

Board of Governors of the Federal Reserve System

The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes



Office of Inspector General

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



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Executive Summary, 2020-MO-B-011, March 25, 2020

The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes

Findings

We determined that the 2018 Internal Oversight Committee (IOC) evaluation of Protective Services Unit (PSU) operations generally complied with the IOC guidance, although we found opportunities for improvement that could strengthen future evaluations of the PSU's operations. Specifically, we found that the IOC reviewers did not confirm whether the credentials of separated agents had been destroyed and documented. We also found that the IOC did not complete the Executive Protection Services section of the IOC Checklist, which includes verifying that agents conduct threat assessments and receive driving refresher training.

In our assessment of PSU operations, we found that the PSU complied with its policies and procedures for certain aspects of protection measures and protective intelligence. However, we found that the PSU (1) does not have procedures related to vehicle maintenance, (2) does not require driving refresher training for special agents, and (3) did not consistently maintain records of destroyed credentials for separated agents. Sensitive information related to the results of our evaluation will be transmitted in a separate, restricted memorandum.

Recommendations

Our report contains recommendations designed to strengthen the IOC's review of the PSU's operations and improve the PSU's internal processes and controls associated with vehicle maintenance, driving refresher training for special agents, and the disposition of separated agents' credentials. In their responses to our draft report, the IOC and the PSU concur with our recommendations and describe actions that have been or will be taken to address our recommendations. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the implementation of the IOC guidance for its 2018 evaluation of the PSU's operations and to evaluate the PSU's compliance with policies and procedures for certain aspects of protection measures and its use of protective intelligence in support of its mission.

Background

The mission of the PSU is to use an experienced and highly trained staff, a full array of protection measures, and active planning and coordination with intelligence sources and law enforcement to ensure the physical security of the chair of the Board of Governors of the Federal Reserve System at all times. In November 2018, the IOC conducted a review to assess the PSU's operations. The reviewers received the IOC guidance and the IOC Checklist to assist with completing the evaluation. The IOC concluded that the PSU has effective controls in place.



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

Recommendations, 2020-MO-B-011, March 25, 2020

The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes

Finding 1: The IOC Can Strengthen Its Guidance and Checklist for Future Evaluations

Number	Recommendation	Responsible office
1	Update the IOC Checklist to <ol style="list-style-type: none">identify which questions may require testing.identify all questions that are human resources related.include a required section for documenting the sample selection methodology.	Office of the Chief Operating Officer
2	Update the IOC guidance to clarify how the reviewers should address human resources questions.	Office of the Chief Operating Officer

Finding 2: The IOC Can Improve Certain Aspects of Its PSU Evaluations

Number	Recommendation	Responsible office
3	Develop IOC Checklist questions specific to the PSU's operations for the EPS section and ensure that reviewers answer those questions during future IOC evaluations of the PSU.	Office of the Chief Operating Officer

Finding 3: The PSU Has a Process for Receiving and Handling Intelligence Information

Number	Recommendation	Responsible office
	No recommendations.	

Finding 4: The PSU Has Controls for Certain Components of Its Protection Measures but Not for Vehicle Maintenance

Number	Recommendation	Responsible office
4	Develop and implement a standard operating procedure for vehicle maintenance.	Office of Board Members

Finding 5: The PSU Does Not Provide Driving Refresher Training to Special Agents Who May Drive the Chair

Number	Recommendation	Responsible office
5	Ensure that special agents who may be assigned to drive the chair attend refresher training for motorcades and driving every 36 months.	Office of Board Members

Finding 6: The PSU Does Not Consistently Maintain Records of the Disposition of Separated Agents' Credentials

Number	Recommendation	Responsible office
6	Implement procedures to maintain a record of credentials stamped <i>Retired</i> or destroyed by shredding for separated agents.	Office of Board Members



Office of Inspector General

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

MEMORANDUM

DATE: March 25, 2020

TO: Michelle A. Smith
Assistant to the Board, Chief of Staff, and Director, Office of Board Members
Board of Governors of the Federal Reserve System

Patrick J. McClanahan
Chief Operating Officer
Board of Governors of the Federal Reserve System

FROM: Michael VanHuysen 
Assistant Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2020-MO-B-011: *The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes*

We have completed our report on the subject evaluation. We conducted this evaluation (1) to assess the implementation of the Internal Oversight Committee's (IOC) guidance for its 2018 evaluation of the Protective Services Unit's (PSU) operations and identify areas for further Office of Inspector General assessment and (2) to evaluate the PSU's operations to determine whether the PSU is complying with policies and procedures for certain aspects of protection measures and protective intelligence in support of its mission.

We provided you with a draft of our report for review and comment. In your responses, you concur with our recommendations and outline actions that have been or will be taken to address our recommendations. We have included your responses in appendix B of our report. We are also issuing a separate, restricted memorandum that includes sensitive information related to our evaluation.

We appreciate the cooperation that we received from the PSU and IOC representatives. Please contact me if you would like to discuss this report or any related issues.

cc: Lou Harris
Nicholas Trotta
Ricardo A. Aguilera
Cheryl Patterson



Contents

Introduction	8
Objectives	8
Background	8
The Uniform Regulations	8
The Internal Oversight Committee	9
Overview of the PSU	10
The PSU's Policies and Procedures	11
Finding 1: The IOC Can Strengthen Its Guidance and Checklist for Future Evaluations	12
The IOC's Expectations for Conducting and Documenting the IOC Evaluation of the PSU's Operations Were Generally Followed	12
The IOC Did Not Conduct Testing in Certain Circumstances	12
The IOC Did Not Document the Sampling Methodology	13
Recommendations	14
Management Response	14
OIG Comment	14
Finding 2: The IOC Can Improve Certain Aspects of Its PSU Evaluations	15
The IOC's Review of the PSU's Hiring and Protection Measures Was Adequate	15
The IOC Did Not Assess Certain Aspects of Protective Intelligence	15
The IOC Did Not Assess EPS-Related Training Requirements	16
Recommendation	16
Management Response	16
OIG Comment	16
Finding 3: The PSU Has a Process for Receiving and Handling Intelligence Information	17
Management Response	17
Finding 4: The PSU Has Controls for Certain Components of Its Protection Measures but Not for Vehicle Maintenance	18
The PSU Uses Various Protection Measures and Has Controls for Offsite Firearms Storage	18
The PSU Has Daily Activity Reporting Procedures	18
The PSU Has Developed Continuity of Operations Plan Procedures	18

The PSU Does Not Have Vehicle Maintenance Procedures	19
Recommendation	19
Management Response	19
OIG Comment	19
Finding 5: The PSU Does Not Provide Driving Refresher Training to Special Agents Who May Drive the Chair	20
Special Officers Receive Refresher Training as Required	20
Special Agents Do Not Receive Refresher Training	20
Recommendation	21
Management Response	21
OIG Comment	21
Finding 6: The PSU Does Not Consistently Maintain Records of the Disposition of Separated Agents' Credentials	22
Service Badges Were Handled as Required, but the Disposition of Separated Agents' Credentials Was Not Documented	22
Management Actions Taken	23
Recommendation	23
Management Response	23
OIG Comment	23
Appendix A: Scope and Methodology	24
Appendix B: Management Responses	25
Abbreviations	29



Introduction

Objectives

We conducted this evaluation to assess the Board of Governors of the Federal Reserve System Internal Oversight Committee's (IOC) 2018 evaluation of the Protective Services Unit (PSU), as well as the PSU's operations to support its mission. Our objectives were (1) to assess the implementation of the IOC's guidance for its 2018 evaluation of the PSU's operations and identify areas for further Office of Inspector General review and (2) to evaluate the PSU's operations to determine whether the PSU is complying with policies and procedures for certain aspects of protection measures and protective intelligence in support of its mission.¹

To achieve the first objective, we reviewed the IOC guidance, called *Board Internal Oversight Committee (IOC) Cover Sheet for IOC Checklist*, and the IOC Checklist. We also interviewed the IOC chair and the IOC reviewers to obtain an understanding of the responses they provided on the IOC Checklist. We identified and further assessed areas that we deemed high risk or that the IOC did not review. To achieve the second objective, we reviewed the PSU's policies and procedures as well as interviewed PSU management and PSU personnel to obtain an understanding of their roles and responsibilities related to protecting the Board's chair (referred to as *the chair*). Details on our scope and methodology are in appendix A.

Background

The USA Patriot Act of 2001 granted the Board certain federal law enforcement authorities. To implement these authorities, the Board promulgated the *Uniform Regulations for Federal Reserve Law Enforcement Officers (Uniform Regulations)* in June 2002. The Board established two law enforcement functions: the Law Enforcement Unit (LEU), which is part of the Division of Management, and the PSU, which is part of the Office of Board Members. The mission of the PSU is to use an experienced and highly trained staff, a full array of protection measures, and active planning and coordination with intelligence sources and law enforcement to ensure the physical security of the chair at all times. The PSU's designated Federal Reserve law enforcement officers include both special agents and special officers (referred to as *PSU agents*, unless otherwise noted).

The Uniform Regulations

The *Uniform Regulations* establishes specific policies and procedures necessary for the exercise of federal law enforcement authority by personnel of the Board and the Federal Reserve Banks. These regulations apply only to those personnel designated by the Board as law enforcement officers. The following topics are covered by the *Uniform Regulations*:

- qualifications and standards

¹ For our evaluation objective, we reviewed certain aspects of protection measures, including firearms storage, daily activity reporting, vehicle maintenance procedures, command post activities, and the PSU's portion of the continuity of operations plan.

- jurisdiction
- cross designation
- training
- authority to carry firearms
- use of force
- arrest powers
- execution of searches
- policy for plain clothes operations

The *Uniform Regulations* requires that the law enforcement functions at the Board establish an IOC and an external oversight function (EOF). The Board's OIG serves in the EOF role for the Board's law enforcement program and operations. The IOC and the EOF perform the following functions:

- The Board's IOC is responsible for the inspection and evaluation of the Board's PSU and LEU.²
- The Board's EOF is responsible for conducting a continual review and evaluation of the Board's law enforcement programs and operations.

The Internal Oversight Committee

The Board's IOC comprises two representatives from the Board's Division of Management and one representative each from the Legal Division, the Office of Board Members, and the Division of Reserve Bank Operations and Payment Systems. The IOC conducts an evaluation of the PSU approximately every 3 years. Prior to each evaluation, the IOC identifies and secures staffing resources with the appropriate expertise. These resources may include experienced Reserve Bank law enforcement officers or members of the IOC, among others.

The IOC's Evaluation Guidance

The OIG's most recent evaluation as the EOF for the Board's law enforcement function assessed the IOC's 2015 evaluation of the LEU's compliance with the *Uniform Regulations* and internal policies and procedures.³ We recommended that the IOC (1) develop guidance on documenting IOC evaluations that instructs reviewers on how to support their conclusions and (2) strengthen IOC evaluation guidance by detailing specific expectations for conducting IOC evaluations and determining compliance. In response to our recommendations, the IOC developed the IOC guidance to facilitate effective and consistent IOC evaluations for both the LEU and the PSU.

The IOC guidance, effective July 10, 2018, provides specific expectations for conducting IOC evaluations and determining compliance with the *Uniform Regulations* and PSU policies to ensure that IOC evaluations are thoroughly documented and that conclusions are supported. Specifically, the IOC guidance requires the IOC reviewers to document the basis for conclusions, the source reference used,

² Prior to February 28, 2019, each unit had its own IOC.

³ Office of Inspector General, *The Board Can Strengthen Its Guidance and Planning Efforts for Future Evaluations of the Law Enforcement Unit*, [OIG Report 2017-MO-B-013](#), August 16, 2017.

the location of reference materials, the linkage between the conclusions and the source reference used, and the details of records that were tested. In addition, the IOC reviewers are required to document the scope of each IOC review and the sampling methodology, and they must discuss the use of any supplemental questions with the IOC chair.

Apart from the IOC guidance, the IOC Checklist serves as a guide for the IOC reviewers to document their review. The IOC Checklist contains three sections:

- Section 1 includes questions to determine compliance with the *Uniform Regulations*. The questions are organized by the following topics: Purpose and Scope, General Definitions, Qualifications and Standards, Jurisdiction, Cross Designation, Training, Authority to Carry a Firearm, Use of Force, Arrest Powers, Execution of Searches, Policy for Plain Clothes Operations, Internal Oversight, and External Oversight Function.
- Section 2 includes questions to determine compliance with the *Federal Reserve System Law Enforcement Training Manual (FRSLETM)*, *Federal Law Enforcement Training Accreditation* standards, and reaccreditation standards.
- Section 3 includes questions to determine compliance with implementing the Federal Reserve System's *Use of Force Response Plan Guidelines*.

The IOC's 2018 Evaluation

The IOC conducted a review of the PSU's operations in 2018. The evaluation objectives were (1) to determine the extent of compliance with the *Uniform Regulations* and PSU policies, (2) to inspect and evaluate the effectiveness of management controls established by the PSU, (3) to verify the existence and adequacy of supporting documentation, and (4) to identify and communicate any opportunities for improvement. The IOC found that the PSU complied with all aspects of the *Uniform Regulations*, has effective controls in place, and maintains adequate supporting documentation.

The 2018 IOC evaluation was conducted by two Federal Reserve law enforcement officers (referred to as *IOC reviewers*) from one of the Federal Reserve Districts. In November 2018, the IOC reviewers conducted their onsite review to assess the PSU's operations for the period from January 2017 through October 2018. The onsite review consisted of conducting interviews with PSU staff members, reviewing PSU records, and visiting the PSU's command posts and firearms storage room. The IOC chair provided the reviewers with the IOC guidance as well as the IOC Checklist to assist with completing the evaluation.

Overview of the PSU

The PSU provides for the physical security of the chair 24 hours a day, 7 days a week. The PSU employs special agents and special officers. The special agents provide close-proximity personal protection to the chair, and the special officers are the chair's designated protective drivers.

The special agent in charge is designated to oversee the PSU as the law enforcement manager. In addition to the general management oversight of the PSU, the special agent in charge is responsible for reviewing the daily activity report and issuing service badges to sworn agents. The agents are also issued a credential that bears a full-face picture of the agent and serves to identify the employee while performing official duties and as occupational identification, when appropriate. The special agent in charge is also

responsible for issuing a gun lock or trigger guard to each agent for use when storing firearms away from Board property. The issued service badge, credential, and gun lock or trigger guard are documented on an Accountable Property Receipt form.

The PSU's Policies and Procedures

The *Uniform Regulations* requires that the Board adopt specific policies and procedures that are appropriate for its needs. As such, the PSU developed the *General Policies and Standard Operating Procedures for Law Enforcement Personnel Assigned to the Protective Services Unit (Standard Operating Procedures)*. The PSU's *Standard Operating Procedures* establishes policies and procedures governing the exercise of federal law enforcement authority for the PSU agents. The policies and procedures address the following topics:

- training
- authority to carry firearms
- use of force
- arrest authority
- execution of searches
- policy for plain clothes operations
- internal oversight
- EOF
- law enforcement officer credentials
- National Crime Information Center

The *Standard Operating Procedures* requires each law enforcement officer to complete training as required by the FRSLETM. The FRSLETM provides requirements for administering the Federal Reserve System's law enforcement training programs and guidance on timing for protective service operations training relating to advances, protective operations, motorcades, and driving.



Finding 1: The IOC Can Strengthen Its Guidance and Checklist for Future Evaluations

We found that the IOC reviewers generally followed expectations for conducting and documenting IOC evaluations and determining the PSU's compliance with its policies and procedures. However, the IOC reviewers did not conduct testing to confirm compliance for one specific section of the checklist and did not document the methodology for selecting the sample. The IOC guidance specifies that answering certain checklist questions may require testing specific records, but the IOC Checklist does not specify which questions may require testing. In addition, the IOC guidance states that the sampling methodology should be documented in the checklist or in an attachment to the checklist. The IOC reviewers documented the names of the special agents in their sample on the checklist, but they did not include information on the sampling methodology used to select the special agents in the sample. If the IOC Checklist does not specify which questions require testing, the IOC reviewers may not test critical areas of the PSU's operations. In addition, because the reviewers did not document the sampling methodology, we could not determine whether the selected sample adequately supported the conclusions for the checklist questions for which testing was completed.

The IOC's Expectations for Conducting and Documenting the IOC Evaluation of the PSU's Operations Were Generally Followed

We determined that the IOC reviewers generally followed expectations for conducting and documenting IOC evaluations and determining the PSU's compliance with its policies and procedures. Specifically, we found that the IOC reviewers documented the source reference used and the location of reference materials, as well as captured sufficient details for checklist questions when testing was conducted, such as listing the names of agents whose records they reviewed. In addition, we found that the IOC reviewers evaluated relevant records for a sample of special agents to assess compliance with the qualification and training requirements stated in the FRSLETM. Finally, we found that the IOC reviewers verified special agents' understanding of policies and procedures by confirming that agents have access to the policies and procedures and have signed to attest their understanding.

The IOC Did Not Conduct Testing in Certain Circumstances

We reviewed the IOC reviewers' responses on the IOC Checklist and found that the reviewers did not perform testing to determine whether credentials had been destroyed and that their destruction had been documented when agents separated.

According to the IOC guidance, answering certain checklist questions may require testing specific records. For example, one of the questions related to credential procedures prompts the IOC reviewers to

determine whether the credentials for separated agents have been destroyed and documented as required whenever agents leave service.

The IOC chair informed us that he instructed the IOC reviewers (1) not to review human resources records and (2) to limit document review to those records maintained by the PSU. However, the IOC Checklist does not identify which questions relate to human resources matters, and the IOC guidance does not specify how to address such questions. According to the IOC chair, the IOC reviewers did not request a list of separated agents to confirm the PSU's compliance with its credentials destruction policy because they assumed such information would be human resources related. We learned from PSU management, however, that the PSU maintains a list of separated agents. With respect to the IOC reviewers not testing credential disposition procedures, the IOC Checklist does not identify which questions may require testing.

If the IOC Checklist does not specify which questions may require testing and the IOC guidance does not provide instruction on how to handle questions related to human resources matters, the IOC reviewers may not review and test critical areas of the PSU's operations during future evaluations. Because there was no testing performed to determine compliance with requirements related to the credentials of separated agents, we identified this area for further OIG assessment. See finding 6 for information regarding the disposition of credentials for separated agents.

The IOC Did Not Document the Sampling Methodology

The IOC reviewers documented the names of the special agents in their sample on the IOC Checklist. However, the IOC reviewers did not document the methodology used to select the sample. During our interview with the IOC reviewers, they informed us that they sampled 25 percent of the PSU's agents to test specific records for IOC Checklist questions related to qualifications and standards, hiring, and training.

The IOC guidance states that the methodology for selecting a sample should be random and sufficiently large to gain confidence that controls are effective, though there is no set minimum sample size. Additionally, the IOC guidance states that the actual sample size should be determined during the planning phase of the review, in consultation with the IOC chair, and the methodology should be documented in the checklist or in an attachment to the checklist.

The IOC reviewers communicated information regarding the sample size to the IOC chair and PSU management during the review's planning phase. However, the IOC reviewers did not document the sampling methodology, which includes the process the reviewers used to select the special agents in the sample. Because the methodology used to select the sample was not documented on the checklist or as an attachment to the checklist, we were unable to determine whether the selected sample adequately supported the conclusions for checklist questions that required testing.

Recommendations

We recommend that the chief operating officer

1. Update the IOC Checklist to
 - a. identify which questions may require testing.
 - b. identify all questions that are human resources related.
 - c. include a required section for documenting the sample selection methodology.
2. Update the IOC guidance to clarify how the reviewers should address human resources questions.

Management Response

In his response to our draft report, the chief operating officer generally concurs with our recommendations. For recommendations 1 and 2, the response states that the IOC has begun taking steps to edit the checklist and related guidance with respect to how the reviewers should address relevant checklist questions. The chief operating officer believes the implementation of these recommendations will further strengthen IOC written guidance and documentation.

OIG Comment

We believe that the actions described by the chief operating officer are responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



Finding 2: The IOC Can Improve Certain Aspects of Its PSU Evaluations

We found that the IOC reviewers' work on the checklist questions related to hiring and protection measures was adequate; however, we determined that the IOC can strengthen its work related to certain aspects of protective intelligence and training. Specifically, the IOC reviewers did not review certain aspects of protective intelligence, including threat assessments and advance planning, or training requirements related to driving. The IOC reviewers did not review these areas because they were included in the Executive Protection Services (EPS) section of the IOC Checklist, which the IOC chair and the IOC reviewers deemed not applicable. Excluding the EPS section from the IOC evaluation resulted in the IOC not reviewing critical aspects of the PSU's operations.

The IOC's Review of the PSU's Hiring and Protection Measures Was Adequate

We determined that the work conducted for questions related to hiring and protection measures was adequate. Specific to hiring, the IOC reviewers verified that a sample of special agents met the PSU's qualifications and standards by reviewing related documentation. We also noted that the IOC reviewers determined that the special agents received training related to qualifications and standards as required by the FRSLETM. For hiring, we believe the IOC reviewers' assessment and testing was sufficient, and we did not identify areas that merited further OIG assessment.

We also determined that the work conducted for questions related to protection measures was adequate. In the area of firearms storage, the IOC reviewers sampled records of special agents and confirmed that the PSU complied with its policies and procedures. Because of the inherent risks associated with firearms storage, we conducted additional testing that included all agents to determine whether the PSU complies with the corresponding policies and procedures. See finding 4 for information pertaining to our assessment of the PSU's protection measures.

The IOC Did Not Assess Certain Aspects of Protective Intelligence

We found that the IOC reviewers did not review the EPS section of the IOC Checklist because the IOC chair and the IOC reviewers determined that the EPS section of the IOC Checklist did not apply to the PSU. The EPS section includes questions related to certain aspects of protective intelligence, including threat assessments and advance planning.

We determined that certain aspects of the EPS section of the IOC Checklist are applicable to the PSU, based on our review of the PSU's operations. Specifically, we noted that a designated special agent conducts threat assessments in collaboration with various intelligence sources and receives relevant intelligence information. Further, the PSU conducts advance planning for upcoming events to assess the potential for any threats.

We learned that the IOC reviewers did not complete the EPS section because the IOC chair and the reviewers determined that this section applies to the protection of Reserve Bank presidents and not the chair. The IOC chair informed us that the protection of the chair is different from the protection of the Reserve Bank presidents and that it may be necessary to develop a separate IOC Checklist specifically for the PSU to address this issue. By excluding the EPS section from the IOC evaluation, the IOC did not review critical aspects of the PSU's operations related to protective intelligence. See finding 3 for information regarding the PSU's procedures for receiving and handling intelligence information.

The IOC Did Not Assess EPS-Related Training Requirements

We determined that the work conducted for the questions related to training on the IOC Checklist was generally adequate. Specifically, the IOC reviewers verified that the agents in their sample met the prescribed FRSLETM course requirements by reviewing training files. However, we determined that the IOC reviewers did not review training requirements related to driving because this question was included in the EPS section, and the IOC chair and the IOC reviewers determined that the EPS section did not apply.

Based on our review of the PSU's operations, we believe that certain aspects of the EPS section are applicable to the PSU. Specifically, we noted that although special officers are designated to drive the chair, special agents may drive the chair when special officers are unavailable.

By excluding the EPS section from the IOC evaluation, the IOC did not review a critical aspect of the PSU's operations related to training. Because this area was excluded from the IOC's evaluation, we identified this area for further OIG assessment. See finding 5 for information regarding driving training for special agents.

Recommendation

We recommend that the chief operating officer

3. Develop IOC Checklist questions specific to the PSU's operations for the EPS section and ensure that reviewers answer those questions during future IOC evaluations of the PSU.

Management Response

In his response to our draft report, the chief operating officer generally concurs with our recommendation. The response notes that the IOC has started taking steps, in coordination with PSU management, to review the EPS section of the checklist and assess the applicability of the checklist questions to the PSU's operations. In addition, the IOC plans to modify checklist questions, as needed, and use those questions for future IOC evaluations of the PSU. The IOC believes this recommendation will enhance future IOC evaluations.

OIG Comment

We believe that the actions described by the chief operating officer are responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Finding 3: The PSU Has a Process for Receiving and Handling Intelligence Information

We determined that the PSU has a process for receiving and handling intelligence information. Specifically, the PSU adequately coordinates with sources both internal and external to the Board to receive and communicate intelligence information related to the security of the chair.

We found that the intelligence information relating to the security of the chair is shared with a designated PSU special agent. We were informed that the designated PSU special agent secures the intelligence information received. The designated special agent then shares this information with all PSU agents.

Management Response

In her response to our draft report, the director of the Office of Board Members concurs with our assessment.



Finding 4: The PSU Has Controls for Certain Components of Its Protection Measures but Not for Vehicle Maintenance

The PSU has controls related to command post operations, offsite firearms storage, daily activity reporting, and the continuity of operations plan. However, we found that the PSU does not have procedures for certain aspects of vehicle maintenance. We believe that the lack of formal procedures related to certain aspects of vehicle maintenance may affect the PSU's ability to achieve its mission.

The PSU Uses Various Protection Measures and Has Controls for Offsite Firearms Storage

The PSU uses various protection measures to ensure the security of the chair. We conducted site visits to the PSU's command posts to further understand the protection measures PSU agents use to safeguard the chair. We determined that the PSU's command posts make use of various protection measures to ensure the security of the chair at all times.

The PSU also has controls in place for agents to store Board-issued firearms while away from Board property. The *Standard Operating Procedures* states that a gun lock or trigger guard must be issued and used by all firearms-carrying agents assigned to the PSU when storing their Board-issued firearms while away from Board property. We reviewed Accountable Property Receipt forms for all current agents and confirmed that the PSU issued all agents a gun lock or trigger guard.

The PSU Has Daily Activity Reporting Procedures

We learned that PSU special agents complete a daily activity report form every day. The daily activity report form lists the chair's actual activities and identifies those PSU agents who accompanied the chair throughout the day. The special agent in charge or the assistant special agent in charge approves the completed daily activity report form. We reviewed daily activity report forms completed by the special agents during October 2018, January 2019, April 2019, and July 2019 and confirmed that the process for documenting the chair's schedule is operating effectively.

The PSU Has Developed Continuity of Operations Plan Procedures

The Board's continuity of operations plan is used to ensure the performance of mission-essential functions under a broad range of circumstances. We confirmed that the PSU's section of the continuity of operations plan includes the PSU's tasks and responsibilities pertaining to the safety and security of the chair when the Board's continuity of operations plan is activated. We found, based on interviews, that all PSU agents have access to and are aware of procedures related to the PSU's portion of the Board's

continuity of operations plan. In addition, the PSU conducts walk-throughs of emergency exercises to familiarize the agents with continuity of operations procedures specific to the chair.

The PSU Does Not Have Vehicle Maintenance Procedures

The PSU does not have formal procedures related to certain aspects of vehicle maintenance. We noted that the lack of formal procedures related to vehicle maintenance may affect the PSU's ability to achieve its mission. Additional details regarding this finding will be transmitted in a separate, restricted memorandum.

Recommendation

We recommend that the director of the Office of Board Members

4. Develop and implement a standard operating procedure for vehicle maintenance.

Management Response

In her response to our draft report, the director of the Office of Board Members concurs with our recommendation. The response states that the PSU will develop procedures to strengthen the vehicle maintenance guidelines.

OIG Comment

We believe that the actions described by the director of the Office of Board Members are responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Finding 5: The PSU Does Not Provide Driving Refresher Training to Special Agents Who May Drive the Chair

We learned that special agents drive the chair when special officers are unavailable; however, special agents are not required to attend motorcade and driving refresher training. The FRSLETM requires that agents complete refresher training on a variety of topics every 36 months to remain qualified to provide protective operations services, including motorcade and driving training. PSU management indicated that special agents are not required to complete refresher training for motorcades and driving because they are not the dedicated drivers of the chair. If special agents are assigned to drive the chair and have not attended refresher training for motorcades and driving, they may not have maintained the knowledge and skills required to protect the chair.

Special Officers Receive Refresher Training as Required

The PSU has a limited number of special officers who are the designated protective drivers of the chair. The special officers rotate between two shifts, and their responsibilities include transporting the chair and supervising vehicle maintenance procedures. Based on our review of driving training certifications, we confirmed that the special officers have completed the refresher training for motorcades and driving in accordance with the FRSLETM.

Special Agents Do Not Receive Refresher Training

We learned that special agents drive the chair when special officers are unavailable. PSU management also informed us that special agents obtain training on motorcades and driving as part of basic training for protective operations services. However, we found that the PSU does not require special agents to receive refresher training for motorcades and driving every 36 months.

Because of the specialized nature of the skills associated with protective operations, the FRSLETM requires that agents complete refresher training on a variety of topics every 36 months to remain qualified to provide protective operations services. Those topics include protective operations advances, protection operations, and motorcades and driving. The refresher training on motorcades and driving includes topics such as motorcade formations, advanced technical driving, and vehicle ambush countermeasures.

PSU management informed us that because special agents are not the dedicated drivers and do not frequently drive the chair, the PSU does not require them to complete refresher training related to driving.

We reviewed daily activity report forms for October 2018, January 2019, April 2019, and July 2019 and found that special agents drove the chair on 40 of those 123 days (33 percent). Specifically, we found that special agents drove the chair

- 11 of 31 days (35 percent) in October 2018
- 9 of 31 days (29 percent) in January 2019
- 19 of 30 days (63 percent) in April 2019
- 1 of 31 days (3 percent) in July 2019

Given that special agents drive the chair when special officers are unavailable, we believe that assigned agents should attend refresher training for motorcades and driving every 36 months to help maintain the knowledge and skills needed to safely drive the chair. If special agents are assigned to drive the chair and have not completed refresher training for motorcades and driving, they may not have maintained the knowledge and protective driving skills required to protect the chair.

Recommendation

We recommend that the director of the Office of Board Members

5. Ensure that special agents who may be assigned to drive the chair attend refresher training for motorcades and driving every 36 months.

Management Response

In her response to our draft report, the director of the Office of Board Members concurs with our recommendation. The response states that the PSU intends to expand the pool of drivers in the event that permanently assigned personnel are unavailable. The PSU will require any personnel specifically assigned to drive the chair to attend refresher training every 36 months.

OIG Comment

We believe that the actions described by the director of the Office of Board Members are responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Finding 6: The PSU Does Not Consistently Maintain Records of the Disposition of Separated Agents' Credentials

Although we observed that the PSU obtained all the service badges of agents who separated during the period of our review, we could not determine the disposition of some of those agents' credentials. The *Standard Operating Procedures* requires that the PSU obtain separated agents' service badges and either stamp their credentials as *Retired* or destroy the credentials by shredding. According to the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, internal controls, and all transactions and significant events, should be clearly documented, and the documentation should be properly maintained and readily available for examination.⁴ The PSU does not consistently maintain a record of the disposition of separated agents' credentials because there is no requirement to do so. If the PSU does not document the stamping or destruction of the credentials of separated agents, the Board is unable to ensure that the credentials of separated agents cannot be improperly used, which may pose a reputational risk to the Board.

Service Badges Were Handled as Required, but the Disposition of Separated Agents' Credentials Was Not Documented

The PSU uses Accountable Property Receipt forms to document the return of service badges and credentials issued to agents. We reviewed Accountable Property Receipt forms for agents who separated during the period from January 1, 2016, to June 30, 2019. We found that the PSU retained the service badges of all agents who separated during our review period. However, we also found that the PSU did not always maintain records of destroyed credentials for separated agents. Specifically, we found the following:

- For 50 percent of the separated agents, the PSU provided us with records that the credentials were stamped *Retired*.
- For the remaining separated agents, the PSU informed us that the credentials had been either stamped *Retired* or shredded, but it could not provide documentation to confirm this assertion.

The *Standard Operating Procedures* requires badges to be recorded on an Accountable Property Receipt form when issued and, upon an agent's separation, retained by the law enforcement manager for reissuance. A separated agent's credential may be stamped with the word *Retired* and retained by the separated agent; otherwise, the credential should be destroyed by shredding. In addition, the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* states

⁴ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

that internal controls, and all transactions and significant events, should be clearly documented, and the documentation should be properly maintained and readily available for examination.

We found that the *Standard Operating Procedures* does not require the PSU to maintain documentation of credentials stamped *Retired* or destroyed by shredding. In addition, the Accountable Property Receipt form, which the PSU uses to document property returned by separating agents, does not contain a field for the PSU to indicate whether credentials were stamped *Retired* or destroyed by shredding. If the disposition of the credentials of separated agents is not documented, the Board is unable to ensure that those credentials cannot be improperly used, which may pose a reputational risk to the Board.

Management Actions Taken

We discussed this finding with the PSU in October 2019. Subsequent to our discussion, the PSU updated its *Standard Operating Procedures* to include procedures for documenting the disposition of separated agents' credentials. This update requires the PSU to document whether the credential is stamped *Retired* or destroyed by shredding on a *Disposition of Credential* memorandum. We commend the PSU's effort to address our finding in a timely manner. Because the updated *Standard Operating Procedures* was provided after we completed our fieldwork, we were unable to test the implementation of these procedures.

Recommendation

We recommend that the director of the Office of Board Members

6. Implement procedures to maintain a record of credentials stamped *Retired* or destroyed by shredding for separated agents.

Management Response

In response to our draft report, the director of the Office of Board Members concurs with our recommendation. The response states that the PSU has streamlined its disposition of credentials process for employee separations. In addition, the PSU plans to maintain records of credential disposition in accordance with specific guidelines.

OIG Comment

We believe that the actions described by the director of the Office of Board Members are responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.



Appendix A: Scope and Methodology

The scope for objective 1 includes the IOC's 2018 evaluation of the PSU's operations. To accomplish objective 1, we reviewed the IOC's guidance and the IOC Checklist. We analyzed IOC Checklist questions related to hiring, training, protection measures, and protective intelligence. We also interviewed the IOC chair as well as the IOC reviewers to obtain an understanding of the responses provided on the IOC Checklist. We identified the following areas on the IOC Checklist to assess further: (1) motorcade and driving refresher training, (2) offsite firearms storage, and (3) credentials for separated agents.

The scope for objective 2 includes the PSU's operations related to procedures for handling and receiving intelligence information related to the chair, protection measures, driving refresher training, and credentials and badging. To accomplish objective 2, we interviewed PSU management, special agents, and special officers to obtain an understanding of their roles and responsibilities related to protecting the chair. We also reviewed the *Standard Operating Procedures*, dated July 2019, and the FRSLETM, dated July 2017, and identified various aspects of the PSU's operations to test. Specifically, we

- interviewed PSU personnel to understand how the PSU coordinates with intelligence sources and handles intelligence information
- reviewed Accountable Property Receipt forms to verify that the PSU issued a gun lock or trigger guard to all agents
- reviewed the PSU's portion of the Board's continuity of operations plan to ensure that the PSU had procedures in place
- visited the PSU's command posts to verify the use of various protection measures
- interviewed Board Motor Transport personnel to obtain an understanding of the Board's role in the maintenance of the chair's vehicles
- analyzed the PSU's daily activity report forms completed by special agents during October 2018, January 2019, April 2019, and July 2019 to review the documentation procedures for the daily schedule, as well as to determine the number of days special agents drove the chair
- reviewed training records to verify that the special officers assigned to drive the chair completed motorcade and driving refresher training in accordance with the FRSLETM
- reviewed Accountable Property Receipt forms and other related documentation for those agents who separated during the period from January 1, 2016, to June 30, 2019, to determine whether badges and credentials were handled in accordance with the *Standard Operating Procedures*.

We conducted our fieldwork from August 2019 through December 2019. 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 Responses



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

OFFICE OF THE
CHIEF OPERATING OFFICER

March 12, 2020

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Dear Mr. Bialek:

Thank you for the opportunity to comment on the draft report evaluating the 2018 evaluation performed by the Board's Internal Oversight Committee (IOC) of the Board's Protective Services Unit (PSU). The report recognizes the IOC's development of guidance to facilitate effective and consistent IOC evaluations of both the PSU and the Board's Law Enforcement Unit, and found that the IOC reviewers' work on the checklist questions related to hiring and protection measures was adequate. We appreciate the input the Office of Inspector General (OIG) has provided on steps the IOC has taken to date as part of comprehensive efforts to reestablish the IOC evaluation process.

The draft report contains three recommendations related to further strengthening and fine tuning IOC guidance and documentation, and enhancing certain aspects of future IOC evaluations of the PSU. We are in general agreement with the recommendations and have identified approaches to implementing them, as outlined below.

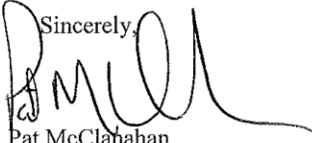
The first and second recommendations both relate primarily to strengthening and fine tuning the IOC's written guidance and the portions of the checklist historically used for IOC evaluations as it pertains to specific aspects of an IOC evaluation. Implementation of these recommendations will further enhance the usefulness and effectiveness of evaluations. We have begun taking steps to edit the checklist and related guidance with respect to how the reviewers should address relevant checklist questions.

The third recommendation is to develop IOC checklist questions specific to certain aspects of the PSU's operations involving executive protection services, and ensure that reviewers answer them during future IOC evaluations of the PSU. We have started taking steps, in coordination with PSU management, to review the relevant section of the checklist and assess the applicability of the checklist questions as drafted to PSU's

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operations. We anticipate modifying checklist questions as necessary, and plan to use the checklist, as modified if necessary, in future IOC evaluations of the PSU.

Thank you, again, for the opportunity to provide comments to the draft report.

Sincerely,

Pat McClahahan
Chief Operating Officer

cc: Nick Trotta, IOC Chair
Mitchell Klein, IOC Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 2, 2020

By Electronic Mail

Michael VanHuysen,
OIG Assistant Inspector General for Audits and Evaluations
Office of Inspector General

Re: *OIG Report No. 2020-MO-B-OOX dated February 27th, 2020*

Dear Mr. VanHuysen:

The Board's Protection Services Unit ("PSU") submits its response to the Office of Inspector General's Report, *The Board Can Strengthen Its Oversight of the Protective Services Unit and Improve Controls for Certain Protective Services Unit Processes*, dated February 27th, 2020 ("OIG Report"). The OIG Report for the review period ending December 2018, made six recommendations. Recommendations one and two will be addressed through The Board's Internal Oversight Committee and the Board's Protective Services Unit will provide responses for recommendations three through six.

Recommendation number three:

The PSU has a process for receiving and handling intelligence information.

The Protective Services Unit (PSU) concurs with this assessment.

Recommendation number four:

Develop and implement a standard operating procedure for vehicle maintenance.

The Protective Services Unit (PSU) concurs with this recommendation and will develop procedures through policy to strengthen the vehicle maintenance guidelines.

Recommendation number five:

Ensure that Special Agents who may be assigned to drive the Chair attend refresher training for motorcades and driving every 36 months.

The Protective Services Unit (PSU) concurs with this recommendation. The PSU requires personnel who are specifically assigned to drive the Chairman to attend refresher training every 36 months. The PSU intends to expand the pool of drivers in the event the permanently assigned personnel are unavailable. To reiterate, the special agents identified to serve in this capacity will only do so in the absence of the Protective Services Unit's primary drivers.

Recommendation number six:

Implement procedures to maintain a record of credentials stamped Retired or destroyed by shredding/or separated agents.

The Protective Services Unit (PSU) has streamlined the employee separation and disposition of credential process. Depending on the type of separation (retirement or other), the Property & Inventory section of the PSU will process an internal document indicating whether the separated employee retains their retirement credential (stamped retired internally) or if the credential is to be destroyed. This record will be retained appropriately according to SAFR guidelines.

I am hopeful this response is satisfactory. Please contact me should you wish to discuss this response or any other matter regarding the Board's PSU.

Respectfully,

Irving "Lou" Harris
Special Agent in Charge

On Behalf Of

A handwritten signature in black ink, appearing to read "Michelle Smith", written over a light blue rectangular background.

Michelle Smith
Director of the Office of Board Members

Cc: Michelle Smith
Tim Rogers
Lindsay Mough
Nick Trotta
Mitchell Klein



Abbreviations

EOF	external oversight function
EPS	Executive Protection Services
FRSLETM	<i>Federal Reserve System Law Enforcement Training Manual</i>
IOC	Internal Oversight Committee
IOC guidance	<i>Board Internal Oversight Committee (IOC) Cover Sheet for IOC Checklist</i>
LEU	Law Enforcement Unit
PSU	Protective Services Unit
<i>Standard Operating Procedures</i>	<i>General Policies and Standard Operating Procedures for Law Enforcement Personnel Assigned to the Protective Services Unit</i>
<i>Uniform Regulations</i>	<i>Uniform Regulations for Federal Reserve Law Enforcement Officers</i>

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