

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



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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 March 31, 2021, 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 2013–2021, as of March 31, 2021**

Status	2013	2014	2015	2016	2017	2018	2019	2020	2021
Recommendations	35	57	38	40	41	57	22	43	8
Open	1	0	0	1	6	9	9	23	8
Closed	34	57	38	39	35	48	13	20	0
Public recommendations	20	52	29	30	41	37	22	43	8
Open	1	0	0	1	6	4	9	23 <sup>a</sup>	8 <sup>a</sup>
Closed	19	52	29	29	35	33	13	20	0
Nonpublic recommendations	15	5	9	10	0	20	0	0	0
Open	0	0	0	0	0	5	0	0	0
Closed	15	5	9	10	0	15	0	0	0

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

<sup>a</sup>Only 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 will have been open for more than 12 months as of March 31, 2021, 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](mailto: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
<a href="#">The Board Can Benefit from Implementing an Agency-Wide Process for Maintaining and Monitoring Administrative Internal Control</a> 2013-AE-B-013	09/05/2013	1. Designate responsible officials or an office to <ol style="list-style-type: none"> <li>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.</li> <li>develop a training program to increase staff awareness about maintaining and monitoring administrative internal control.</li> </ol>	Agency action
<a href="#">2016 Audit of the Board's Information Security Program</a> 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
<a href="#">The Board Can Enhance Its Cybersecurity Supervision Approach in the Areas of Third-Party Service Provider Oversight, Resource Management, and Information Sharing</a> 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 servicer firms and technology service providers.	Agency action
<a href="#">2017 Audit of the Board's Information Security Program</a> 2017-IT-B-018	10/31/2017	1. Ensure that <ol style="list-style-type: none"> <li>an optimal governance structure for enterprise risk management is implemented that includes considerations for a chief risk officer or equivalent function.</li> <li>an enterprise risk management strategy is used to maintain a risk profile for the Board.</li> </ol>	Agency action
		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

Report title	Issuance date	Recommendation	Recommendation status
<a href="#">The Board's Organizational Governance System Can Be Strengthened</a> <a href="#">2017-FMIC-B-020</a>	12/11/2017	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 <ol style="list-style-type: none"> <li>holding periodic meetings with the chief operating officer to discuss the administration of the agency and progress on administrative initiatives.</li> <li>identifying and implementing mechanisms to hold division directors accountable for their role in the administrative functions.</li> </ol>	Agency action
<a href="#">2018 Audit of the Board's Information Security Program</a> <a href="#">2018-IT-B-017</a>	10/31/2018	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
<a href="#">The Board Can Strengthen Information Technology Governance</a> <a href="#">2018-IT-B-020</a>	11/05/2018	2. Require divisions with embedded information technology units to inform the chief information officer of their information technology investment plans.	Agency action
		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 action
		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 action
<a href="#">The Board Can Enhance Its Internal Enforcement Action Issuance and Termination Processes by Clarifying the Processes, Addressing Inefficiencies, and Improving Transparency</a> <a href="#">2019-SR-B-013</a>	09/25/2019	1. Issue internal guidance on the enforcement action issuance and termination processes that <ol style="list-style-type: none"> <li>defines the general steps to take when issuing and terminating each type of enforcement action.</li> <li>clearly defines the roles and responsibilities of the parties involved in the processes.</li> <li>reflects any structural or process changes that result from recommendations 3 and 4.</li> </ol>	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
<a href="#">The Board's Law Enforcement Operations Bureau Can Improve Internal Processes</a> 2019-MO-B-014	09/30/2019	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.	Verification in progress
<a href="#">2019 Audit of the Board's Information Security Program</a> 2019-IT-B-016	10/31/2019	1. Develop comprehensive enterprisewide guidance for the inventory of software and associated licenses throughout the Board.	Agency concurrence
		2. Work with all Board divisions to ensure that an accurate and complete software and license inventory is maintained.	Agency concurrence
		3. Ensure the consistent application of the Board's plan of action and milestones standard for the tracking of system- and program-level security vulnerabilities.	Agency concurrence
		5. Work with the Federal Reserve System to ensure that the data loss protection replacement solution <ul style="list-style-type: none"> <li>a. functions consistently across the Board's technology platforms.</li> <li>b. supports rulesets that limit the exfiltration weaknesses we identified, to the extent practicable.</li> </ul>	Agency concurrence
		6. Develop and implement a Boardwide process to incorporate the review of data loss protection logs into employee and contractor offboarding processes to identify any potential unauthorized data exfiltrations or access.	Agency concurrence
<a href="#">The Board Should Finalize Guidance to Clearly Define Those Considered Senior Examiners and Subject to the Associated Postemployment Restriction</a> 2020-SR-B-003	03/09/2020	1. Finalize and issue guidance to clarify the definition of senior examiner.	Agency action
<a href="#">The Board's Oversight of Its Designated Financial Market Utility Supervision Program Is Generally Effective, but Certain Program Aspects Can Be Improved</a> 2020-FMIC-B-005	03/18/2020	1. Publish in an order or rule subject to the Administrative Procedure Act the internal delegations made to the Division of Reserve Bank Operations and Payment Systems for reviewing and approving advance notices of proposed change.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		<p>2. Define and document which parties at the division director and governor levels will have a role in reviewing and approving enforcement actions for designated financial market utilities.</p> <hr/> <p>3. Develop a committee charter for the Financial Market Utility Coordinating Committee that includes the committee's purpose and the members' roles, responsibilities, and authorities.</p> <hr/> <p>4. Assess the Board's core objectives in overseeing designated financial market utilities for which it is not the supervisory agency. Based on this assessment, create guidance that addresses the Board's preferred method for communicating examination findings to other supervisory agencies.</p> <hr/> <p>5. Develop a process for reconciling the Board's examination findings for designated financial market utilities for which it is not the supervisory agency with those of the other supervisory agencies and tracking the adoption of the Board's findings.</p> <hr/> <p>6. Discuss with relevant Board and Reserve Bank staff and document  a. the various situations that could prompt emergency changes.  b. the review process for emergency changes.</p>	<p>Agency action</p> <p>Agency action</p> <p>Agency action</p> <p>Agency action</p> <p>Agency action</p>
<p><a href="#">The Board Can Enhance Certain Aspects of Its Enforcement Action Monitoring Practices</a></p> <p><a href="#">2020-SR-B-006</a></p>	<p>03/18/2020</p>	<p>1. Ensure that System staff responsible for developing the common technology platform survey Reserve Bank and Board stakeholders to gather their user requirements to support enforcement action monitoring efforts for institutions with less than \$100 billion in total assets.</p>	<p>Agency action</p>
<p><a href="#">The Board Can Further Enhance the Design and Implementation of Its Operating Budget Process</a></p> <p><a href="#">2020-FMIC-B-010</a></p>	<p>03/25/2020</p>	<p>1. Finalize and communicate the budget process, including the connection among strategy, budget, and performance, in an overarching document, and consider implementing additional methods or tools to reinforce the Division of Financial Management's expectations to the divisions.</p> <hr/> <p>2. Identify, develop, and implement methods to more effectively execute the Board's budget on the enterprise level. In doing so, the chief financial officer and the chief operating officer should consider the delegated authorities, organizational structures, and policies available to make prioritization decisions. The chief financial officer and the chief operating officer should also consider other techniques to transition toward an enterprise view of the budget, including accountability measures for division resource management.</p>	<p>Agency action</p> <p>Agency action</p>

Report title	Issuance date	Recommendation	Recommendation status
<a href="#">The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes</a> 2020-MO-B-011	03/25/2020	5. Ensure that special agents who may be assigned to drive the chair attend refresher training for motorcades and driving every 36 months.	Agency action
<a href="#">The Board Can Improve Its Contract Administration Processes</a> 2020-FMIC-B-012	03/30/2020	1. Strengthen contracting officer's representative oversight by establishing a comprehensive contracting officer's representative monitoring program.  13. Develop and implement a comprehensive contract closeout process and determine whether the Board should fully comply with or modify the current Closing Purchase Orders Procedures.	Agency action  Agency action