

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



Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

We oversee the Board of Governors of the Federal Reserve System (Board) 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 the *Government Auditing Standards* established by the Comptroller General of the United States. Evaluations and inspections include program evaluations and legislatively 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 the *Quality Standards for Inspection and Evaluation* 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 the total number and status of recommendations we made to the Board for calendar years in which recommendations remain open, as of September 30, 2017.¹

1. Some reports are restricted and not publicly available because they contain sensitive information.

Table 1. Status of Recommendations for Calendar Years in Which Recommendations Remain Open, as of September 30, 2017

| Status | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------|------|------|------|------|------|-----------------|-----------------|
| Recommendations | 24 | 66 | 35 | 57 | 38 | 40 | 18 |
| Open | 3 | 4 | 2 | 5 | 12 | 29 | 15 |
| Closed | 21 | 62 | 33 | 52 | 26 | 11 | 3 |
| Public recommendations | 14 | 18 | 20 | 52 | 29 | 30 | 18 |
| Open | 3 | 0 | 2 | 5 | 3 | 19 ^a | 15 ^a |
| Closed | 11 | 18 | 18 | 47 | 26 | 11 | 3 |
| Nonpublic recommendations | 10 | 48 | 15 | 5 | 9 | 10 | 0 |
| Open | 0 | 4 | 0 | 0 | 9 | 10 | 0 |
| Closed | 10 | 44 | 15 | 5 | 0 | 0 | 0 |

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 September 30, 2017, 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 |
|--|---------------|--|---|
| Response to a Congressional Request Regarding the Economic Analysis Associated with Specified Rulemakings 2011-30-SR-B | 06/13/2011 | 1. Update the Rulemaking Procedures Policy Statement and broadly disseminate it to all employees involved in rulemaking activities. We suggest that this document address the Board's philosophy and principles supporting its rulemaking activities and identify preferred practices. | Agency concurrence |
| | | 2. Consider establishing documentation standards for rulemaking economic analysis to help ensure reproducibility on an internal basis. | Agency concurrence |
| Evaluation of Prompt Regulatory Action Implementation FRB OIG 2011-05 | 09/30/2011 | 1. (To FDIC, FRB, and OCC) Review the matters for consideration presented in this report and work through the Financial Stability Oversight Council to determine whether the Prompt Regulatory Action legislation or implementing regulations should be modified. As a recap, the matters for consideration are (1) develop specific criteria and corresponding enforcement actions for non-capital factors, and (2) increase the minimum Prompt Corrective Action capital levels. | Partial implementation Part (2) of this recommendation is closed; part (1) remains open. |
| Board Should Enhance Compliance with Small Entity Compliance Guide Requirements Contained in the Small Business Regulatory Enforcement Fairness Act of 1996 2013-AE-B-008 | 07/01/2013 | 2. Begin submitting annual reports to the relevant congressional committees, as required by section 212(a)(6) of the Small Business Regulatory Enforcement Fairness Act of 1996, as amended, that describe the Board's compliance with small entity compliance guide requirements. | Agency action |
| 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"> a. develop and implement an agency-wide policy and process to more closely follow the spirit and intent of the Federal Managers' Financial Integrity Act of 1982. b. develop a training program to increase staff awareness about maintaining and monitoring administrative internal control. | Agency action |
| Enforcement Actions and Professional Liability Claims Against Institution-Affiliated Parties and Individuals Associated with Failed Institutions 2014-SR-B-011 | 07/25/2014 | 4. (To FDIC, FRB, and OCC) Consider the need to (1) increase their level of written enforcement action coordination to meet the requirements of Federal Register policy statement 62 Fed. Reg. 7782, or (2) revise the policy statement to reflect Regulators' current level of coordination. | Agency concurrence |
| | | 6. (To FRB and OCC) Advise their regulated institutions about insurance policy exclusions. | Agency concurrence |

| Report title | Issuance date | Recommendation | Recommendation status |
|---|---------------|--|-----------------------|
| Opportunities Exist to Enhance the Board's Oversight of Future Complex Enforcement Actions 2014-SR-B-015 | 09/30/2014 | <ol style="list-style-type: none"> 1. Develop a framework to guide planning, vetting, and approving activities for large, complex enforcement strategies that may involve multiple institutions, multiple Board divisions, or multiple Reserve Banks. This framework could include planning and risk assessment activities such as <ol style="list-style-type: none"> a. identifying key risks and possible risk-mitigating activities. b. assessing the feasibility of the intended corrective action. c. vetting possible alternatives. d. identifying documentation standards for the relevant initiative. e. defining performance measures as indicators of success and creating key interim milestones to monitor progress. f. assessing whether service-level agreements could be used to incentivize vendor performance consistent with expectations. g. identifying key assumptions. h. assessing whether the Board has the necessary skill sets and the resources available to oversee the intended corrective action. i. defining roles and responsibilities among the Board team overseeing the corrective action. <hr/> <ol style="list-style-type: none"> 3. Assess the potential impact of data reliability issues as part of the complex enforcement strategies framework described in recommendation 1. Specifically, consider how data availability or reliability issues may impact the feasibility of the exercise or the consistency of its results. As part of this analysis, consider whether alternative enforcement strategies can be adopted that mitigate or eliminate these challenges. As appropriate, these strategies should be developed, vetted, and approved as part of the planning process. | Agency action |
| Opportunities Exist to Improve the Operational Efficiency and Effectiveness of the Board's Information Security Life Cycle 2014-IT-B-021 | 12/18/2014 | <ol style="list-style-type: none"> 2. Ensure that system owners develop and input the security documentation for all Board-owned and -operated systems into the automated workflow tool. | Agency action |
| Review of the Failure of Waccamaw Bank 2015-SR-B-005 | 03/26/2015 | <ol style="list-style-type: none"> 4. Review and update the Board's Guidelines for Appeals of Material Supervisory Determinations to establish a framework for Federal Reserve Bank Presidents and the Board to conduct appeals. In addition to any enhancements identified during the review, the framework should address <ol style="list-style-type: none"> a. the standard of review for the appeal. b. whether the appellant has the burden of proof to demonstrate that the material supervisory determination should be reversed. c. whether the party assessing the higher-level appeal is limited to reviewing the prior factual record. d. whether the appellant has the right to comment on the evidence providing the basis for the initial material supervisory determination, even if confidential supervisory information protections apply. <hr/> <ol style="list-style-type: none"> 5. Ensure that the Board updates its appeals policy to prohibit supervisory team members from coordinating any aspect of the appeal process. | Agency action |

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|--|---------------|--|-------------------------|
| 2015 Audit of the Board's Information Security Program 2015-IT-B-019 | 11/13/2015 | 2. Strengthen the Board's software asset management processes by using automation to provide greater visibility into authorized and unauthorized software across the organization. | Verification in process |
| The Board Should Strengthen Controls to Safeguard Embargoed Sensitive Economic Information Provided to News Organizations 2016-MO-B-006 | 04/15/2016 | 7. Conduct and document an analysis to determine how the classification and handling requirements established in the Board's Information Classification and Handling Standard and the FOMC's Program for Security of FOMC Information apply to documents during the embargo period and update relevant policies, as necessary. | Agency concurrence |