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 and evaluations 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 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 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 and evaluation 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, 2023, 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 2 displays each open recommendation, organized by report. We recognize that some recommendations may require complex actions; therefore, our twice-yearly open recommendations reports to the Board have historically included only recommendations that have been open for more than 12 months. Beginning with our next open recommendations report, we will include all public and nonpublic recommendations that have been open for more than 6 months; this reporting will align with amendments to our semiannual congressional reporting requirements. Given their sensitivity, the nonpublic recommendations will be summarized.

Table 1. Status of Recommendations for 2016–2023, as of March 31, 2023

Status	2016	2017	2018	2019	2020	2021	2022	2023
Recommendations	40	41	57	22	43	23	30	5
Open	1	2	9	2	5	2	25	5
Closed	39	39	48	20	38	21	5	0
Public recommendations	30	41	37	22	43	23	28	5
Open	1	2	4	2	5	2	23[a]	5[a]
Closed	29	39	33	20	38	21	5	0
Nonpublic recommendations	10	0	20	0	0	0	2	0
Open	0	0	5	0	0	0	2	0
Closed	10	0	15	0	0	0	0	0

Note: Some reports are nonpublic because they contain sensitive information; therefore, the recommendations from these reports are also nonpublic.

[a] 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 have been open for more than 12 months as of March 31, 2023, 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.

Table 2. Publicly Available Board Recommendations Open for More Than 12 Months

Report title	Issuance date	Recommendation	Recommendation status
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 servicer firms and technology service providers.	Agency action
2017 Audit of the Board's Information Security Program 2017-IT-B-018	10/31/2017	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
2018 Audit of the Board's Information Security Program 2018-IT-B-017	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
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.	Verification in progress (Verified, not officially closed.)
		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.	Verification in progress (Verified, not officially closed.)
		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.	Verification in progress (Verified, not officially closed.)

Report title	Issuance date	Recommendation	Recommendation status
2019 Audit of the Board's Information Security Program 2019-IT-B-016	10/31/2019	5. Work with the Federal Reserve System to ensure that the data loss protection replacement solution a. functions consistently across the Board's technology platforms. b. supports rulesets that limit the exfiltration weaknesses we identified, to the extent practicable.	Agency action
		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 action
The Board's Oversight of Its Designated Financial Market Utility Supervision Program Is Generally Effective, but Certain Program Aspects Can Be Improved 2020-FMIC-B-005	03/18/2020	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.	Agency action
		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.	Agency action
		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.	Agency action
		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.	Agency action
2020 Audit of the Board's Information Security Program 2020-IT-B-020	11/02/2020	3. Ensure that the Board's continuous monitoring processes include the security control requirements for applicable network devices.	Agency action
The Board's Implementation of Enterprise Risk Management Continues to Evolve and Can Be Enhanced 2021-IT-B-011	09/15/2021	1. Work with Board divisions to conduct an assessment of the current risk management practices and risk culture across the agency and use the results to inform the direction of the Board's enterprise risk management program.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		2. Work with the administrative governor, as appropriate, to determine an optimal governance structure and associated reporting relationships for the agency's enterprise risk management program and update the Delegations of Administrative Authority accordingly.	Agency concurrence
The Board Can Enhance Its Personnel Security Program 2022-MO-B-001	01/31/2022	4. Develop and implement a process to a. perform periodic reconciliations against the Board's official human resources records to ensure the completeness and accuracy of employee and contractor data in the case management system. b. resolve any discrepancies identified by periodic reconciliations.	Agency concurrence
		5. Develop and implement a process to prevent or detect missing or overdue reinvestigation due dates.	Agency concurrence
		6. Develop and implement a process to a. ensure that all access request forms can be approved timely, regardless of the Board's working environment status. b. document the annual validation of clearance holders' need for continued access to classified information. c. ensure that Personnel Security Services documents its validation of the need for continued access to classified information prior to initiating a reinvestigation.	Partial implementation (Parts (a) and (c) are closed; part (b) is open.)
The Board Can Strengthen Inventory and Cybersecurity Life Cycle Processes for Cloud Systems 2022-IT-B-006	03/23/2022	1. Ensure that the Cloud Resource Center's inventory of cloud projects in the configuration and production phases is comprehensive and periodically maintained.	Agency action
		2. Develop and implement a process to ensure that the Federal Risk and Authorization Management Program Program Management Office has an accurate inventory of Federal Risk and Authorization Management Program-approved cloud systems used by the Board.	Agency action
		3. Ensure that the Board's information security continuous monitoring standards and associated procedures provide consistent guidance on continuous monitoring frequencies and associated documentation review requirements for cloud service providers.	Agency action