

Board of Governors of the Federal Reserve System

---

# The Board's Law Enforcement Operations Bureau Can Improve Internal Processes



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Executive Summary, 2019-MO-B-014, September 30, 2019

# The Board's Law Enforcement Operations Bureau Can Improve Internal Processes

## Findings

The Board of Governors of the Federal Reserve System Law Enforcement Unit's (LEU) Operations Bureau can improve standards and processes associated with its control environment to better support the LEU's mission. Specifically, we found that the LEU did not document the roles, responsibilities, training qualifications, and reporting requirements after modifying its process for internal reviews. We also found that the LEU can better communicate its decisions and the rationale for changes affecting the Operations Bureau and can take further action to improve communication generally. Additionally, the LEU can better capitalize on professional development opportunities for officers and new supervisors.

Lastly, the LEU should also strengthen its processes for determining shift and post assignments. The LEU is updating its current scheduling system, including developing automated features. We did not evaluate the system revision because it was still under development at the end of our fieldwork.

## Recommendations

This report contains recommendations designed to improve internal processes associated with the Operations Bureau's control environment. In its response to our draft report, the Board generally concurs with our recommendations and outlines actions to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

## Purpose

Our objective was to assess whether the control environment in the LEU's Operations Bureau is operating effectively to support the LEU's mission as well as components of the Management Division's strategic goals. A *control environment* includes those standards, processes, and structures that help an organization achieve its objectives; it encompasses the organization's mission, goals, values, and behaviors and the way in which staff interact.

## Background

The LEU's mission is to provide a safe and secure environment for Board staff and others on Board-designated property, which includes Board-owned and Board-leased buildings. The LEU reports to the Management Division Director and has four bureaus: Operations, Operations Support, Training, and Technical Security.



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Recommendations, 2019-MO-B-014, September 30, 2019

## The Board’s Law Enforcement Operations Bureau Can Improve Internal Processes

### Finding 1: The LEU Needs to Clearly Define Roles and Responsibilities for Its Internal Review Process

Number	Recommendation	Responsible office
1	Document the role and responsibilities of the designated supervisory officer when conducting and reporting results of an internal review.	Law Enforcement Unit
2	Document the training requirements for individuals assigned to perform internal reviews.	Law Enforcement Unit

### Finding 2: The LEU Can Improve Communication Within the Operations Bureau

Number	Recommendation	Responsible office
3	Ensure that senior LEU management develops and implements an internal communications strategy that promotes consistent communication throughout the organization.	Law Enforcement Unit

### Finding 3: The Operations Bureau Can Better Capitalize on Professional Development Opportunities for Officers and New Supervisors

Number	Recommendation	Responsible office
4	Identify a plan of action to ensure that new supervisors receive management or leadership training in anticipation of promotion or within 1 year after being promoted to a supervisory rank.	Law Enforcement Unit
5	Develop a process to identify those incident reports and red team exercises that would serve as effective learning opportunities and determine how to share that information with all officers, giving due consideration to any confidentiality concerns of the individuals involved.	Law Enforcement Unit

### Finding 4: The LEU Can Strengthen Its Processes for Shift and Post Assignments

Number	Recommendation	Responsible office
6	Finalize and implement the plan to automate components of the scheduling system for the bid-shift process and post assignment scheduling to reduce potential errors and better ensure adequate post assignment rotation.	Law Enforcement Unit



**Office of Inspector General**


Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

## MEMORANDUM

**DATE:** September 30, 2019

**TO:** Winona Varnon  
Director, Management Division  
Board of Governors of the Federal Reserve System

Curtis Eldridge  
Chief, Law Enforcement Unit, Management Division  
Board of Governors of the Federal Reserve System

**FROM:** Michael VanHuysen   
Assistant Inspector General for Audits and Evaluations

**SUBJECT:** OIG Report 2019-MO-B-014: *The Board's Law Enforcement Operations Bureau Can Improve Internal Processes*

We have completed our report on the subject evaluation. We conducted this evaluation to assess whether the control environment in the Law Enforcement Unit's (LEU) Operations Bureau is operating effectively to support the LEU's mission as well as components of the Management Division's strategic goals.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations and outline actions that have been or will be taken to address our recommendations. We have included your response as appendix B to our report.

We appreciate the cooperation that we received from your staff during our evaluation. Please contact me if you would like to discuss this report or any related issues.

cc: Patrick J. McClanahan  
Ricardo A. Aguilera  
Tina White



# Contents

---

<b>Introduction</b>	<b>7</b>
Objective	7
Background	7
The Management Division’s Mission and Strategic Goals	7
The LEU’s Structure	8
Organizational Control Environment Guidance and Related LEU Processes	9
Other Relevant Law Enforcement Standards	9
LEU Policies and Practices Related to Its Control Environment	10
<b>Finding 1: The LEU Needs to Clearly Define Roles and Responsibilities for Its Internal Review Process</b>	<b>12</b>
The LEU Has Not Documented the Roles and Responsibilities for Its Internal Reviews	12
Recommendations	13
Management Response	13
OIG Comment	14
<b>Finding 2: The LEU Can Improve Communication Within the Operations Bureau</b>	<b>15</b>
Senior LEU Management Can Better Communicate Decisions That Affect Operations Bureau Officers	15
LEU Officials Can Take Further Action to Improve Communication	16
Recommendation	17
Management Response	17
OIG Comment	17
<b>Finding 3: The Operations Bureau Can Better Capitalize on Professional Development Opportunities for Officers and New Supervisors</b>	<b>18</b>
The Operations Bureau Has Challenges in Training New Supervisors	18
The Operations Bureau Can Better Use Incident Reports and Training Exercises as Professional Development Tools	19
Recommendations	20
Management Response	20
OIG Comment	20

<b>Finding 4: The LEU Can Strengthen Its Processes for Shift and Post Assignments</b>	<b>21</b>
The 2016 and 2017 Bid-Shift Results Contained Discrepancies	21
The 2017 Bid-Shift Ranking Criteria Were Not Applied Correctly	22
The Operations Bureau Generally Ensured That Officers Were Adequately Rotated Among Posts	22
Management Actions Taken	22
Recommendation	23
Management Response	23
OIG Comment	23
<b>Matter for Management’s Consideration</b>	<b>24</b>
<b>Appendix A: Scope and Methodology</b>	<b>25</b>
<b>Appendix B: Management Response</b>	<b>27</b>
<b>Abbreviations</b>	<b>30</b>



# Introduction

---

## Objective

Our objective was to assess whether the control environment in the Board of Governors of the Federal Reserve System (Board) Law Enforcement Unit's (LEU) Operations Bureau is operating effectively to support the LEU's mission as well as components of the Management Division's strategic goals. A *control environment* includes those standards, processes, and structures that help an organization achieve its objectives; it encompasses the organization's mission, values, and behaviors and the way in which staff interact.

During the course of our evaluation, we reviewed the LEU's *General Orders*, engagement survey data, the LEU's internal review process, internal communication methods, and training and professional development practices. We interviewed Board law enforcement officers, supervisory officers, and senior LEU management, as well as law enforcement personnel from three other federal agencies. Details on our scope and methodology are in appendix A.

## Background

The USA PATRIOT Act of 2001 amended section 11 of the Federal Reserve Act to authorize Federal Reserve personnel to "act as law enforcement officers to protect and safeguard the premises, grounds, property, personnel, including members of the Board, of the Board, or any Federal reserve bank and operations conducted by or on behalf of the Board or a reserve bank."<sup>1</sup> As such, the Board LEU's mission is to provide a safe and secure environment for Board staff and others on Board-designated property, which includes Board-owned and Board-leased buildings. The LEU was established within the Board's Management Division.

### ***The Management Division's Mission and Strategic Goals***

The Management Division is responsible for several administrative and operational functions at the Board, and its mission is "to deliver the best service experience through people, programs, operations, and technical knowledge." The Management Division's strategic plan identifies four strategic goals necessary to achieve its mission and provides "focus and purpose to which all in the division will be accountable." These goals are

- cultivating a values-based culture
- operating in a unified, engaged, and accountable working environment
- leveraging expertise to deliver optimal solutions
- strategically and appropriately influencing Board decisions

---

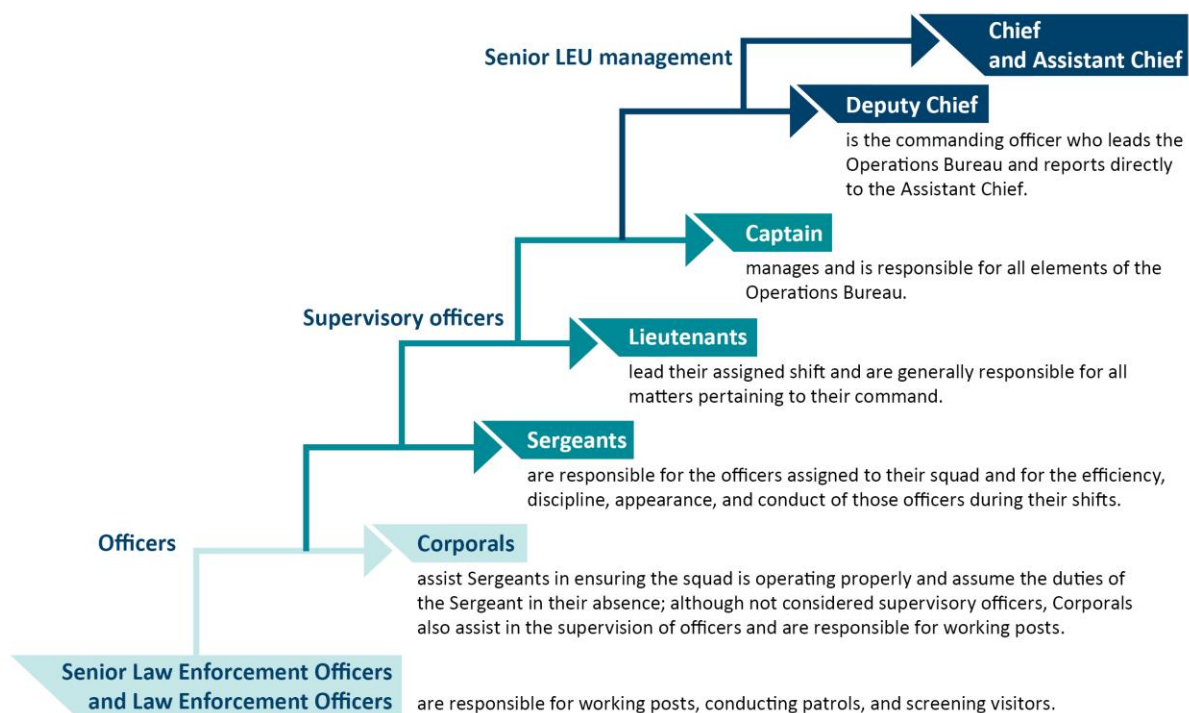
<sup>1</sup> 12 U.S.C. § 248(q).

## The LEU's Structure

The LEU reports to the Management Division's Director through one of the division's Deputy Directors. A Chief and an Assistant Chief manage the LEU and its four bureaus: Operations, Operations Support, Training, and Technical Security. To address the objective of this evaluation, our scope only included the Operations Bureau; however, we mention the Operations Support and Training Bureaus when appropriate.<sup>2</sup>

Operations Bureau staff protect Board personnel and visitors 24 hours a day in three shifts: day, evening, and midnight. Each shift is staffed by more than one squad; a *squad* is a group of law enforcement officers. The Operations Bureau has a hierarchical structure and is led by a Deputy Chief, who reports to the LEU Assistant Chief and the LEU Chief. The complete chain of command for the Operations Bureau is shown in figure 1.

Figure 1. Operations Bureau Chain of Command



Source. OIG analysis based on documents received from the LEU.

<sup>2</sup> The Operations Support Bureau, led by a Captain, provides support services to Operations personnel. The Training Bureau, led by a manager, provides instruction to LEU personnel to enable them to maintain a safe and secure environment for Board staff and others on Board-designated property.



For the purposes of this report, *senior LEU management* includes the Chief, the Assistant Chief, and the Deputy Chief; *supervisory officers* includes the Captain, the Lieutenants, and the Sergeants; and *officers* includes the Corporals, the Senior Law Enforcement Officers, and the Law Enforcement Officers.

## **Organizational Control Environment Guidance and Related LEU Processes**

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* provides an overall framework for a control environment to support a system of internal control. Similarly, the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control—Integrated Framework* (COSO Framework) provides guidance on organizational control environments for the private sector. Although the Board is not required to follow this guidance, together these guidance documents provide standards for internal control environments for both governmental and private organizations. GAO and COSO each promote five similar principles to guide organizations in establishing an effective control environment; these principles encompass the following common themes:

- Be committed to integrity and ethical values.
- Oversee the entity's control system.
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Commit to recruiting, developing, and retaining competent individuals.
- Hold individuals accountable for their internal control responsibilities.

During our scoping phase, we considered these control environment themes as we reviewed the LEU Operations Bureau's policies and practices. For this evaluation report, we focused on the following LEU control environment policies and practices: the LEU's internal review process, internal communications, law enforcement officer training and professional development, and the shift assignment process.

## **Other Relevant Law Enforcement Standards**

We identified law enforcement standards that are consistent with the key principles for an organization's control environment. These standards are designed to strengthen accountability; to clearly define authority, performance, and responsibilities; and to limit an agency's liability and risk exposure. The Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA), established a body of professional standards for law enforcement agencies that promote the efficient use of resources and improve service delivery regardless of the size, location, or functional responsibilities of the agency.<sup>3</sup> The standards cover topics such as reviews of internal matters, organizational structure, duties and responsibilities, recruitment, performance evaluation, training and career development, promotion, and

---

<sup>3</sup> CALEA was created in 1979 through the joint efforts of several major executive law enforcement organizations, including the National Sheriff's Association, the International Association of Chiefs of Police, and the National Organization of Black Law Enforcement Executives.

grievance procedures. Although the Board is not required to follow these standards, CALEA has established best practices that are followed by many federal, state, and local law enforcement agencies.

## ***LEU Policies and Practices Related to Its Control Environment***

The Federal Reserve Act provides that law enforcement authorities may be exercised only pursuant to regulations prescribed by the Board and approved by the Attorney General. The Board issued the *Uniform Regulations for Federal Reserve Law Enforcement Officers*, which was approved by the Attorney General on June 18, 2002. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* requires the Board to adopt specific policies and procedures that are appropriate for the needs of its facilities and personnel. As such, the LEU developed and maintains a manual titled *General Orders*, which implements specific rules, regulations, and procedures. The *General Orders* also sets forth the LEU's structure, roles, and responsibilities and addresses topics such as internal oversight, training, performance management, and complaints and grievances.

The following LEU practices are components of its control environment and correlate to certain GAO and COSO control environment principles.

### **The LEU's Internal Review Process**

Complaints that employees have violated LEU policies and procedures are investigated in accordance with the general order on the "Citizen Complaint Process." As stated in the general order, the Operations Bureau Deputy Chief, or the Captain as their designee, assigns the complaint to an operations supervisor for immediate action and resolution. If a resolution cannot be reached, the complaint is forwarded through the chain of command to the Deputy Chief or the Captain. The Deputy Chief or the Captain refers criminal allegations that require further investigation to the appropriate law enforcement agency and the Office of Inspector General, and noncriminal allegations to an Operations Bureau Lieutenant for investigation. As an alternative, officers can take complaints and work-related problems directly to Employee Relations,<sup>4</sup> which assists in preventing and resolving problems that involve individuals in workplace situations.

### **Internal Communications and Feedback**

Prior to the start of each shift, the shift supervisor holds a roll call meeting for the incoming shift. This meeting is the primary way in which information is communicated to officers. The roll call meeting is held (1) to ensure that all personnel scheduled to work are present; (2) to disseminate intelligence information, if applicable; (3) to advise officers of any special events affecting the shift; and (4) to provide short training segments as time permits. In addition to roll call meetings, officers can also receive information through in-person conversations, phone calls, or email.

The LEU created the Employee Council (EC) in December 2016 to provide senior LEU management with feedback and ideas and to express the concerns of LEU employees. The objective of the EC is to support

---

<sup>4</sup> Employee Relations works as a team within Human Resources, within the Management Division, and with client divisions, focusing on developing fair and positive manager-employee relationships.

the goals and policies of the LEU while encouraging unfiltered communication between senior LEU management and nonsupervisory staff.

## Law Enforcement Officer Training and Professional Development

The Training Bureau provides Operations Bureau staff with training that is listed in the *Federal Reserve System Law Enforcement Training* manual. New recruits must attend and pass the Board's Basic Law Enforcement Course (BLEC) to become credentialed law enforcement officers. Upon successful completion of BLEC training, officers earn a class standing based on their combined results on multiple tests. To maintain their officer designation, officers attend annual in-service training. Additionally, all officers must pass firearm qualifications on a semiannual basis.

In addition to required training, nonsupervisory and supervisory officers may attend training programs sponsored by the LEU or provided by the Board. They may also attend outside workshops and seminars conducted at offsite locations.

To develop future supervisory officers, the LEU created the Corporal Program. Upon entry into the program, participants become Corporals responsible for executing both supervisory and administrative duties, either as assigned or in their Sergeant's absence. The Corporal Program includes classroom, online, and on-the-job training and rotations to the Operations Support and Training Bureaus. Corporals also receive briefings related to the Technical Security Bureau as well as other functions related to the operation of the LEU.

## The Shift Assignment Process

The Operations Bureau uses a bid-based process, referred to as the *bid-shift process*, to assign shifts to officers, Corporals, and Sergeants each year. Officers and Sergeants bid for their preferred shift and days off and are then assigned a schedule based on specific selection criteria. The LEU and the Board's Division of Information Technology are developing an automated system with features for the bid-shift process that is scheduled to be operational for the 2019–2020 bid-shift process.



# Finding 1: The LEU Needs to Clearly Define Roles and Responsibilities for Its Internal Review Process

---

Senior LEU management modified its internal review process to include a designated officer to perform or consult on internal reviews in the Operations Bureau. However, modifications to the roles, responsibilities, training qualifications, and reporting requirements associated with conducting and communicating the results of LEU internal reviews have not been documented. GAO's *Standards for Internal Control in the Federal Government* and the COSO Framework provide guidance on assigning responsibilities to those within the organization with corresponding documentation to provide clarity on roles and responsibilities. In October 2018, senior LEU management informed us that the LEU planned to fully document the responsibilities for performing internal reviews; however, as of August 2019, this documentation had not been completed. Having well-defined roles and responsibilities that are documented can provide the designated officer with clear direction for situations that require an internal review.

## The LEU Has Not Documented the Roles and Responsibilities for Its Internal Reviews

We learned that the LEU instituted a practice that now includes having a designated officer, who does not have direct supervisory responsibilities for the Operations Bureau, to perform internal reviews at the request of the Assistant Chief. In October 2018, senior LEU management explained that the designated officer can perform internal reviews, and the results of these reviews are routed to senior LEU management. We also learned that the designated officer attended training associated with performing internal reviews. In June 2019, we were informed that the designated officer can also serve in a consulting role.<sup>5</sup> However, since these actions were initiated by the LEU, the roles, responsibilities, training qualifications, and reporting requirements associated with LEU internal reviews have not been documented.

GAO's *Standards for Internal Control in the Federal Government* and the COSO Framework note that effective documentation includes the who, what, and why associated with a particular process. These documents provide guidance on assigning responsibilities to those within an organization. Specifically, the COSO Framework states that individuals who are independent of the allegations should conduct evaluations. GAO's *Standards for Internal Control in the Federal Government* and the COSO Framework both state that management should assign responsibilities with corresponding documentation to provide clarity on roles and responsibilities. Similarly, CALEA standards require a written directive, such as standard operating procedures or general orders. The written directive requirement "creates

---

<sup>5</sup> The supervisory officer attended a course offered by the Federal Law Enforcement Training Center that covers the investigative and legal aspects of internal reviews, both administrative and criminal. The course also covers the statutory and constitutional legal issues that arise when dealing with government employees as witnesses and subjects, advanced interviewing techniques useful in integrity investigations, and investigative techniques.

documentation, which fixes accountability on the agency, its personnel, and provides for standardization and consistency.”

Both GAO’s *Standards for Internal Control in the Federal Government* and the COSO Framework also discuss the importance of management’s commitment to ensuring that employees have the relevant knowledge, skills, and abilities, which are obtained through professional experience, training, and certifications. Further, the GAO standards describe the need for management to recruit individuals who have the competence for the role, to mentor and train staff to reinforce standards of conduct, and to tailor training to the needs of the position. In addition, both the GAO standards and the COSO Framework mention that conduct issues should be reported to the appropriate internal parties. Lastly, CALEA notes that because of the sensitive nature of internal reviews, information should be reported directly to the Chief of a law enforcement unit.

In October 2018, a member of senior LEU management told us that the LEU planned to fully document the roles and responsibilities for performing internal reviews. However, in August 2019 senior LEU management informed us that documentation regarding internal reviews had not been completed.

Defining and documenting roles and responsibilities associated with conducting an internal review can provide the designated officer involved with clear direction for when an internal review should be conducted.<sup>6</sup> Further, ensuring that the designated officer receives relevant training can help to ensure that reviews will be appropriately conducted. Given the sensitivity of internal matters and their possible effect on a law enforcement unit, we believe that written policies can improve accountability and also provide consistency when internal reviews are conducted.

## Recommendations

We recommend that the Chief of the Law Enforcement Unit

1. Document the role and responsibilities of the designated supervisory officer when conducting and reporting results of an internal review.
2. Document the training requirements for individuals assigned to perform internal reviews.

## Management Response

In his response to our draft report, the LEU Chief accepts our recommendations. For recommendation 1, the LEU Chief states that the LEU will update the *General Orders* to clearly define who conducts reviews when complaints are received against LEU personnel. Further, the roles and responsibilities for complaint reviews will be specifically articulated in the *General Orders*, and LEU managers’ position descriptions will be updated accordingly.

---

<sup>6</sup> Any documentation of the internal review duties should not limit the role of the OIG. Per the *Uniform Regulations for Federal Reserve Law Enforcement Officers*, the OIG can conduct agency performance audits, investigate alleged criminal conduct or other misconduct, or perform any other function falling within its statutory jurisdiction.

For recommendation 2, the LEU Chief states that the LEU Training Bureau will document required training for individuals assigned to perform internal reviews and will record training completed by these individuals.

## **OIG Comment**

We believe that the actions described by the LEU Chief are generally responsive to our recommendations. Although we agree with the proposed actions described by the LEU Chief to document roles and responsibilities, we emphasize that only those officers who have been appropriately trained should be designated to conduct an internal review for complaints or other matters. We will follow up to ensure that the recommendations are fully addressed.



## Finding 2: The LEU Can Improve Communication Within the Operations Bureau

---

Although senior LEU management has taken steps to improve communication, it can better communicate its decisions and the rationale for changes affecting the Operations Bureau. GAO's *Standards for Internal Control in the Federal Government* notes that reporting lines should provide methods of communication so information can flow throughout the organization on a timely basis. In addition, the COSO Framework states that a consistent tone from senior management through to the operating unit management levels helps establish a common understanding of the values and expected behavior of employees. When managers explain the rationale for decisions, they help to prevent employees from filling the silence with their own explanations, which can result in organizational myths and erode trust.

### Senior LEU Management Can Better Communicate Decisions That Affect Operations Bureau Officers

We found that officers and supervisory officers were not certain that complete information, including decisions and the rationale for those decisions, flowed down the chain of command. In interviews, supervisory officers noted that they received inconsistent instructions on what information to share with their squads and how. When the rationale for decisions is not communicated to all affected levels within the organization, supervisory officers and officers may not understand the reason for management's actions or even know that a particular action has been taken, which can foster uncertainty, erode trust, and hinder engagement.

We identified two examples in which senior LEU management could have better communicated decisions or outcomes that affected officers in the Operations Bureau.

- In 2018, senior LEU management did not notify officers that it had changed the time-in-grade eligibility for the Corporal rank from a minimum of 1 year of experience as a senior officer to a minimum of 2 years. Officers did not learn of this time-in-grade change until the next Corporal Program announcement.
- In 2017, LEU management corrected errors in the seniority ranking for the bid-shift process and applied additional ranking criteria because a tie occurred between officers. Although the correction and the added tie-breaking procedure affected only a few officers, a decision was made to not communicate the revised bid-shift outcome to the officers until after the affected officers inquired about the bid-shift results.

GAO's *Standards for Internal Control in the Federal Government* notes that reporting lines should provide methods of communication so information can flow throughout the organization on a timely basis. The COSO Framework further states that a consistent tone from senior management through to the operating

units helps establish a common understanding of the values and expected behavior of employees. Such consistency helps align the organization in the pursuit of its objectives.

During our interviews, a member of senior LEU management explained that the change to the time-in-grade requirement for Corporals was not communicated in advance to the Operations Bureau because issuing a notification would have extended the promotion process and the Corporal positions needed to be filled in a timely manner. With regard to the bid-shift outcomes, we were told that members of senior LEU management approved the ranking methodology change as a response to the errors discovered and in an effort to reduce errors in the future. Senior LEU management discussed notifying those affected by the errors and the revised methodology but ultimately did not inform those officers. A member of senior LEU management acknowledged that position qualification changes should be better communicated. In addition, an LEU analyst stated that the bid-shift process should be more transparent.

In 2016, in response to a written request from Board officials, we issued a report on key aspects of the decisionmaking process for certain bank supervision activities.<sup>7</sup> That report found that when managers explain the rationale for decisions, they help to prevent employees from filling the silence with their own explanations, which can result in organizational myths and erode trust. Specific process changes that have a considerable effect on an individual, such as promotion processes and information regarding schedules, should be shared in an open and transparent manner.

## LEU Officials Can Take Further Action to Improve Communication

The LEU's engagement survey results for 2014 and 2016 indicated low scores related to honest communication from senior leaders.<sup>8</sup> In response to the survey results, senior LEU management created the EC, which is composed of law enforcement officers and nonofficers from the Operations Bureau and the Operations Support Bureau. The EC is meant to be a resource for conveying ideas and providing feedback to senior LEU management.

In response to concerns raised during an EC meeting, the Chief tasked LEU staff with creating an electronic suggestion box as a way for officers to submit ideas or suggestions and to receive replies from supervisors. This suggestion box became operational in October 2018, and as of February 2019, nine suggestions or ideas had been submitted.

Although the Chief stated that the EC adds value and provides him with information on which he can base improvements, the EC had not met since the third quarter of 2017 and had not selected a new chairperson. We are unaware of any efforts on the part of the EC or senior LEU management to resume these meetings.

---

<sup>7</sup> Office of Inspector General, *Opportunities Exist to Increase Employees' Willingness to Share Their Views About Large Financial Institution Supervision Activities*, [OIG Report 2016-SR-B-014](#), November 14, 2016; see also Office of Inspector General, *Leadership and Management Best Practices to Increase Employee Willingness to Share Views*, [OIG Insights](#), November 15, 2017.

<sup>8</sup> The engagement survey is an agencywide employee survey used to gather information to help create an organization in which employees are engaged with the mission and contribute to a positive work environment. The Board conducted engagement surveys in 2014 and 2016 to assess the current work environment and identify potential trends.



In addition, senior LEU management informed us of other communication efforts, including periodic meetings with supervisory officers and a roll call tour. However, the Chief discontinued the periodic meetings with supervisory officers because they were not found to be productive. In 2018, senior LEU management organized a roll call tour with the three shifts to discuss senior LEU management efforts, Operations Bureau concerns, and the engagement survey. Senior LEU management stated that it intends to continue meeting with each shift at least annually.

Although we recognize senior LEU management's efforts to improve communication within the LEU, we believe that an internal communications strategy is needed. Developing an internal communications strategy should enable officers and senior LEU management to exchange information in a timely manner and to address concerns.

## Recommendation

We recommend that the Chief of the Law Enforcement Unit

3. Ensure that senior LEU management develops and implements an internal communications strategy that promotes consistent communication throughout the organization.

## Management Response

In his response to our draft report, the LEU Chief generally concurs with our recommendation. For recommendation 3, the LEU Chief indicates he is committed to identifying opportunities to enhance communication within the unit. Specifically, the LEU plans to strengthen the existing policies and procedures already documented in the *General Orders*, enhance the presence of senior leadership at roll call meetings on all three shifts, and enhance the LEU internal webpage.

## OIG Comment

The actions described by the LEU Chief may promote consistent communication throughout the organization. We recognize there could be multiple approaches to improve internal communication within the LEU; however, we emphasize that any strategies should enable both officers and senior LEU management to exchange information in a timely manner and to address concerns. We will follow up to ensure that the recommendation is fully addressed.



## Finding 3: The Operations Bureau Can Better Capitalize on Professional Development Opportunities for Officers and New Supervisors

---

The Operations Bureau experiences challenges with sending new supervisors to attend management or leadership training. In addition, the LEU does not have a process to enable supervisors to use training exercises and incident reports as training tools for officers. GAO's *Standards for Internal Control in the Federal Government* and the COSO Framework note that management should train individuals for key roles and tailor training to the needs of the role. Further, CALEA standards state that job-related training should be provided to all newly promoted personnel and that well-trained officers are generally better prepared to act decisively and correctly in a broad spectrum of situations. Some newly promoted Operations Bureau supervisors have had difficulty attending supervisory training because of operational demands and the limited number of spots available each training session. With regard to sharing incident reports and training exercise results, senior LEU management noted that sharing results poses confidentiality concerns for those officers directly involved. New supervisors who do not receive leadership training may not be equipped to accomplish their supervisory responsibilities. Further, by not sharing unusual incidents or notable results from training exercises, the Operations Bureau is missing an opportunity to provide officers with valuable training that may not be covered in other training formats.

### The Operations Bureau Has Challenges in Training New Supervisors

We found that some newly promoted supervisory officers were not always able to attend management or leadership training. We learned through interviews that new Operations Bureau supervisors have difficulty attending supervisory training because of operational demands and routine challenges related to maintaining staffing levels on a daily basis.

In support of creating an environment committed to developing competent individuals, GAO's *Standards for Internal Control in the Federal Government* states that management should train individuals to enable the development of competencies appropriate for key roles and tailor training to the needs of the role. The COSO Framework has similar guidance, stating that mentoring and training are needed to attract, develop, and retain sufficient and competent personnel. CALEA standards further state that job-related training should be provided to all newly promoted personnel. The training should be commensurate with their new duties and be provided either prior to promotion or within the first year following the promotion.

Senior LEU management noted that several training courses for new supervisors are hosted by a Federal Reserve Bank and the Federal Law Enforcement Training Center; however, only a limited number of spots

are available each session.<sup>9</sup> If new supervisors do not receive leadership training prior to or shortly after being promoted, they may not be equipped to appropriately perform their supervisory responsibilities, such as holding officers accountable for their work, resolving conflicts, or motivating staff. Although the Corporal Program’s training and rotational opportunities may provide officers with a variety of experiences associated with the supervisory role, additional development through management or leadership training may enhance the readiness of new supervisors for their new role.

## The Operations Bureau Can Better Use Incident Reports and Training Exercises as Professional Development Tools

We found that the LEU does not have a process by which Operations Bureau supervisors can readily use incident reports or training exercise results as professional development tools. Incident reports are completed by officers to record a variety of situations they may encounter during the course of a shift. Red team exercises, which are training exercises that simulate threats, are conducted periodically by the Operations Bureau to test officer effectiveness, policy adherence, and behavioral expectations based on the *General Orders*.

With respect to incident reports, we noted that some supervisors voluntarily maintain copies of incident reports; however, these copies appear to be maintained to assist officers with writing incident reports rather than as a reference on how to handle specific incidents. During interviews, several officers noted that they could benefit from reviewing incident reports. We reviewed a sample of incident reports and noted that several types of reported incidents were not explicitly covered in the *General Orders*. With regard to red team exercises, we noted that the *General Orders* does not require the sharing of results outside the immediate group involved in the exercise.

One of the Management Division’s strategic goals is leveraging expertise to deliver optimal solutions; this goal includes a supporting initiative to focus on targeted, relevant, and ongoing staff development. This initiative is similar to a CALEA training standard, which notes that well-trained officers are generally better prepared to act decisively and correctly in a broad spectrum of situations.

Not all officers experience the same types of incidents on each shift, and examples shared at the annual in-service training and documented in the *General Orders* cannot cover every situation an officer may face in the field. Senior LEU management stated that sharing incident reports and the results of red team exercises would pose confidentiality concerns for those officers directly involved. Nonetheless, sharing incident reports and the results of red team exercises, with due consideration to any confidentiality concerns of the individuals involved, can enhance officers’ ability to handle certain events and drive continuous improvement.

---

<sup>9</sup> We learned that the Management Division required all managers, including those in the LEU, to attend leadership courses on emotional intelligence in 2017 and on coaching conversations in 2018.

## Recommendations

We recommend that the Chief of the Law Enforcement Unit

4. Identify a plan of action to ensure that new supervisors receive management or leadership training in anticipation of promotion or within 1 year after being promoted to a supervisory rank.
5. Develop a process to identify those incident reports and red team exercises that would serve as effective learning opportunities and determine how to share that information with all officers, giving due consideration to any confidentiality concerns of the individuals involved.

## Management Response

In his response to our draft report, the LEU Chief generally concurs with recommendations 4 and 5. For recommendation 4, the LEU Chief states that the next evolution of the Corporal Program will include a requirement that will allow only Corporals to be eligible candidates for promotion to the rank of Sergeant. Additionally, all current Sergeants who were not previously Corporals will have a mandatory training requirement, which is currently being designed by the LEU Training Bureau.

For recommendation 5, the LEU Chief states that the LEU will publish pertinent aspects of incident reports that involve unusual occurrences that would be of benefit to the entire unit. The results of red team exercises will be sanitized as appropriate to extract useful information and will be used to further develop in-service and recruit training to address any deficiencies.

## OIG Comment

We believe that the actions described by the LEU Chief are generally responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



## Finding 4: The LEU Can Strengthen Its Processes for Shift and Post Assignments

---

The data used in the bid-shift process conducted in 2017 contained errors, and the ranking method was not applied correctly. In addition, there is no formal process to ensure that officers are adequately rotated among posts. With respect to the bid-shift process, we were informed that the incorrect ranking may have been the result of the LEU updating the data for a particular officer, which may have then affected other officers' rankings. If the bid-shift data contain errors and the ranking method is not applied correctly, officers may not be ranked properly for the purposes of assigning work schedules. In addition, if the Operations Bureau does not have a formal process to monitor post rotations, senior LEU management cannot be assured that officers are adequately rotated for professional development purposes.

### The 2016 and 2017 Bid-Shift Results Contained Discrepancies

The Operations Bureau uses an annual bid-shift process to assign officers their shift and their days off. The process involves a spreadsheet that contains officers' name; date of hire; years of service; pay grade; date of promotion; BLEC class number; BLEC class standing; and rank, or placement, in the process. Officers are ranked sequentially based on a methodology that uses some of these data points.

We compared the 2016 and 2017 annual bid-shift data and found discrepancies in the date of hire and the BLEC class standing data, two data points that should be static from year to year. Specifically, of the 100 officers who were part of both the 2016 and 2017 bid-shift processes,

- 3 had a change in their date of hire; these incorrect entries in 2016 were corrected in 2017
- 14 had a change in their BLEC class standing; these incorrect entries in 2016 were corrected in 2017

We also compared officers' BLEC class standing used in the 2017 bid-shift process to the officers' individual training files to identify any discrepancies. We found that for 15 of the 108 officers in the 2017 bid-shift process, the BLEC standing used in the bid-shift process did not match the class standing recorded in their individual Training Bureau files.<sup>10</sup>

Despite these errors, approximately 90 percent of officers received their first choice during the 2017 bid-shift process.

---

<sup>10</sup> One hundred officers participated in both the 2016 and 2017 bid-shift processes. In 2017, 8 additional officers participated in the bid-shift process.

## The 2017 Bid-Shift Ranking Criteria Were Not Applied Correctly

We found that in 2017, 52 of 108 officers (48 percent) were not ranked based on all four ranking criteria. The 2017 bid-shift methodology included two additional criteria that were added to the prior year's ranking criteria. In 2016, officers were ranked in the bid-shift process based on years of service and BLEC class standing. In 2017, officers were also ranked on their pay grade and their number of years in that grade. The 52 officers in question had neither their grade nor their years in grade included in their bid-shift rank. We recalculated the 2017 bid-shift ranking using all four ranking criteria and determined that the 52 officers were ranked incorrectly.

After notifying the LEU of these results, we were informed that the incorrect ranking of these officers in 2017 may have been the result of the LEU updating data for a particular officer, which may have then affected other officers' rankings. If the LEU does not follow its own methodology for the bid-shift process, errors to the overall ranking order may persist.

## The Operations Bureau Generally Ensured That Officers Were Adequately Rotated Among Posts

The Operations Bureau does not maintain a documented procedure to rotate officers among posts. We learned through interviews that officers generally must bring any post rotation issues to the attention of their immediate supervisor. Despite the lack of a formal process to monitor post assignments, we did not find issues with officers being rotated among posts.

When asked about the importance of post rotation, senior LEU management stated that post rotation is an important component of professional development and that officers need to be interchangeable and able to adequately perform the duties associated with all posts. In addition, senior LEU management stated that an officer's observational skills may dull when assigned to a particular post for too long.

## Management Actions Taken

The LEU plans to update its current scheduling system, which was originally designed in 2007. Two of several proposed features related to our finding include functions that will

- automatically populate most of the bid-shift data; the only data that will be manually entered will be the data from BLEC training
- generate random post assignment schedules

We were informed that the Operations Bureau is currently planning to implement this system in September 2019, which was after the conclusion of our fieldwork; therefore, we did not validate its effectiveness.

## Recommendation

We recommend that the Chief of the Law Enforcement Unit

6. Finalize and implement the plan to automate components of the scheduling system for the bid-shift process and post assignment scheduling to reduce potential errors and better ensure adequate post assignment rotation.

## Management Response

In his response to our draft report, the LEU Chief concurs with our recommendation. For recommendation 6, the LEU Chief states that the new scheduling system includes the bid-shift process and automatically fills post assignments based on post functions and requirements. In addition, the new system imports LEU employee profiles directly from PeopleSoft, so those data should be accurate.

## OIG Comment

We believe that the actions described by the LEU Chief are generally responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



## Matter for Management’s Consideration

---

Based on our review of performance management documents and interviews with several officers, we found that the LEU’s process for evaluating employee performance is generally aligned with the Board’s guidance. However, we note that the general order titled “Guidelines Pertaining to the Administration of the Board’s Performance Management System” was last revised on September 14, 2011, and does not reflect the Board’s current performance management process. CALEA standards state that every written directive should be reviewed annually to determine whether updates are needed because of changed circumstances.

We were informed by a member of senior LEU management that the *General Orders* is being reviewed and updated. During the *General Orders* update, we suggest that the LEU take actions to ensure that the performance management general order better reflects the Board’s current process.





# Appendix A: Scope and Methodology

---

The objective of this evaluation was to assess whether the control environment in the LEU's Operations Bureau is operating effectively to support the LEU's mission and components of the Management Division's strategic goals.

To accomplish our objective and to gain an understanding of the LEU's control environment, we conducted interviews with the LEU Chief and Assistant Chief, the Operations Bureau Deputy Chief, and other staff members. In addition, we interviewed the Management Division's Director and Deputy Director regarding oversight of the LEU. We also interviewed a Senior Employee Relations Specialist regarding LEU complaints.

GAO's *Standards for Internal Control in the Federal Government* and the COSO Framework describe the control environment as the foundation for an internal control system. The control environment influences how objectives are defined and how control activities are structured. During the scoping and planning phase of this project, we mapped control environment themes to the operational areas of the LEU. We performed work in the following areas of the Operations Bureau:

- **Integrity and ethical values**—We reviewed the general orders related to integrity and ethics, as well as the Board's policy on ethical conduct, to determine how LEU management sets expectations for ethical practices. We also interviewed members of the LEU's Operations Bureau to better understand how management commits to upholding ethical practices during regular operations.
- **Oversight structure**—We reviewed the LEU's organizational structure and oversight. We compared supervisory roles and responsibilities from the LEU's *General Orders* and standard operating procedures to the position descriptions maintained by the Board to ensure consistency.
- **Internal review process**—We reviewed the general orders related to internal investigations to determine the process for internal reviews within the LEU. We interviewed senior LEU management and officers regarding their experiences and understanding of these policies and processes. We conducted benchmarking interviews with three other federal agencies to understand their processes when performing internal reviews.
- **Internal communication**—We reviewed a sample of internal communications and interviewed officers, supervisory officers, and senior LEU management regarding communication practices to assess how information is disseminated to officers. We observed roll call for the midnight and day shifts to gain an understanding of daily communications.
- **Law enforcement officer professional development**—We reviewed the professional development efforts for Operations Bureau officers and supervisory officers.
  - We interviewed members of the LEU's Training Bureau to better understand their role in the professional development of officers. Training Bureau staff also provided training records for Operations Bureau Sergeants as of October 2017 so that we could identify whether they

received leadership training prior to, or shortly after, being promoted to a supervisory position.

- We reviewed a judgmental sample of 10 incident reports from 2015 and 2016 to assess compliance with the *General Orders*. We reviewed each incident report for a report number; a brief description of the incident; the name of the officer who wrote the report; the name of the report reviewer; the general order guidance cited, if any; and the actions taken by the officers on the scene.
- We reviewed six red team exercises conducted in 2017 that addressed several operational processes. We also interviewed Operations Bureau supervisory officers, as well as the LEU Chief and Assistant Chief and the Operations Bureau Deputy Chief, to identify how red team exercises are used as developmental tools for officers.
- We reviewed officers' post data for 2017 to determine whether post assignments were rotated.
- **Processes to assign shifts**—We interviewed and performed a walkthrough of the bid-shift process with the analyst responsible for performing this process. We then obtained data from the 2016 and 2017 bid-shift processes to compare the data.
- **Process to assign posts**—We interviewed the supervisory and nonsupervisory officers responsible for assigning posts.
- **Engagement survey results**—We reviewed the engagement survey results from 2014 and 2016 to identify trends. We interviewed officers and senior LEU management regarding any actions that were taken as a result of the engagement surveys.

We also reviewed performance management templates; exit surveys from January 2014 through September 2017; and roles, responsibilities, and job descriptions for staff in the Operations Bureau.

We conducted our fieldwork from December 2017 through July 2018. We completed this evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

# Appendix B: Management Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

MANAGEMENT DIVISION

September 19, 2019

Michael VanHuysen  
Assistant Inspector General  
Board of Governors of the Federal Reserve System  
Washington, DC 20551

Dear Michael:

Thank you for the opportunity to comment on the draft report, *The Board's Law Enforcement Operations Bureau Can Improve Internal Processes*. We appreciate the Office of Inspector General's (OIG) effort in developing this report and the recommendations for improving the internal processes of the Law Enforcement Unit's Operations Bureau.

We generally agree with the recommendations offered in the report and have provided our response for each recommendation to the OIG.

We value your objective, independent viewpoints and appreciate the professionalism demonstrated by all OIG personnel throughout this audit. We look forward to working with your office in the future.

Regards,

A handwritten signature in black ink, appearing to read "Winona Varnon".

Winona Varnon  
Director, Management Division  
Federal Reserve Board

---

[www.federalreserve.gov](http://www.federalreserve.gov)

**Response to recommendations presented in the Draft IG Report,  
“The Board’s Law Enforcement Operations Bureau Can Improve Internal Processes”**

***Finding #1: The LEU needs to clearly define roles and responsibilities for its internal review process.***

***Management Response:***

The Chief of the Law Enforcement Unit (LEU) accepts recommendations 1 and 2. The LEU will update General Order #174 Citizen Complaint Process to clearly define who conducts reviews when complaints are received against LEU Personnel. The roles and responsibilities will be specifically articulated in the General Order. Position descriptions will be updated for LEU managers to include this as one of their assigned duties. The LEU Training Bureau will document and record the required training as offered by the Federal Law Enforcement Training Center or a comparable course offered by a similarly accredited agency.

***Finding# 2: The LEU can improve communication within the Operations Bureau.***

***Management Response:***

The Chief of the Law Enforcement Unit (LEU) generally concurs with this recommendation and is committed to identifying opportunities to enhance communication within the unit. In particular, the unit will strengthen three existing communication channels:

- General Orders: The requirement exists for all personnel to read and be familiar with all Board Policies and Procedures, as captured in LEU General Order #160.1, Purpose and General Information. The General Order will be updated to include the responsibility of LEU personnel to read and be familiar with all directives issued / disseminated by the Chief, LEU and or his/her designee.
- Roll calls and other meetings: All announcements, changes to policies and procedures, and modifications to practices will be shared at roll calls. The newly implemented eWorkscheduler system allows members to read / review items that were discussed at rollcall. Operational and policy changes will be discussed at regularly scheduled senior staff meetings. Then the proposed change will be communicated at regularly scheduled Sergeant meetings. Both of these meetings will be mandatory. Conference lines will be available, taking into consideration those who work shifts outside of the generally accepted business hours. The Chief and Assistant Chief are committed to more frequent attendance at rollicalls. The Deputy Chief of the Operations Bureau and both LEU Captains will also be required to attend rollicalls more frequently and on all three shifts. The senior staff will conduct a joint roll call

meeting at least once a quarter. We will make better use of technology to enhance communication.

- Website: Changes and announcements will also be posted on the LEU's internal web page with a subsequent email to all members directing them to read about the change. Read and delivery receipts will be used on official communications.

***Finding# 3: The Operations Bureau can better capitalize on professional development opportunities for Officers and new supervisors.***

***Management Response:***

The Chief of the Law Enforcement Unit (LEU) generally concurs with recommendations 4 and 5. The next evolution of the Corporals program involves a requirement where the only eligible candidates for promotion to the rank of Sergeant will come from the Corporal ranks. Additionally all current Sergeants who were not previously Corporals will have a mandatory course training requirement. That course is currently being designed by the LEU Training Bureau. This change will be communicated to the LEU staff prior to implementation. Additionally the LEU will publish pertinent aspects of incident reports that involve unusual occurrences that would be of benefit to the entire unit. The results of red team exercises will be sanitized as appropriate to extract useful information. This information will be used to further develop in service and recruit training to address any deficiencies.

***Finding# 4: The LEU can strengthen its processes for shift and post assignments***

***Management Response:***

The Chief of the Law Enforcement Unit (LEU) concurs with this recommendation. The newly developed eWorksheduler was finished by the technology Services Section and moved to the production environment on Sunday, September 8, 2019. The new system will encompass the bid shift process automatically. The system will automatically fill post assignments based on post functions and requirements. This system randomly assigns Officers to posts. The new system imports LEU employee profiles directly from PeopleSoft, so that it is accurate. It will allow Officers to sign up for and be selected to overtime based on preset parameters. LEU staff can be pre-scheduled for basic training, in-service classes and advanced training.

Regarding the updates to the LEU General Orders (GOs), every effort is being made to bring LEU policies into alignment with Board Policies. In fact GOs that reference a policy that is already in existence at the Board will simply state, "Refer to" the appropriate Board policy.



# Abbreviations

---

<b>BLEC</b>	Basic Law Enforcement Course
<b>Board</b>	Board of Governors of the Federal Reserve System
<b>CALEA</b>	Commission on Accreditation for Law Enforcement Agencies, Inc.
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>COSO Framework</b>	Committee of Sponsoring Organizations of the Treadway Commission’s <i>Internal Control—Integrated Framework</i>
<b>EC</b>	Employee Council
<b>GAO</b>	U.S. Government Accountability Office
<b>LEU</b>	Law Enforcement Unit
<b>OIG</b>	Office of Inspector General

## Report Contributors

Brian Murphy, Project Lead

Jennifer Rosholt-High, Auditor

Jessica Smith, Auditor

Bettye Latimer, OIG Manager, Financial Management and Internal Controls

Lindsay Mough, OIG Manager, Management and Operations

Timothy Rogers, Senior OIG Manager for Management and Operations

Michael VanHuysen, Assistant Inspector General for Audits and Evaluations

## Contact Information

### General

Office of Inspector General  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Mail Stop K-300  
Washington, DC 20551

Phone: 202-973-5000

Fax: 202-973-5044

### Media and Congressional

[OIG.Media@frb.gov](mailto:OIG.Media@frb.gov)



### Hotline

Report fraud, waste, and abuse.

Those suspecting possible wrongdoing may contact the OIG Hotline by mail, [web form](#), phone, or fax.

OIG Hotline  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Mail Stop K-300  
Washington, DC 20551

Phone: 800-827-3340

Fax: 202-973-5044