding strategic and operational decisions. b. the extent and timing of information sharing, such as encouraging two-way collaborative discussions. c. the documentation of communication expectations in committee charters or other relevant documents.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
2018 Audit of the Board's Information Security Program 2018-IT-B-017	10/31/2018	10. Communicate and reinforce the Board of Governors' expectations of the chief operating officer and the heads of the enterprisewide administrative functions to all division directors and consider tools that will enable the Board of Governors to enhance the effectiveness of these functions, such as a. holding periodic meetings with the chief operating officer to discuss the administration of the agency and progress on administrative initiatives. b. identifying and implementing mechanisms to hold division directors accountable for their role in the administrative functions.	Agency action
		1. Ensure that the Board's information security policy, procedure, standard, and process documentation is maintained to reflect changes to federal requirements and agency processes.	Verification in progress
		2. Ensure that all required inventory components, including the identification of personally identifiable information as well as internal and external interconnections, are maintained for all Board and third-party systems.	Verification in progress
		3. Ensure that all of the Board's network devices are included in the agency's vulnerability scanning processes, as appropriate.	Verification in progress
		5. Develop and implement a process to a. ensure that access controls for the Board's report-generating technology are maintained in both production and nonproduction environments based on the principles of need to know and least privilege. b. remove reports from the Board's report-generating technology in both production and nonproduction environments when they are no longer needed.	Verification in progress
		6. Develop and implement a process to assess the knowledge, skills, and abilities of Board staff with significant security responsibilities and establish plans to close identified gaps.	Agency Action
The Board Can Strengthen Information Technology Governance 2018-IT-B-020	11/05/2018	2. Require divisions with embedded information technology units to inform the chief information officer of their information technology investment plans.	Agency concurrence
		3. Require that all information technology investments align with the Board's enterprisewide architecture unless such information technology investments receive a waiver from the chief information officer.	Agency concurrence

Report title	Issuance date	Recommendation	Recommendation status
<p>The Board's Currency Shipment Process Is Generally Effective but Can Be Enhanced to Gain Efficiencies and to Improve Contract Administration</p> <p>2018-FMIC-B-021</p>	12/03/2018	4. Clarify and document the roles and responsibilities of the Board's information technology governance boards and committees and require division-level governance boards and committees to include the chief information officer, or their designee, as appropriate.	Agency concurrence
		1. Evaluate opportunities to streamline the forecasting process and finalize the Currency Desk Training Guide accordingly.	Verification in progress
		3. Evaluate alternatives for transporting shipping equipment to reduce transportation costs.	Verification in progress
		4. Establish a process to ensure that the contracting officer's representative obtains and reviews the armored carriers' insurance certificates throughout the period of performance.	Verification in progress
		5. Establish a process to ensure that Board Information Security Program and Policies requirements are communicated to armored carrier personnel who are accessing the currency shipment system.	Verification in progress
		8. Establish a process to ensure that armored carriers comply with contract terms and to communicate key requirements to the Bureau of Engraving and Printing and the Reserve Banks.	Verification in progress
<p>The Board Can Enhance Its Internal Enforcement Action Issuance and Termination Processes by Clarifying the Processes, Addressing Inefficiencies, and Improving Transparency</p> <p>2019-SR-B-013</p>	09/25/2019	1. Issue internal guidance on the enforcement action issuance and termination processes that <ol style="list-style-type: none"> defines the general steps to take when issuing and terminating each type of enforcement action. clearly defines the roles and responsibilities of the parties involved in the processes. reflects any structural or process changes that result from recommendations 3 and 4. 	Agency action
		5. Conduct an assessment to identify stages or points in the processes for which implementing interim targets for the expected time or range of time allotted would be feasible. Establish interim targets based on the results of the assessment as appropriate.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
The Board's Law Enforcement Operations Bureau Can Improve Internal Processes 2019-MO-B-014	09/30/2019	6. Develop internal processes and procedures requiring that Board staff provide periodic updates to the Reserve Banks regarding the status of enforcement actions following the Reserve Bank's recommendation for issuance or termination. In developing this guidance, the Division of Supervision and Regulation and the Legal Division should consider including requirements for a. notifying the Reserve Bank of the Board attorney(s) assigned to the case. b. relaying updates that provide specificity about the status of the case.	Agency action
		1. Document the role and responsibilities of the designated supervisory officer when conducting and reporting results of an internal review.	Verification in progress
		2. Document the training requirements for individuals assigned to perform internal reviews.	Agency concurrence