Appendix C

Federal Reserve System Audits

The Board of Governors, each of the Reserve Banks taken separately, and the Federal Reserve System as a whole are all subject to several levels of audit and review. At each Federal Reserve Bank, a full-time staff of auditors under the direction of a general auditor reports directly to the Bank's board of directors. The Board's Division of Reserve Bank Operations and Payment Systems, acting on behalf of the Board of Governors, regularly audits the financial operations of each of the Banks and periodically reviews all other Bank operations. The Office of Inspector General (OIG) conducts audits, operations reviews, and investigations of the programs and operations of the Board and those Board functions delegated to the Federal Reserve Banks. The OIG retains an independent auditor each year to certify the fairness of the Board's financial statements and its compliance with laws and regulations affecting those financial statements.

General Accounting Office

The 1978 passage of the Federal Banking Agency Audit Act (Public Law 95–320) brought most of the operations of the Federal Reserve System under the purview of the General Accounting Office (GAO). The GAO, which currently has 21 projects in various stages of completion, since 1979 has completed 123 reports on selected aspects of Federal Reserve operations (tables C.1 and C.2). The GAO has also involved the Federal Reserve in about 76 other reviews not directly related to the System and has terminated 51 others before completion. The reports are available directly from the GAO.

Table C.1

Active GAO Projects Relating to the Federal Reserve

Subject	Date initiated
Financial crises	10/27/92
Country risk assessments	11/24/92
First City Bancorporation of Texas	1/19/93
Bank securities activities	5/12/93
Bank mutual fund activities	6/8/93
CRA and the fair funding laws	6/17/93
Economic statistics improvements	7/27/93
Relationship of the operations of the Federal Reserve System to the federal budget	10/8/93
Accounting for derivatives	3/21/94
Trust assets	3/23/94
Foreign banking	3/31/94
Audit of the Federal Reserve Bank of Dallas	4/11/94
Losses to the Bank Insurance Fund	5/5/94
Bank chartering and changes in control	5/24/94
Bank mutual fund profitability	6/1/94
Credit availability	6/1/94
Overseas counterfeiting and money laundering	6/10/94
FDICIA provisions	6/24/94
OTC derivative sales practices	7/20/94
CFTC's exemptions	9/1/94
Equitable Escheatment Act of 1994	11/4/94

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Table C.2

Completed GAO Reports Relating to the Federal Reserve System

Report	Number	Date issued
Comparing Policies and Procedures of the Three Bank Regulatory Agencies	GGD-79-27	3/29/79
Are OPEC Financial Holdings a Danger to U.S. Banks or the Economy?	EMD-79-45	6/11/79
Federal Systems Not Designed to Collect Data on All Foreign Investments in U.S. Depository Institutions	GGD-79-42	6/19/79
Considerable Increase in Foreign Banking in United States since 1972	GGD-79-75	8/1/79
Investment Policies, Practices and Performance of Federal Retirement Systems	FPCD-79-17	8/31/79
Federal Supervision of Bank Holding Companies Needs Better, More Formalized Supervision	GGD-80-20	2/12/80
The Federal Reserve Should Assure Compliance with the 1970 Bank Holding Company Act Amendments	GGD-80-21	3/12/80
Federal Agencies' Initial Problems with the Right to Financial Privacy Act of 1978	GGD-80-64	5/29/80
Internal Auditing Can Be Strengthened in the Federal Reserve System	GGD-80-59	8/8/80
Despite Positive Effects, Further Foreign Acquisitions of U.S. Banks Should Be Limited until Policy Conflicts Are Fully Addressed	GGD-80-66	8/26/80
Federal Examinations of Financial Institutions: Issues That Need to Be Resolved	GGD-81-12	1/6/81
Examinations of Financial Institutions Do Not Assure Compliance with Consumer Credit Laws	GGD-81-13	1/21/81
Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings	AFMD-81-27	1/23/81
An Economic Overview of Bank Solvency Regulation	PAD-81-25	2/13/81
Federal Reserve Security over Currency Transportation Is Adequate	GGD-81-27	2/23/81
The Federal Structure for Examining Financial Institutions Can Be Improved	GGD-81-21	4/24/81
Response to Questions Bearing on the Feasibility of Closing the Federal Reserve Banks	GGD-81-49	5/21/81
Bank Secrecy Act Reporting Requirements Have Not Met Expectations, Suggesting Need for Amendment	GGD-81-80	7/23/81
Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections	GGD-81-79	8/18/81
Financial Institution Regulatory Agencies Should Perform Internal Audit Reviews of their Examination and Supervision Activities	GGD-82-5	10/19/81
Information on Selected Aspects of Federal Reserve System Expenditures	GGD-82-33	2/12/82
Federal Review of Intrastate Branching Can Be Reduced	GGD-82-31	2/24/82
Despite Improvements, Recent Bank Supervision Could Be More Effective and Less Burdensome	GGD-82-21	2/26/82
Issues to Be Considered while Debating Interstate Bank Branching	GGD-82-36	4/9/82
The Federal Reserve Should Move Faster to Eliminate Subsidy of Check-Clearing Operations	GGD-82-22	5/7/82
Information about Depository Institutions' Ancillary Activities Is Not Adequate for Policy Purposes	GGD-82-57	6/1/82
Bank Merger Process Should Be Modernized and Simplified	GGD-82-53	8/16/82
An Analysis of Fiscal and Monetary Policies	PAD-82-45	8/31/82
Bank Examination for Country Risk and International Lending	ID-82-52	9/2/82
Credit Insurance Disclosure Provisions of the Truth-in-Lending Act Consistently Enforced Except When Decisions Appealed	GGD-83-3	10/25/82
Survey of Investor Protection and the Regulation of Financial Intermediaries	GGD-83-30	7/13/83
Financial Institutions Regulatory Agencies Can Make Better Use of Consumer Complaint Information	GGD-83-13	8/25/83
Expediting Tax Deposits Can Increase the Government's Interest Earnings	GGD-84-14	11/21/83
Unauthorized Disclosure of the Federal Reserve's Monetary Policy Decision	GGD-84-40	2/3/84
Federal Financial Institutions Examination Council Has Made Limited Progress toward Accomplishing Its Mission	GGD-84-4	2/3/84
Control Improvements Needed in Accounting for Treasury Securities at the Federal Reserve Bank of New York	AFMD-84-10	5/2/84

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Table C.2
Continued

Report	Number	Date issued
Statutory Requirements for Examining International Banking Institutions Need Attention	GGD-84-39	7/11/84
Supervisory Examinations of International Banking Facilities Need to Be Improved	GGD-84-65	9/30/84
An Examination of Concerns Expressed about the Federal Reserve's Pricing of Check-Clearing Activities	GGD-85-9A	1/14/85
Difficulties in Evaluating the Effectiveness of the Community Reinvestment Act	OCE-86-1	11/4/85
International Coordination of Bank Supervision: The Record to Date	NSIAD-86-40	2/6/86
Implementation of the Export Trading Company Act of 1982	NSIAD-86-42	2/27/86
Information on Independent Public Accountant Audits of Financial Institutions	GGD-84-44FS	4/21/86
An Analysis of Two Types of Pooled Investment Funds	GGD-86-63	5/12/86
How the Markets Are Developed and How They Are Regulated	GGD-86-26	5/15/86
U.S. Banking Supervision and International Supervisory Principles	NSIAD-86-93	7/25/86
Financial Institution Regulators' Compliance Examination	GGD-86-94	8/1/86
The Market's Structure, Risks, and Regulation	GGD-86-80BR	8/20/86
Dealer Views on Market Operations and Federal Reserve Securities Transfer System	GGD-86-147FS	9/29/86
Questions about the Federal Reserve's Securities Transfer System	GGD-87-15BR	10/20/86
Federal Reserve Board Opposition to Credit Card Interest Rate Limits	GGD-87-38BR	4/7/87
Insulating Banks from the Potential Risk of Expanded Activities	GGD-87-35	4/14/87
The Federal Reserve Response Regarding Its Market-Making Standard	GGD-87-55FS	4/21/87
Change in Fees and Deposit Account Interest Rates since Deregulation	GGD-87-70	7/13/87
An Examination of Views Expressed about Access to Brokers' Services	GGD-88-8	12/18/87
Issues Related to Repeal of the Glass–Steagall Act	GGD-88-37	1/22/88
Preliminary Observations on the October 1987 Crash	GGD-88-38	1/26/88
Supervision of Overseas Lending Is Inadequate	NSIAD-88-87	5/5/88
Competitive Concerns of Foreign Financial Firms in Japan, the United Kingdom and the United States	NSIAD-88-171	6/2/88
Administrative Expenses at FHLBB and FRB for 1985 and 1986	AFMD-88-33	6/15/88
Government in the Sunshine Act Compliance at Selected Agencies	GGD-88-97	7/20/88
Trends in Commercial Bank Performance, December 1976–June 1987	GGD-88-106BR	7/28/88
U.S. Commercial Banks' Securities Activities in London	NSIAD-88-238	9/8/88
Lending to Troubled Sectors	GGD-88-126BR	9/26/88
Government Check-Cashing Issues	GGD-89-12	10/7/88
Conflict of Interest: Abuses in Commercial Banking Institutions	GGD-89-35	1/27/89
Competitive Fairness Is an Elusive Goal	GGD-89-61	5/12/89
Independent Audits Needed to Strengthen Internal Control and Bank Management	AFMD-89-25	5/31/89
Information on the System's Check Collection Service	GGD-90-17	12/15/89
Oversight of Critical Banking Systems Should Be Strengthened	IMTEC-90-14	1/14/90
Activities of Securities of Bank Holding Companies	GGD-90-48	3/14/90
The Stock, Options, and Futures Markets Are Still at Risk	GGD-90-33	4/11/90
Update on U.S. Commercial Banks' Securities in London	NSIAD-90-98	5/7/90
U.S. Financial Services' Competitiveness under the Single Market Program	NSIAD-90-99	5/21/90
Limited Public Demand for New Dollar Coin or Elimination of Pennies	GGD-90-88	5/23/90
Oversight of Automation Used to Clear and Settle Trades Is Uneven	IMTEC-90-47	7/12/90
The Government's Exposure to Risks	GGD-90-97	8/15/90
Office of Inspector General Operations at Financial Regulatory Agencies	AFMD-90-55FS	8/24/90
Additional Reserves and Reform Needed to Strengthen the Fund	AFMD-90-100	9/11/90
More Transaction Information and Investor Protection Measures Are Needed	GGD-90-114	9/14/90
Issues Relating to Banks Selling Insurance	GGD-90-113	9/25/90

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Table C.2

Completed GAO Reports Relating to the Federal Reserve System—Continued

Report	Number	Date issued
Implementation of Risk-Based Capital Adequacy Standards	NSIAD-91-80	1/25/91
Overview of Six Foreign Systems	NSIAD-91-104	2/22/91
Deposit Insurance: A Strategy for Reform	GGD-92-26	3/4/91
Bank Supervision: Prompt and Forceful Regulatory Actions Needed	GGD-91-69	4/15/91
Many Federal Agencies Collect and Disseminate Information	NSIAD-91-173	5/1/91
Money Laundering: The U.S. Government Is Responding to the Problem	NSIAD-91-130	5/16/91
A Framework for Limiting the Government's Exposure to Risks	GGD-91-90	5/22/91
Treasury Tax and Loan Activity at Two Troubled Banks	AFMD-91-87	9/12/91
OCC's Supervision of the Bank of New England Was Not Timely or Forceful	GGD-91-128	9/16/91
Bank Holding Company Securities Subsidiaries' Market Activities Update	GGD-91-131	9/20/91
Time Limits on Holding Deposits Generally Met but More Oversight Needed	GGD-91-132	9/30/91
Legislation Needed to Strengthen Bank Oversight	AFMD-92-19	10/21/91
Contracting Practices with Data Processing Servicers	GGD-92-19	2/5/92
Challenges to Harmonizing International Capital Standards Remain	GGD-92-41	3/10/92
Assessing the Need to Regulate Additional Financial Activities	GGD-92-70	4/21/92
Call Report Automation	IMTEC-92-60R	5/28/92
Flexible Accounting Rules Lead to Inflated Financial Reports	AFMD-92-52	6/1/92
Cross-Border Information Sharing Is Improving, but Obstacles Remain	GGD-92-110	7/28/92
Changes in Collateral Practices Could Reduce the Federal Government's Risk of Loss	AFMD-92-54	9/14/92
Initial Assessment of Certain BCCI Activities in the U.S.	GGD-92-96	9/30/92
Appraisal Reform: Implementation Status and Unresolved Issues	GGD-93-19	10/30/92
Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened	GGD-93-48	1/8/93
FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness	AFMD-93-13	2/16/93
Improvements Needed in Examination Quality and Regulatory Structure	AFMD-93-15	2/16/93
Personnel Engaged in Public and Congressional Affairs in Federal Agencies	GGD-93-71FS	3/8/93
Credit Availability Guidance	GGD-93-15R	3/30/93
Treasury Automation: Automated Auction May Not Achieve Benefits or Operate Properly	IMTEC-93-28	4/27/93
IRS Can Improve the Federal Tax Deposit System	AFMD-93-40	4/28/93
Funding Foreign Bank Examinations	GGD-93-35R	5/4/93
Preliminary Information Related to a Futures Transaction Fee	GGD-93-108	5/17/93
The Business Environment in the United States, Japan, and Germany	GGD-93-124	8/9/93
Regulatory Impediments to Small Business Lending Should Be Removed	GGD-93-121	9/7/93
Recent Developments in Foreign Exchange Markets	GGD-93-154	9/24/93
Benefits and Risks of Removing Regulatory Restrictions	GGD-94-26	11/2/93
Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives	GGD-94-28	12/13/93
Strengthening the Framework for Supervising International Banks	GGD-94-68	3/21/94
Insider Problems and Violations Indicate Broader Management Deficiencies	GGD-94-88	3/30/94
U.S. Credit Card Industry: Competitive Developments Need to be Closely Monitored	GGD-94-23	4/28/94
Better Guidance Is Needed for Real Estate Evaluations	GGD-94-144	5/24/94
Treasury Securities Auction	AIMD-94-165R	8/25/94
Divergent Loan Loss Methods Undermine Usefulness of Financial Reports	AIMD-95-8	10/31/94
Interstate Banking: Experiences in Three Western States	GGD-95-35	12/30/94

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Office of Inspector General

The Board's Office of Inspector General functions in accordance with the Inspector General Act of 1978, as amended. The OIG plans and conducts audits and investigations of the programs and operations of the Board and its delegated functions at the Federal Reserve Banks. The OIG also reviews existing and proposed legislation and regulations for economy and efficiency. It recommends policies and supervises and conducts activities that promote economy and efficiency and that prevent and detect waste, fraud, and abuse in Board and Board-delegated programs and operations. In addition, it coordinates its efforts with other governmental and nongovernmental agencies to promote economy and efficiency and to detect and prevent fraud and abuse in activities administered or financed by the Board. The OIG keeps the Congress and the Chairman of the Board fully informed about serious abuses and deficiencies and about the status of any corrective actions.

During 1994, the OIG reported on eight audits (table C.3) and conducted a number of follow-up reviews. In addition, the OIG closed five investigations and performed numerous legislative and regulatory reviews. ■

Table C.3

Completed OIG Audit Reports Relating to the Federal Reserve System, 1994

Report	Number	Month of issue
Audit of the Board's Oversight of Federal Reserve Bank Building Projects	A9205	2/94
Audit of HMDA Processing System: Project Management	A9203-A	2/94
Audit of HMDA Processing System: System Design	A9203-B	3/94
Audit of the Board's Financial Statements (year ending 12/31/93)	A9400	3/94
Audit of the FFIEC's Financial Statements (year ending 12/31/93)	A9401	3/94
Audit of the Division of Research and Statistics' Distributed Processing Network	A9306	8/94
Audit of the Board's Mainframe Computer Data Communications	A9303	8/94
Audit of the Board's Currency Program	A9210	9/94

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Appendix C

Federal Reserve System Audits

The Board of Governors, each of the Reserve Banks taken separately, and the Federal Reserve System as a whole are all subject to several levels of audit and review. At each Federal Reserve Bank, a full-time staff of auditors under the direction of a general auditor reports directly to the Bank's board of directors. The Board's Division of Reserve Bank Operations and Payment Systems, acting on behalf of the Board of Governors, regularly audits the financial operations of each of the Banks and periodically reviews all other Bank operations. The Office of Inspector General (OIG) conducts audits, operations reviews, and investigations of the programs and operations of the Board and those Board functions delegated to the Federal Reserve Banks. The OIG retains an independent auditor each year to certify the fairness of the Board's financial statements and its compliance with laws and regulations affecting those financial statements.

General Accounting Office

The 1978 passage of the Federal Banking Agency Audit Act (Public Law 95–320) brought most of the operations of the Federal Reserve System under the purview of the General Accounting Office (GAO). The GAO, which currently has 22 projects in various stages of completion, since 1979 has completed 131 reports on selected aspects of Federal Reserve operations (tables C.1 and C.2). The GAO has also involved the Federal Reserve in about 78 other reviews not directly related to the System and has terminated 52 others before completion. The reports are available directly from the GAO.

Table C.1

Active GAO Projects Relating to the Federal Reserve

Subject	Date initiated
Financial crises	10/27/92
Relationship of the operations of the Federal Reserve System to the federal budget	10/8/93
Foreign banking	3/31/94
Audit of the Federal Reserve Bank of Dallas	4/11/94
Bank mutual fund profitability	6/1/94
FDICIA provisions	6/24/94
OTC derivative sales practices	7/20/94
CFTC's exemptions	9/1/94
Interstate banking data	2/16/95
Concessions contracts in federal agencies	2/27/95
Financial derivatives update	3/2/95
Mexico's financial crisis	3/7/95
BHC Act prohibition on tying	3/20/95
Federal regulatory burden	3/31/95
Proposals to consolidate U.S. bank regulatory structures	6/12/95
Counterfeit U.S. currency	9/25/95
Clearance and settlement systems	11/2/95
Daiwa Bank activities	11/21/95
Bank regulatory system in Japan	11/30/95
FR fiscal agency functions for the Treasury Department	12/22/95
Trade and financial flows between Panama and Cuba	12/22/95
Oversight of foreign banks' U.S. operations	12/28/95

Table C.2

Completed GAO Reports Relating to the Federal Reserve System

Report	Number	Date issued
Comparing Policies and Procedures of the Three Bank Regulatory Agencies	GGD-79-27	3/29/79
Are OPEC Financial Holdings a Danger to U.S. Banks or the Economy?	EMD-79-45	6/11/79
Federal Systems Not Designed to Collect Data on All Foreign Investments in U.S. Depository Institutions	GGD-79-42	6/19/79
Considerable Increase in Foreign Banking in United States since 1972	GGD-79-75	8/1/79
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Despite Positive Effects, Further Foreign Acquisitions of U.S. Banks Should Be Limited until Policy Conflicts Are Fully Addressed	GGD-80-66	8/26/80
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Examinations of Financial Institutions Do Not Assure Compliance with Consumer Credit Laws	GGD-81-13	1/21/81
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The Federal Reserve Should Move Faster to Eliminate Subsidy of Check-Clearing Operations	GGD-82-22	5/7/82
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Expediting Tax Deposits Can Increase the Government's Interest Earnings	GGD-84-14	11/21/83
Unauthorized Disclosure of the Federal Reserve's Monetary Policy Decision	GGD-84-40	2/3/84
Federal Financial Institutions Examination Council Has Made Limited Progress toward Accomplishing Its Mission	GGD-84-4	2/3/84
Control Improvements Needed in Accounting for Treasury Securities at the Federal Reserve Bank of New York	AFMD-84-10	5/2/84

Table C.2
Continued

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Insulating Banks from the Potential Risk of Expanded Activities	GGD-87-35	4/14/87
The Federal Reserve Response Regarding Its Market-Making Standard	GGD-87-55FS	4/21/87
Change in Fees and Deposit Account Interest Rates since Deregulation	GGD-87-70	7/13/87
An Examination of Views Expressed about Access to Brokers' Services	GGD-88-8	12/18/87
Issues Related to Repeal of the Glass–Steagall Act	GGD-88-37	1/22/88
Preliminary Observations on the October 1987 Crash	GGD-88-38	1/26/88
Supervision of Overseas Lending Is Inadequate	NSIAD-88-87	5/5/88
Competitive Concerns of Foreign Financial Firms in Japan, the United Kingdom and the United States	NSIAD-88-171	6/2/88
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Limited Public Demand for New Dollar Coin or Elimination of Pennies	GGD-90-88	5/23/90
Oversight of Automation Used to Clear and Settle Trades Is Uneven	IMTEC-90-47	7/12/90
The Government's Exposure to Risks	GGD-90-97	8/15/90
Office of Inspector General Operations at Financial Regulatory Agencies	AFMD-90-55FS	8/24/90
Additional Reserves and Reform Needed to Strengthen the Fund	AFMD-90-100	9/11/90
More Transaction Information and Investor Protection Measures Are Needed	GGD-90-114	9/14/90
Issues Relating to Banks Selling Insurance	GGD-90-113	9/25/90

Table C.2

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Deposit Insurance: A Strategy for Reform	GGD-92-26	3/4/91
Bank Supervision: Prompt and Forceful Regulatory Actions Needed	GGD-91-69	4/15/91
Many Federal Agencies Collect and Disseminate Information	NSIAD-91-173	5/1/91
Money Laundering: The U.S. Government Is Responding to the Problem	NSIAD-91-130	5/16/91
A Framework for Limiting the Government's Exposure to Risks	GGD-91-90	5/22/91
Treasury Tax and Loan Activity at Two Troubled Banks	AFMD-91-87	9/12/91
OCC's Supervision of the Bank of New England Was Not Timely or Forceful	GGD-91-128	9/16/91
Bank Holding Company Securities Subsidiaries' Market Activities Update	GGD-91-131	9/20/91
Time Limits on Holding Deposits Generally Met but More Oversight Needed	GGD-91-132	9/30/91
Legislation Needed to Strengthen Bank Oversight	AFMD-92-19	10/21/91
Contracting Practices with Data Processing Servicers	GGD-92-19	2/5/92
Challenges to Harmonizing International Capital Standards Remain	GGD-92-41	3/10/92
Assessing the Need to Regulate Additional Financial Activities	GGD-92-70	4/21/92
Call Report Automation	IMTEC-92-60R	5/28/92
Flexible Accounting Rules Lead to Inflated Financial Reports	AFMD-92-52	6/1/92
Cross-Border Information Sharing Is Improving, but Obstacles Remain	GGD-92-110	7/28/92
Changes in Collateral Practices Could Reduce the Federal Government's Risk of Loss	AFMD-92-54	9/14/92
Initial Assessment of Certain BCCI Activities in the U.S.	GGD-92-96	9/30/92
Appraisal Reform: Implementation Status and Unresolved Issues	GGD-93-19	10/30/92
Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened	GGD-93-48	1/8/93
FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness	AFMD-93-13	2/16/93
Improvements Needed in Examination Quality and Regulatory Structure	AFMD-93-15	2/16/93
Personnel Engaged in Public and Congressional Affairs in Federal Agencies	GGD-93-71FS	3/8/93
Credit Availability Guidance	GGD-93-15R	3/30/93
Treasury Automation: Automated Auction May Not Achieve Benefits or Operate Properly	IMTEC-93-28	4/27/93
IRS Can Improve the Federal Tax Deposit System	AFMD-93-40	4/28/93
Funding Foreign Bank Examinations	GGD-93-35R	5/4/93
Preliminary Information Related to a Futures Transaction Fee	GGD-93-108	5/17/93
The Business Environment in the United States, Japan, and Germany	GGD-93-124	8/9/93
Regulatory Impediments to Small Business Lending Should Be Removed	GGD-93-121	9/7/93
Recent Developments in Foreign Exchange Markets	GGD-93-154	9/24/93
Benefits and Risks of Removing Regulatory Restrictions	GGD-94-26	11/2/93
Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives	GGD-94-28	12/13/93
Strengthening the Framework for Supervising International Banks	GGD-94-68	3/21/94
Insider Problems and Violations Indicate Broader Management Deficiencies	GGD-94-88	3/30/94
U.S. Credit Card Industry: Competitive Developments Need to be Closely Monitored	GGD-94-23	4/28/94
Better Guidance Is Needed for Real Estate Evaluations	GGD-94-144	5/24/94
Treasury Securities Auction	AIMD-94-165R	8/25/94
Divergent Loan Loss Methods Undermine Usefulness of Financial Reports	AIMD-95-8	10/31/94
Interstate Banking: Experiences in Three Western States	GGD-95-35	12/30/94
Lessons Learned from Resolving First City Bancorporation of Texas	GGD-95-37	3/15/95
Investment of Trust Assets in Bank Proprietary Mutual Funds	GGD-95-21	3/16/95
Status Report on the Initiative to Improve Economic Statistics	GGD-95-98	7/7/95

Table C.2
Continued

Report	Number	Date issued
Differences in Screening Bank Executives	GGD-95-181R	8/17/95
Banks' Securities Activities: Oversight Differs Depending on Activity and Regulator	GGD-95-214	9/21/95
Mutual Funds: Impact on Bank Deposits and Credit Availability	GGD-95-230	9/22/95
Bank Mutual Funds: Sales Practices and Regulatory Issues	GGD-95-210	9/27/95
Challenges Remain to Successfully Implement CRA	GGD-96-23	11/28/95

Office of Inspector General

The Board's Office of Inspector General functions in accordance with the Inspector General Act of 1978, as amended. The OIG plans and conducts audits and investigations of the programs and operations of the Board and its delegated functions at the Federal Reserve Banks. The OIG also reviews existing and proposed legislation and regulations for economy and efficiency. It recommends policies and supervises and conducts activities that promote economy and efficiency and that prevent and detect waste, fraud, and abuse in Board and Board-delegated programs and operations. In addition, it coordinates its efforts with other governmental and nongovernmental agencies to promote economy and efficiency and to detect and prevent fraud and abuse in activities administered or financed by the Board. The OIG keeps the Congress and the Chairman of the Board fully informed about serious abuses and deficiencies and about the status of any corrective actions.

During 1995, the OIG publicly reported on seven audits (table C.3) and conducted a number of follow-up and other reviews. In addition, the OIG closed six investigations and performed numerous legislative and regulatory reviews. ■

Table C.3
Completed OIG Audit Reports Relating to the Federal Reserve System, 1995

Report	Number	Month of issue
Audit on the Failure of Pioneer Bank	A9407	1/95
Audit of the FFIEC's Financial Statements (year ending 12/31/94)	A9501	2/95
Audit of the Board's Financial Statements (year ending 12/31/94)	A9500	3/95
Audit of the Office of the Secretary's Records Services' Image Processing System	A9408	3/95
Audit of the Federal Reserve Examination Policies and Procedures for Commercial Real Estate Loans	A9305	3/95
Audit of the National Information Center's Data Security	A9502	7/95
Audit of the Board's Applications Processing	A9504	11/95

Appendix C

Federal Reserve System Audits

The Board of Governors, each of the Reserve Banks taken separately, and the Federal Reserve System as a whole are all subject to several levels of audit and review. At each Federal Reserve Bank, a full-time staff of auditors under the direction of a general auditor reports directly to the Bank's board of directors. The Board's Division of Reserve Bank Operations and Payment Systems, acting on behalf of the Board of Governors, regularly audits the financial operations of each of the Banks and periodically reviews all other Bank operations. In addition, the financial statements of the Reserve Banks are audited annually by an independent outside auditor.

The Office of Inspector General (OIG) conducts audits, operations reviews, and investigations of the programs and operations of the Board and those Board functions delegated to the Federal Reserve Banks. The OIG retains an independent auditor each year to certify the fairness of the Board's financial statements and its compliance with laws and regulations affecting those financial statements.

Independent Audit

The Board of Governors last year expanded its audit contract with Coopers & Lybrand to include an annual financial audit of each of the twelve Federal Reserve Banks beginning in 1997. These audits will be in addition to the annual audit of the combined Reserve Bank financial statements that Coopers & Lybrand has done previously.

Since 1995, Coopers & Lybrand has conducted year-end audits of the combined Reserve Bank financial statement and of the individual financial statements of two or three Reserve Banks a year. The audit of the 1995 combined Reserve Bank financial statement represented the first such audit conducted by an independent accounting firm. On the basis of the success of that program, the Board decided to extend the outside audit to all twelve Reserve Banks. The Reserve Banks will continue to be audited by each Bank's internal audit function and by the Board's financial examiners.

General Accounting Office

The 1978 passage of the Federal Banking Agency Audit Act (Public Law 95–320) brought most of the operations of the Federal Reserve System under the purview of the General Accounting Office (GAO). The GAO, which currently has 16 projects in various stages of completion, since 1979 has completed 147 reports on selected aspects of Federal Reserve operations (tables C.1 and C.2). The GAO has also involved the Federal Reserve in about 85 other reviews not directly related to the System and has terminated 52 others before completion. The reports are available directly from the GAO.

Table C.1

Active GAO Projects Relating to the Federal Reserve

Subject	Date initiated
Financial crises	10/27/92
OTC derivative sales practices	7/20/94
CFTC's exemptions	9/1/94
Interstate banking data	2/16/95
BHC Act prohibition on tying	3/20/95
Clearance and settlement systems	11/2/95
International financial crisis	3/6/96
International counterfeiting of U.S. currency	5/28/96
Proposed transfer of HUD responsibilities	6/10/96
Foreign bank internal/external controls	7/22/96
Foreign bank organization program	8/8/96
Expenditures for news subscriptions/services	10/16/96
Expenditures for Internet/Web site/bulletin board services	10/16/96
On-line banking services	10/16/96
Risk-based capital	11/6/96
Merger of bank and thrift charters	11/8/96

Table C.2

Completed GAO Reports Relating to the Federal Reserve System

Report	Number	Date issued
Comparing Policies and Procedures of the Three Bank Regulatory Agencies	GGD-79-27	3/29/79
Are OPEC Financial Holdings a Danger to U.S. Banks or the Economy?	EMD-79-45	6/11/79
Federal Systems Not Designed to Collect Data on All Foreign Investments in U.S. Depository Institutions	GGD-79-42	6/19/79
Considerable Increase in Foreign Banking in United States since 1972	GGD-79-75	8/1/79
Investment Policies, Practices and Performance of Federal Retirement Systems	FPCD-79-17	8/31/79
Federal Supervision of Bank Holding Companies Needs Better, More Formalized Supervision	GGD-80-20	2/12/80
The Federal Reserve Should Assure Compliance with the 1970 Bank Holding Company Act Amendments	GGD-80-21	3/12/80
Federal Agencies' Initial Problems with the Right to Financial Privacy Act of 1978	GGD-80-64	5/29/80
Internal Auditing Can Be Strengthened in the Federal Reserve System	GGD-80-59	8/8/80
Despite Positive Effects, Further Foreign Acquisitions of U.S. Banks Should Be Limited until Policy Conflicts Are Fully Addressed	GGD-80-66	8/26/80
Federal Examinations of Financial Institutions: Issues That Need to Be Resolved	GGD-81-12	1/6/81
Examinations of Financial Institutions Do Not Assure Compliance with Consumer Credit Laws	GGD-81-13	1/21/81
Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings	AFMD-81-27	1/23/81
An Economic Overview of Bank Solvency Regulation	PAD-81-25	2/13/81
Federal Reserve Security over Currency Transportation Is Adequate	GGD-81-27	2/23/81
The Federal Structure for Examining Financial Institutions Can Be Improved	GGD-81-21	4/24/81
Response to Questions Bearing on the Feasibility of Closing the Federal Reserve Banks	GGD-81-49	5/21/81
Bank Secrecy Act Reporting Requirements Have Not Met Expectations, Suggesting Need for Amendment	GGD-81-80	7/23/81
Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections	GGD-81-79	8/18/81
Financial Institution Regulatory Agencies Should Perform Internal Audit Reviews of their Examination and Supervision Activities	GGD-82-5	10/19/81
Information on Selected Aspects of Federal Reserve System Expenditures	GGD-82-33	2/12/82
Federal Review of Intrastate Branching Can Be Reduced	GGD-82-31	2/24/82

Table C.2
Continued

Report	Number	Date issued
Despite Improvements, Recent Bank Supervision Could Be More Effective and Less Burdensome	GGD-82-21	2/26/82
Issues to Be Considered while Debating Interstate Bank Branching	GGD-82-36	4/9/82
The Federal Reserve Should Move Faster to Eliminate Subsidy of Check-Clearing Operations	GGD-82-22	5/7/82
Information about Depository Institutions' Ancillary Activities Is Not Adequate for Policy Purposes	GGD-82-57	6/1/82
Bank Merger Process Should Be Modernized and Simplified	GGD-82-53	8/16/82
An Analysis of Fiscal and Monetary Policies	PAD-82-45	8/31/82
Bank Examination for Country Risk and International Lending	ID-82-52	9/2/82
Credit Insurance Disclosure Provisions of the Truth-in-Lending Act Consistently Enforced Except When Decisions Appealed	GGD-83-3	10/25/82
Survey of Investor Protection and the Regulation of Financial Intermediaries	GGD-83-30	7/13/83
Financial Institutions Regulatory Agencies Can Make Better Use of Consumer Complaint Information	GGD-83-13	8/25/83
Expediting Tax Deposits Can Increase the Government's Interest Earnings	GGD-84-14	11/21/83
Unauthorized Disclosure of the Federal Reserve's Monetary Policy Decision	GGD-84-40	2/3/84
Federal Financial Institutions Examination Council Has Made Limited Progress toward Accomplishing Its Mission	GGD-84-4	2/3/84
Control Improvements Needed in Accounting for Treasury Securities at the Federal Reserve Bank of New York	AFMD-84-10	5/2/84
Statutory Requirements for Examining International Banking Institutions Need Attention	GGD-84-39	7/11/84
Supervisory Examinations of International Banking Facilities Need to Be Improved	GGD-84-65	9/30/84
An Examination of Concerns Expressed about the Federal Reserve's Pricing of Check-Clearing Activities	GGD-85-9A	1/14/85
Difficulties in Evaluating the Effectiveness of the Community Reinvestment Act	OCE-86-1	11/4/85
International Coordination of Bank Supervision: The Record to Date	NSIAD-86-40	2/6/86
Implementation of the Export Trading Company Act of 1982	NSIAD-86-42	2/27/86
Information on Independent Public Accountant Audits of Financial Institutions	GGD-84-44FS	4/21/86
An Analysis of Two Types of Pooled Investment Funds	GGD-86-63	5/12/86
How the Markets Are Developed and How They Are Regulated	GGD-86-26	5/15/86
U.S. Banking Supervision and International Supervisory Principles	NSIAD-86-93	7/25/86
Financial Institution Regulators' Compliance Examination	GGD-86-94	8/1/86
The Market's Structure, Risks, and Regulation	GGD-86-80BR	8/20/86
Dealer Views on Market Operations and Federal Reserve Securities Transfer System	GGD-86-147FS	9/29/86
Questions about the Federal Reserve's Securities Transfer System	GGD-87-15BR	10/20/86
Federal Reserve Board Opposition to Credit Card Interest Rate Limits	GGD-87-38BR	4/7/87
Insulating Banks from the Potential Risk of Expanded Activities	GGD-87-35	4/14/87
The Federal Reserve Response Regarding Its Market-Making Standard	GGD-87-55FS	4/21/87
Change in Fees and Deposit Account Interest Rates since Deregulation	GGD-87-70	7/13/87
An Examination of Views Expressed about Access to Brokers' Services	GGD-88-8	12/18/87
Issues Related to Repeal of the Glass–Steagall Act	GGD-88-37	1/22/88
Preliminary Observations on the October 1987 Crash	GGD-88-38	1/26/88
Supervision of Overseas Lending Is Inadequate	NSIAD-88-87	5/5/88
Competitive Concerns of Foreign Financial Firms in Japan, the United Kingdom and the United States	NSIAD-88-171	6/2/88
Administrative Expenses at FHLBB and FRB for 1985 and 1986	AFMD-88-33	6/15/88

Table C.2

Completed GAO Reports Relating to the Federal Reserve System—Continued

Report	Number	Date issued
Government in the Sunshine Act Compliance at Selected Agencies	GGD-88-97	7/20/88
Trends in Commercial Bank Performance, December 1976–June 1987	GGD-88-106BR	7/28/88
U.S. Commercial Banks' Securities Activities in London	NSIAD-88-238	9/8/88
Lending to Troubled Sectors	GGD-88-126BR	9/26/88
Government Check-Cashing Issues	GGD-89-12	10/7/88
Conflict of Interest: Abuses in Commercial Banking Institutions	GGD-89-35	1/27/89
Competitive Fairness Is an Elusive Goal	GGD-89-61	5/12/89
Independent Audits Needed to Strengthen Internal Control and Bank Management	AFMD-89-25	5/31/89
Information on the System's Check Collection Service	GGD-90-17	12/15/89
Oversight of Critical Banking Systems Should Be Strengthened	IMTEC-90-14	1/14/90
Activities of Securities of Bank Holding Companies	GGD-90-48	3/14/90
The Stock, Options, and Futures Markets Are Still at Risk	GGD-90-33	4/11/90
Update on U.S. Commercial Banks' Securities in London	NSIAD-90-98	5/7/90
U.S. Financial Services' Competitiveness under the Single Market Program	NSIAD-90-99	5/21/90
Limited Public Demand for New Dollar Coin or Elimination of Pennies	GGD-90-88	5/23/90
Oversight of Automation Used to Clear and Settle Trades Is Uneven	IMTEC-90-47	7/12/90
The Government's Exposure to Risks	GGD-90-97	8/15/90
Office of Inspector General Operations at Financial Regulatory Agencies	AFMD-90-55FS	8/24/90
Additional Reserves and Reform Needed to Strengthen the Fund	AFMD-90-100	9/11/90
More Transaction Information and Investor Protection Measures Are Needed	GGD-90-114	9/14/90
Issues Relating to Banks Selling Insurance	GGD-90-113	9/25/90
Implementation of Risk-Based Capital Adequacy Standards	NSIAD-91-80	1/25/91
Overview of Six Foreign Systems	NSIAD-91-104	2/22/91
Deposit Insurance: A Strategy for Reform	GGD-92-26	3/4/91
Bank Supervision: Prompt and Forceful Regulatory Actions Needed	GGD-91-69	4/15/91
Many Federal Agencies Collect and Disseminate Information	NSIAD-91-173	5/1/91
Money Laundering: The U.S. Government Is Responding to the Problem	NSIAD-91-130	5/16/91
A Framework for Limiting the Government's Exposure to Risks	GGD-91-90	5/22/91
Treasury Tax and Loan Activity at Two Troubled Banks	AFMD-91-87	9/12/91
OCC's Supervision of the Bank of New England Was Not Timely or Forceful	GGD-91-128	9/16/91
Bank Holding Company Securities Subsidiaries' Market Activities Update	GGD-91-131	9/20/91
Time Limits on Holding Deposits Generally Met but More Oversight Needed	GGD-91-132	9/30/91
Legislation Needed to Strengthen Bank Oversight	AFMD-92-19	10/21/91
Contracting Practices with Data Processing Servicers	GGD-92-19	2/5/92
Challenges to Harmonizing International Capital Standards Remain	GGD-92-41	3/10/92
Assessing the Need to Regulate Additional Financial Activities	GGD-92-70	4/21/92
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Flexible Accounting Rules Lead to Inflated Financial Reports	AFMD-92-52	6/1/92
Cross-Border Information Sharing Is Improving, but Obstacles Remain	GGD-92-110	7/28/92
Changes in Collateral Practices Could Reduce the Federal Government's Risk of Loss	AFMD-92-54	9/14/92
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Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened	GGD-93-48	1/8/93
FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness	AFMD-93-13	2/16/93
Improvements Needed in Examination Quality and Regulatory Structure	AFMD-93-15	2/16/93
Personnel Engaged in Public and Congressional Affairs in Federal Agencies	GGD-93-71FS	3/8/93

Table C.2
Continued

Report	Number	Date issued
Credit Availability Guidance	GGD-93-15R	3/30/93
Treasury Automation: Automated Auction May Not Achieve Benefits or Operate Properly	IMTEC-93-28	4/27/93
IRS Can Improve the Federal Tax Deposit System	AFMD-93-40	4/28/93
Funding Foreign Bank Examinations	GGD-93-35R	5/4/93
Preliminary Information Related to a Futures Transaction Fee	GGD-93-108	5/17/93
The Business Environment in the United States, Japan, and Germany	GGD-93-124	8/9/93
Regulatory Impediments to Small Business Lending Should Be Removed	GGD-93-121	9/7/93
Recent Developments in Foreign Exchange Markets	GGD-93-154	9/24/93
Benefits and Risks of Removing Regulatory Restrictions	GGD-94-26	11/2/93
Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives	GGD-94-28	12/13/93
Strengthening the Framework for Supervising International Banks	GGD-94-68	3/21/94
Insider Problems and Violations Indicate Broader Management Deficiencies	GGD-94-88	3/30/94
U.S. Credit Card Industry: Competitive Developments Need to be Closely Monitored	GGD-94-23	4/28/94
Better Guidance Is Needed for Real Estate Evaluations	GGD-94-144	5/24/94
Treasury Securities Auction	AIMD-94-165R	8/25/94
Divergent Loan Loss Methods Undermine Usefulness of Financial Reports	AIMD-95-8	10/31/94
Interstate Banking: Experiences in Three Western States	GGD-95-35	12/30/94
Lessons Learned from Resolving First City Bancorporation of Texas	GGD-95-37	3/15/95
Investment of Trust Assets in Bank Proprietary Mutual Funds	GGD-95-21	3/16/95
Status Report on the Initiative to Improve Economic Statistics	GGD-95-98	7/7/95
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Bank Mutual Funds: Sales Practices and Regulatory Issues	GGD-95-210	9/27/95
Challenges Remain to Successfully Implement CRA	GGD-96-23	11/28/95
Foreign Banks: Assessing Their Role in the U.S. Banking System	GGD-96-26	2/7/96
Federal Reserve Banks: Internal Control, Accounting, and Auditing Issues	AIMD-96-5	2/9/96
Mexico's Financial Crisis: Origins, Awareness, Assistance, and Initial Efforts to Recover	GGD-96-56	2/23/96
Counterfeit U.S. Currency Abroad: Issues and U.S. Deterrence Efforts	GGD-96-11	2/26/96
Money Laundering: A Framework for Understanding U.S. Efforts Overseas	GGD-96-105	5/24/96
Federal Reserve System: Current and Future Challenges Require Systemwide Attention	GGD-96-128	6/17/96
Fair Lending: Federal Oversight and Enforcement Improved but Some Challenges Remain	GGD-96-145	8/13/96
Federal Reserve Banks: Inaccurate Reporting of Currency at the Los Angeles Branch	AIMD-96-146	9/30/96
Implementation of the Foreign Bank Supervision Enhancement Act of 1991	GGD-96-187	9/30/96
Financial Derivatives: Actions Taken or Proposed since May 1994	GGD/AIMD-97-8	11/1/96
Inspectors General: Mandated Studies to Review Costly Bank and Thrift Failures	GGD-97-4	11/7/96
Regulatory Burden: Measurement Challenges and Concerns Raised by Selected Companies	GGD-97-2	11/18/96
Bank Oversight Structure: U.S. and Foreign Experience May Offer Lessons for Modernizing U.S. Structure	GGD-97-23	11/20/96
Implementation of FDICIA's Prompt Regulatory Action Provisions	GGD-97-18	11/21/96
Bank Regulatory Structure: Japan	GGD-97-5	12/27/96

Office of Inspector General

The Board's Office of Inspector General functions in accordance with the Inspector General Act of 1978, as amended. The OIG plans and conducts audits and investigations of the programs and operations of the Board and its delegated functions at the Federal Reserve Banks. The OIG also reviews existing and proposed legislation and regulations for economy and efficiency. It recommends policies and supervises and conducts activities that promote economy and efficiency and that prevent and detect waste, fraud, and abuse in Board and Board-delegated programs and operations. In addition, it coordinates its efforts with other governmental and nongovernmental agencies to promote economy and efficiency and to detect and prevent fraud and abuse in activities administered or financed by the Board. The OIG keeps the Congress and the Chairman of the Board fully informed about serious abuses and deficiencies and about the status of any corrective actions.

During 1996, the OIG publicly reported on thirteen audits (table C.3) and conducted a number of follow-up and other reviews. In addition, the OIG closed five investigations and performed numerous legislative and regulatory reviews. ▪

Table C.3

Completed OIG Audit Reports Relating to the Federal Reserve System, 1996

Report	Number	Month issued
Audit of Board Oversight of Federal Reserve Automation Consolidation	A9405	2/96
Audit of the Division of Information Resources Management's Change Control Process	A9505	2/96
Audit of the FFIEC's Financial Statements (year ending 12/31/95)	A9601	2/96
Audit of the Board's Financial Statements (year ending 12/31/95)	A9600	3/96
Assistance to Financial Statement Audit of the Federal Reserve Employee Benefits System (year ending 12/31/95)	A9605	3/96
Audit of the Board's Consumer Compliance Examination Process	A9508	4/96
Audit of the Board's InterFed Administration	A9607	6/96
Audit of the Division of Information Resources Management's Operating System (MVS) and Access Control Software (CA-ACF2)	A9606	7/96
Audit of the Board's Procurement and Contract Management Process	A9507-A	8/96
Audit of the Board's Procurement and Contract Management Process: Credit Card Purchases	A9507-B	8/96
Audit of the Bank Holding Company Inspection Program	A9604	8/96
Report on the Failure of Guardian Bank	A9608	10/96
Audit of Board Oversight of Reserve Bank Procurement	A9603	12/96

Appendix C

Federal Reserve System Audits

The Board of Governors, each of the Reserve Banks, and the Federal Reserve System as a whole are all subject to several levels of audit and review. At each Federal Reserve Bank, a full-time staff of auditors under the direction of a general auditor reports directly to the Bank's board of directors. The Board's Division of Reserve Bank Operations and Payment Systems, acting on behalf of the Board of Governors, regularly audits the financial operations of each of the Banks and periodically reviews all other Bank operations. In addition, the financial statements of the Reserve Banks are audited annually by an independent outside auditor.

The Office of Inspector General (OIG) conducts audits and investigations of the programs and operations of the Board and those Board functions delegated to the Federal Reserve Banks. The OIG retains an independent auditor each year to certify the fairness of the Board's financial statements and its compliance with laws and regulations affecting those financial statements.

Independent Audit

The Board of Governors contracts with an external audit firm, currently Coopers and Lybrand L.L.P., for an annual financial audit of the combined Reserve Bank financial statements and the financial statements of each of the twelve Reserve Banks. The Reserve Banks are also audited by each Bank's internal audit function and by the Board's financial examiners.

General Accounting Office

The 1978 passage of the Federal Banking Agency Audit Act (Public Law 95–320) brought most of the operations of the Federal Reserve System under the purview of the General Accounting Office (GAO). The GAO, which currently has 10 projects in various stages of completion, since 1979 has completed 159 reports on selected aspects of Federal Reserve operations (tables C.1 and C.2). The GAO has also involved the Federal Reserve in about 90 other reviews not directly related to the System and has terminated 54 others before completion. The reports are available directly from the GAO.

Table C.1

Active GAO Projects Relating to the Federal Reserve

Subject	Date initiated
Review of Treasury financial statements	12-22-95
On-line banking services	10-16-96
Risk-based capital	11-6-96
Electronic check presentment	7-16-97
North Carolina performance data for banks and thrifts	8-8-97
On-line banking effect	8-28-97
Year 2000 electronic data exchange problems	10-20-97
FR System's year 2000 efforts	11-19-97
SBA section 7(a) loans	11-19-97
Indiana bank closure	12-1-97

Table C.2

Completed GAO Reports Relating to the Federal Reserve System

Report	Number	Date issued
Comparing Policies and Procedures of the Three Bank Regulatory Agencies	GGD-79-27	3-29-79
Are OPEC Financial Holdings a Danger to U.S. Banks or the Economy?	EMD-79-45	6-11-79
Federal Systems Not Designed to Collect Data on All Foreign Investments in U.S. Depository Institutions	GGD-79-42	6-19-79
Considerable Increase in Foreign Banking in United States since 1972	GGD-79-75	8-1-79
Investment Policies, Practices and Performance of Federal Retirement Systems	FPCD-79-17	8-31-79
Federal Supervision of Bank Holding Companies Needs Better, More Formalized Supervision	GGD-80-20	2-12-80
The Federal Reserve Should Assure Compliance with the 1970 Bank Holding Company Act Amendments	GGD-80-21	3-12-80
Federal Agencies' Initial Problems with the Right to Financial Privacy Act of 1978	GGD-80-64	5-29-80
Internal Auditing Can Be Strengthened in the Federal Reserve System	GGD-80-59	8-8-80
Despite Positive Effects, Further Foreign Acquisitions of U.S. Banks Should Be Limited until Policy Conflicts Are Fully Addressed	GGD-80-66	8-26-80
Federal Examinations of Financial Institutions: Issues That Need to Be Resolved	GGD-81-12	1-6-81
Examinations of Financial Institutions Do Not Assure Compliance with Consumer Credit Laws	GGD-81-13	1-21-81
Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings	AFMD-81-27	1-23-81
An Economic Overview of Bank Solvency Regulation	PAD-81-25	2-13-81
Federal Reserve Security over Currency Transportation Is Adequate	GGD-81-27	2-23-81
The Federal Structure for Examining Financial Institutions Can Be Improved	GGD-81-21	4-24-81
Response to Questions Bearing on the Feasibility of Closing the Federal Reserve Banks	GGD-81-49	5-21-81
Bank Secrecy Act Reporting Requirements Have Not Met Expectations, Suggesting Need for Amendment	GGD-81-80	7-23-81
Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections	GGD-81-79	8-18-81
Financial Institution Regulatory Agencies Should Perform Internal Audit Reviews of their Examination and Supervision Activities	GGD-82-5	10-19-81
Information on Selected Aspects of Federal Reserve System Expenditures	GGD-82-33	2-12-82
Federal Review of Intrastate Branching Can Be Reduced	GGD-82-31	2-24-82
Despite Improvements, Recent Bank Supervision Could Be More Effective and Less Burdensome	GGD-82-21	2-26-82
Issues to Be Considered while Debating Interstate Bank Branching	GGD-82-36	4-9-82
The Federal Reserve Should Move Faster to Eliminate Subsidy of Check-Clearing Operations	GGD-82-22	5-7-82

Table C.2
Continued

Report	Number	Date issued
Information about Depository Institutions' Ancillary Activities Is Not Adequate for Policy Purposes	GGD-82-57	6-1-82
Bank Merger Process Should Be Modernized and Simplified	GGD-82-53	8-16-82
An Analysis of Fiscal and Monetary Policies	PAD-82-45	8-31-82
Bank Examination for Country Risk and International Lending	ID-82-52	9-2-82
Credit Insurance Disclosure Provisions of the Truth-in-Lending Act Consistently Enforced Except When Decisions Appealed	GGD-83-3	10-25-82
Survey of Investor Protection and the Regulation of Financial Intermediaries	GGD-83-30	7-13-83
Financial Institutions Regulatory Agencies Can Make Better Use of Consumer Complaint Information	GGD-83-13	8-25-83
Expediting Tax Deposits Can Increase the Government's Interest Earnings	GGD-84-14	11-21-83
Unauthorized Disclosure of the Federal Reserve's Monetary Policy Decision	GGD-84-40	2-3-84
Federal Financial Institutions Examination Council Has Made Limited Progress toward Accomplishing Its Mission	GGD-84-4	2-3-84
Control Improvements Needed in Accounting for Treasury Securities at the Federal Reserve Bank of New York	AFMD-84-10	5-2-84
Statutory Requirements for Examining International Banking Institutions Need Attention	GGD-84-39	7-11-84
Supervisory Examinations of International Banking Facilities Need to Be Improved	GGD-84-65	9-30-84
An Examination of Concerns Expressed about the Federal Reserve's Pricing of Check-Clearing Activities	GGD-85-9A	1-14-85
Difficulties in Evaluating the Effectiveness of the Community Reinvestment Act	OCE-86-1	11-4-85
International Coordination of Bank Supervision: The Record to Date	NSIAD-86-40	2-6-86
Implementation of the Export Trading Company Act of 1982	NSIAD-86-42	2-27-86
Information on Independent Public Accountant Audits of Financial Institutions	GGD-84-44FS	4-21-86
An Analysis of Two Types of Pooled Investment Funds	GGD-86-63	5-12-86
How the Markets Are Developed and How They Are Regulated	GGD-86-26	5-15-86
U.S. Banking Supervision and International Supervisory Principles	NSIAD-86-93	7-25-86
Financial Institution Regulators' Compliance Examination	GGD-86-94	8-1-86
The Market's Structure, Risks, and Regulation	GGD-86-80BR	8-20-86
Dealer Views on Market Operations and Federal Reserve Securities Transfer System	GGD-86-147FS	9-29-86
Questions about the Federal Reserve's Securities Transfer System	GGD-87-15BR	10-20-86
Federal Reserve Board Opposition to Credit Card Interest Rate Limits	GGD-87-38BR	4-7-87
Insulating Banks from the Potential Risk of Expanded Activities	GGD-87-35	4-14-87
The Federal Reserve Response Regarding Its Market-Making Standard	GGD-87-55FS	4-21-87
Change in Fees and Deposit Account Interest Rates since Deregulation	GGD-87-70	7-13-87
An Examination of Views Expressed about Access to Brokers' Services	GGD-88-8	12-18-87
Issues Related to Repeal of the Glass–Steagall Act	GGD-88-37	1-22-88
Preliminary Observations on the October 1987 Crash	GGD-88-38	1-26-88
Supervision of Overseas Lending Is Inadequate	NSIAD-88-87	5-5-88
Competitive Concerns of Foreign Financial Firms in Japan, the United Kingdom and the United States	NSIAD-88-171	6-2-88
Administrative Expenses at FHLBB and FRB for 1985 and 1986	AFMD-88-33	6-15-88
Government in the Sunshine Act Compliance at Selected Agencies	GGD-88-97	7-20-88
Trends in Commercial Bank Performance, December 1976–June 1987	GGD-88-106BR	7-28-88
U.S. Commercial Banks' Securities Activities in London	NSIAD-88-238	9-8-88
Lending to Troubled Sectors	GGD-88-126BR	9-26-88
Government Check-Cashing Issues	GGD-89-12	10-7-88

Table C.2

Completed GAO Reports Relating to the Federal Reserve System—Continued

Report	Number	Date issued
Conflict of Interest: Abuses in Commercial Banking Institutions	GGD-89-35	1-27-89
Competitive Fairness Is an Elusive Goal	GGD-89-61	5-12-89
Independent Audits Needed to Strengthen Internal Control and Bank Management	AFMD-89-25	5-31-89
Information on the System's Check Collection Service	GGD-90-17	12-15-89
Oversight of Critical Banking Systems Should Be Strengthened	IMTEC-90-14	1-14-90
Activities of Securities of Bank Holding Companies	GGD-90-48	3-14-90
The Stock, Options, and Futures Markets Are Still at Risk	GGD-90-33	4-11-90
Update on U.S. Commercial Banks' Securities in London	NSIAD-90-98	5-7-90
U.S. Financial Services' Competitiveness under the Single Market Program	NSIAD-90-99	5-21-90
Limited Public Demand for New Dollar Coin or Elimination of Pennies	GGD-90-88	5-23-90
Oversight of Automation Used to Clear and Settle Trades Is Uneven	IMTEC-90-47	7-12-90
The Government's Exposure to Risks	GGD-90-97	8-15-90
Office of Inspector General Operations at Financial Regulatory Agencies	AFMD-90-55FS	8-24-90
Additional Reserves and Reform Needed to Strengthen the Fund	AFMD-90-100	9-11-90
More Transaction Information and Investor Protection Measures Are Needed	GGD-90-114	9-14-90
Issues Relating to Banks Selling Insurance	GGD-90-113	9-25-90
Implementation of Risk-Based Capital Adequacy Standards	NSIAD-91-80	1-25-91
Overview of Six Foreign Systems	NSIAD-91-104	2-22-91
Deposit Insurance: A Strategy for Reform	GGD-92-26	3-4-91
Bank Supervision: Prompt and Forceful Regulatory Actions Needed	GGD-91-69	4-15-91
Many Federal Agencies Collect and Disseminate Information	NSIAD-91-173	5-1-91
Money Laundering: The U.S. Government Is Responding to the Problem	NSIAD-91-130	5-16-91
A Framework for Limiting the Government's Exposure to Risks	GGD-91-90	5-22-91
Treasury Tax and Loan Activity at Two Troubled Banks	AFMD-91-87	9-12-91
OCC's Supervision of the Bank of New England Was Not Timely or Forceful	GGD-91-128	9-16-91
Bank Holding Company Securities Subsidiaries' Market Activities Update	GGD-91-131	9-20-91
Time Limits on Holding Deposits Generally Met but More Oversight Needed	GGD-91-132	9-30-91
Legislation Needed to Strengthen Bank Oversight	AFMD-92-19	10-21-91
Contracting Practices with Data Processing Servicers	GGD-92-19	2-5-92
Challenges to Harmonizing International Capital Standards Remain	GGD-92-41	3-10-92
Assessing the Need to Regulate Additional Financial Activities	GGD-92-70	4-21-92
Call Report Automation	IMTEC-92-60R	5-28-92
Flexible Accounting Rules Lead to Inflated Financial Reports	AFMD-92-52	6-1-92
Cross-Border Information Sharing Is Improving, but Obstacles Remain	GGD-92-110	7-28-92
Changes in Collateral Practices Could Reduce the Federal Government's Risk of Loss	AFMD-92-54	9-14-92
Initial Assessment of Certain BCCI Activities in the U.S.	GGD-92-96	9-30-92
Appraisal Reform: Implementation Status and Unresolved Issues	GGD-93-19	10-30-92
Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened	GGD-93-48	1-8-93
FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness	AFMD-93-13	2-16-93
Improvements Needed in Examination Quality and Regulatory Structure	AFMD-93-15	2-16-93
Personnel Engaged in Public and Congressional Affairs in Federal Agencies	GGD-93-71FS	3-8-93
Credit Availability Guidance	GGD-93-15R	3-30-93
Treasury Automation: Automated Auction May Not Achieve Benefits or Operate Properly	IMTEC-93-28	4-27-93
IRS Can Improve the Federal Tax Deposit System	AFMD-93-40	4-28-93
Funding Foreign Bank Examinations	GGD-93-35R	5-4-93
Preliminary Information Related to a Futures Transaction Fee	GGD-93-108	5-17-93

Table C.2
Continued

Report	Number	Date issued
The Business Environment in the United States, Japan, and Germany	GGD-93-124	8-9-93
Regulatory Impediments to Small Business Lending Should Be Removed	GGD-93-121	9-7-93
Recent Developments in Foreign Exchange Markets	GGD-93-154	9-24-93
Benefits and Risks of Removing Regulatory Restrictions	GGD-94-26	11-2-93
Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives	GGD-94-28	12-13-93
Strengthening the Framework for Supervising International Banks	GGD-94-68	3-21-94
Insider Problems and Violations Indicate Broader Management Deficiencies	GGD-94-88	3-30-94
U.S. Credit Card Industry: Competitive Developments Need to be Closely Monitored	GGD-94-23	4-28-94
Better Guidance Is Needed for Real Estate Evaluations	GGD-94-144	5-24-94
Treasury Securities Auction	AIMD-94-165R	8-25-94
Divergent Loan Loss Methods Undermine Usefulness of Financial Reports	AIMD-95-8	10-31-94
Interstate Banking: Experiences in Three Western States	GGD-95-35	12-30-94
Lessons Learned from Resolving First City Bancorporation of Texas	GGD-95-37	3-15-95
Investment of Trust Assets in Bank Proprietary Mutual Funds	GGD-95-21	3-16-95
Status Report on the Initiative to Improve Economic Statistics	GGD-95-98	7-7-95
Mandated Studies to Review Costly Bank and Thrift Failures	GGD-95-126	7-31-95
Differences in Screening Bank Executives	GGD-95-181R	8-17-95
Banks' Securities Activities: Oversight Differs Depending on Activity and Regulator	GGD-95-214	9-21-95
Mutual Funds: Impact on Bank Deposits and Credit Availability	GGD-95-230	9-22-95
Bank Mutual Funds: Sales Practices and Regulatory Issues	GGD-95-210	9-27-95
Challenges Remain to Successfully Implement CRA	GGD-96-23	11-28-95
Foreign Banks: Assessing Their Role in the U.S. Banking System	GGD-96-26	2-7-96
Federal Reserve Banks: Internal Control, Accounting, and Auditing Issues	AIMD-96-5	2-9-96
Mexico's Financial Crisis: Origins, Awareness, Assistance, and Initial Efforts to Recover	GGD-96-56	2-23-96
Counterfeit U.S. Currency Abroad: Issues and U.S. Deterrence Efforts	GGD-96-11	2-26-96
Money Laundering: A Framework for Understanding U.S. Efforts Overseas	GGD-96-105	5-24-96
Federal Reserve System: Current and Future Challenges Require Systemwide Attention	GGD-96-128	6-17-96
Fair Lending: Federal Oversight and Enforcement Improved but Some Challenges Remain	GGD-96-145	8-13-96
Federal Reserve Banks: Inaccurate Reporting of Currency at the Los Angeles Branch	AIMD-96-146	9-30-96
Implementation of the Foreign Bank Supervision Enhancement Act of 1991	GGD-96-187	9-30-96
Financial Derivatives: Actions Taken or Proposed since May 1994	GGD-AIMD-97-8	11-1-96
Inspectors General: Mandated Studies to Review Costly Bank and Thrift Failures	GGD-97-4	11-7-96
Regulatory Burden: Measurement Challenges and Concerns Raised by Selected Companies	GGD-97-2	11-18-96
Bank Oversight Structure: U.S. and Foreign Experience May Offer Lessons for Modernizing U.S. Structure	GGD-97-23	11-20-96
Implementation of FDICIA's Prompt Regulatory Action Provisions	GGD-97-18	11-21-96
Bank Regulatory Structure: Japan	GGD-97-5	12-27-96
Bank Data: Material Loss of Oversight Information from Interstate Banking Is Unlikely	GGD-97-49	3-26-97
The Commodity Exchange Act: Legal and Regulatory Issues Remain	GGD-97-50	4-7-97
Treasury's Plan to Study Genuine and Counterfeit U.S. Currency Abroad	NSIAD-97-104	4-11-97
Bank Oversight: Few Cases of Tying Have Been Detected	GGD-97-58	5-8-97

Table C.2
Continued

Report	Number	Date issued
Foreign Banks: Opportunities Exist to Enhance Supervision Programs as Implementation Proceeds	GGD-97-80	5-9-97
Four Financial Crises in the 1980s	GGD-97-96	5-21-97
Payments, Clearance, and Settlement: A Guide to the Systems, Risks, and Issues	GGD-97-73	6-20-97
International Financial Crises: Efforts to Anticipate, Avoid, and Resolve Sovereign Crises	GGD-NSIAD-97-168	7-7-97
Federal Reserve Banks: Internal Controls Over Cash at Atlanta, Los Angeles, and Philadelphia Banks	AIMD-97-127	8-28-97
Foreign Banks: Internal Control and Audit Weaknesses in U.S. Branches	GGD-97-181	9-29-97
OTC Derivatives: Additional Oversight Could Reduce Costly Sales Practice Disputes	GGD-98-5	10-2-97
Information on Private Banking and Its Vulnerability to Money Laundering	GGD-98-19R	10-30-97

Table C.3
Completed OIG Audit Reports Relating to the Federal Reserve System, 1997

Report	Number	Month issued
Audit of the Administrative Systems Automation Project	A9609	February
Audit of the FFIEC's Financial Statements (years ended 12-31-96 and 12-31-95)	A9701	March
Audit of the Board's Financial Statements (years ended 12-31-96 and 12-31-95)	A9700	March
Inquiry Regarding Delays in Depositing Check Payments for Board Publications	P9718	March
Assistance to Financial Statement Audit of the Federal Reserve Employee Benefits System (years ended 12-31-96 and 12-31-95)	A9706	May
Audit of the Fixed Assets Management Process (Advisory Letter)	A9705	June
Audit of New Currency (joint letter with Inspector General of the Treasury Department)	A9612	June
Audit of the Division of Banking Supervision and Regulation's Distributed Processing Environment	A9610	June
Monitoring of the PeopleSoft Payroll and Benefits System Implementation (Advisory Letter)	P9620	June
Business Process Review of Travel Administration	A9702	July
Audit of the Federal Reserve System's Enforcement Activities	A9613	October
Audit of the Board's Business Resumption and Contingency Planning Process (Advisory Letter)	A9708	October
Audit of the Division of Consumer and Community Affairs' Distributed Processing Environment	A9704	December

Office of Inspector General

The Board's Office of Inspector General functions in accordance with the Inspector General Act of 1978, as amended. The OIG plans and conducts audits and investigations of the programs and operations of the Board and its delegated functions at the Federal Reserve Banks. The OIG also reviews existing and proposed legislation and regulations for economy and efficiency. It recommends policies, and it supervises and conducts activities that promote economy and efficiency and that prevent and detect waste, fraud, and abuse in Board and Board-delegated programs and operations. In addition, it coordinates its efforts with other governmental and nongovernmental agencies to promote economy and efficiency and to detect and prevent fraud and abuse in activities administered or financed by the Board. The OIG keeps the Congress and the

Chairman of the Board fully informed about serious abuses and deficiencies and about the status of any corrective actions.

During 1997, the OIG publicly reported on thirteen audits (table C.3) and conducted a number of follow-up and other reviews. In addition, the OIG closed seven investigations and performed numerous legislative and regulatory reviews. ■

Appendix C

Federal Reserve System Audits

The Board of Governors, each of the Reserve Banks, and the Federal Reserve System as a whole are all subject to several levels of audit and review. At each Federal Reserve Bank, a full-time staff of auditors under the direction of a general auditor reports directly to the Bank's board of directors. The Board's Division of Reserve Bank Operations and Payment Systems, acting on behalf of the Board of Governors, regularly audits the financial operations of each of the Banks and periodically reviews all other Bank operations. In addition, the financial statements of the Reserve Banks are audited annually by an independent outside auditor.

The Office of Inspector General (OIG) conducts audits and investigations of the programs and operations of the Board and those Board functions delegated to the Federal Reserve Banks. The OIG retains an independent auditor each year to certify the fairness of the Board's financial statements and its compliance with laws and regulations affecting those financial statements.

Independent Audit

The Board of Governors contracts with an external audit firm, currently PricewaterhouseCoopers L.L.P., for an annual financial audit of the combined Reserve Bank financial statements and the financial statements of each of the twelve Reserve Banks. The Reserve Banks are also audited by each Bank's internal audit function and by the Board's financial examiners.

General Accounting Office

The 1978 passage of the Federal Banking Agency Audit Act (Public Law 95–320) brought most of the operations of the Federal Reserve System under the purview of the General Accounting Office (GAO). The GAO, which currently has 15 projects in various stages of completion, since 1979 has completed 169 reports on selected aspects of Federal Reserve operations (tables C.1 and C.2). The GAO has also involved the Federal Reserve in about 94 other reviews not directly related to the System and has terminated 54 others before completion. The reports are available directly from the GAO.

Table C.1

Active GAO Projects Relating to the Federal Reserve

Subject	Date initiated
On-line banking effect	8-28-97
SBA section 7(a) loans	11-19-97
Regulatory discretion	4-20-98
1998 consolidated financial statements	4-21-98
Bank mergers and fair lending	6-9-98
Risk based supervision	7-27-98
On-line banking phase II	8-4-98
Emerging markets	8-24-98
FR Systems' Year 2000 computer efforts	9-1-98
Year 2000 risks of international activities	9-17-98
Social security reform	9-21-98
Long-Term Capital Management	10-15-98
Effects of megabank mergers	10-30-98
Financial operations of the International Monetary Fund	11-25-98
Surveys of small businesses	12-10-98

Table C.2

Completed GAO Reports Relating to the Federal Reserve System

Report	Number	Date issued
Comparing Policies and Procedures of the Three Bank Regulatory Agencies	GGD-79-27	3-29-79
Are OPEC Financial Holdings a Danger to U.S. Banks or the Economy?	EMD-79-45	6-11-79
Federal Systems Not Designed to Collect Data on All Foreign Investments in U.S. Depository Institutions	GGD-79-42	6-19-79
Considerable Increase in Foreign Banking in United States since 1972	GGD-79-75	8-1-79
Investment Policies, Practices and Performance of Federal Retirement Systems	FPCD-79-17	8-31-79
Federal Supervision of Bank Holding Companies Needs Better, More Formalized Supervision	GGD-80-20	2-12-80
The Federal Reserve Should Assure Compliance with the 1970 Bank Holding Company Act Amendments	GGD-80-21	3-12-80
Federal Agencies' Initial Problems with the Right to Financial Privacy Act of 1978	GGD-80-64	5-29-80
Internal Auditing Can Be Strengthened in the Federal Reserve System	GGD-80-59	8-8-80
Despite Positive Effects, Further Foreign Acquisitions of U.S. Banks Should Be Limited until Policy Conflicts Are Fully Addressed	GGD-80-66	8-26-80
Federal Examinations of Financial Institutions: Issues That Need to Be Resolved	GGD-81-12	1-6-81
Examinations of Financial Institutions Do Not Assure Compliance with Consumer Credit Laws	GGD-81-13	1-21-81
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Bank Secrecy Act Reporting Requirements Have Not Met Expectations, Suggesting Need for Amendment	GGD-81-80	7-23-81
Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections	GGD-81-79	8-18-81

Table C.2
Continued

Report	Number	Date issued
Financial Institution Regulatory Agencies Should Perform Internal Audit Reviews of their Examination and Supervision Activities	GGD-82-5	10-19-81
Information on Selected Aspects of Federal Reserve System Expenditures	GGD-82-33	2-12-82
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Bank Merger Process Should Be Modernized and Simplified	GGD-82-53	8-16-82
An Analysis of Fiscal and Monetary Policies	PAD-82-45	8-31-82
Bank Examination for Country Risk and International Lending	ID-82-52	9-2-82
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Survey of Investor Protection and the Regulation of Financial Intermediaries	GGD-83-30	7-13-83
Financial Institutions Regulatory Agencies Can Make Better Use of Consumer Complaint Information	GGD-83-13	8-25-83
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U.S. Banking Supervision and International Supervisory Principles	NSIAD-86-93	7-25-86
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Questions about the Federal Reserve's Securities Transfer System	GGD-87-15BR	10-20-86
Federal Reserve Board Opposition to Credit Card Interest Rate Limits	GGD-87-38BR	4-7-87
Insulating Banks from the Potential Risk of Expanded Activities	GGD-87-35	4-14-87
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An Examination of Views Expressed about Access to Brokers' Services	GGD-88-8	12-18-87

Table C.2

Completed GAO Reports Relating to the Federal Reserve System—Continued

Report	Number	Date issued
Issues Related to Repeal of the Glass–Steagall Act	GGD-88-37	1-22-88
Preliminary Observations on the October 1987 Crash	GGD-88-38	1-26-88
Supervision of Overseas Lending Is Inadequate	NSIAD-88-87	5-5-88
Competitive Concerns of Foreign Financial Firms in Japan, the United Kingdom and the United States	NSIAD-88-171	6-2-88
Administrative Expenses at FHLBB and FRB for 1985 and 1986	AFMD-88-33	6-15-88
Government in the Sunshine Act Compliance at Selected Agencies	GGD-88-97	7-20-88
Trends in Commercial Bank Performance, December 1976–June 1987	GGD-88-106BR	7-28-88
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Government Check-Cashing Issues	GGD-89-12	10-7-88
Conflict of Interest: Abuses in Commercial Banking Institutions	GGD-89-35	1-27-89
Competitive Fairness Is an Elusive Goal	GGD-89-61	5-12-89
Independent Audits Needed to Strengthen Internal Control and Bank Management	AFMD-89-25	5-31-89
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Oversight of Critical Banking Systems Should Be Strengthened	IMTEC-90-14	1-14-90
Activities of Securities of Bank Holding Companies	GGD-90-48	3-14-90
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Update on U.S. Commercial Banks' Securities in London	NSIAD-90-98	5-7-90
U.S. Financial Services' Competitiveness under the Single Market Program	NSIAD-90-99	5-21-90
Limited Public Demand for New Dollar Coin or Elimination of Pennies	GGD-90-88	5-23-90
Oversight of Automation Used to Clear and Settle Trades Is Uneven	IMTEC-90-47	7-12-90
The Government's Exposure to Risks	GGD-90-97	8-15-90
Office of Inspector General Operations at Financial Regulatory Agencies	AFMD-90-55FS	8-24-90
Additional Reserves and Reform Needed to Strengthen the Fund	AFMD-90-100	9-11-90
More Transaction Information and Investor Protection Measures Are Needed	GGD-90-114	9-14-90
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Implementation of Risk-Based Capital Adequacy Standards	NSIAD-91-80	1-25-91
Overview of Six Foreign Systems	NSIAD-91-104	2-22-91
Deposit Insurance: A Strategy for Reform	GGD-92-26	3-4-91
Bank Supervision: Prompt and Forceful Regulatory Actions Needed	GGD-91-69	4-15-91
Many Federal Agencies Collect and Disseminate Information	NSIAD-91-173	5-1-91
Money Laundering: The U.S. Government Is Responding to the Problem	NSIAD-91-130	5-16-91
A Framework for Limiting the Government's Exposure to Risks	GGD-91-90	5-22-91
Treasury Tax and Loan Activity at Two Troubled Banks	AFMD-91-87	9-12-91
OCC's Supervision of the Bank of New England Was Not Timely or Forceful	GGD-91-128	9-16-91
Bank Holding Company Securities Subsidiaries' Market Activities Update	GGD-91-131	9-20-91
Time Limits on Holding Deposits Generally Met but More Oversight Needed	GGD-91-132	9-30-91
Legislation Needed to Strengthen Bank Oversight	AFMD-92-19	10-21-91
Contracting Practices with Data Processing Servicers	GGD-92-19	2-5-92
Challenges to Harmonizing International Capital Standards Remain	GGD-92-41	3-10-92
Assessing the Need to Regulate Additional Financial Activities	GGD-92-70	4-21-92
Call Report Automation	IMTEC-92-60R	5-28-92
Flexible Accounting Rules Lead to Inflated Financial Reports	AFMD-92-52	6-1-92
Cross-Border Information Sharing Is Improving, but Obstacles Remain	GGD-92-110	7-28-92
Changes in Collateral Practices Could Reduce the Federal Government's Risk of Loss	AFMD-92-54	9-14-92
Initial Assessment of Certain BCCI Activities in the U.S.	GGD-92-96	9-30-92
Appraisal Reform: Implementation Status and Unresolved Issues	GGD-93-19	10-30-92

Table C.2
Continued

Report	Number	Date issued
Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened	GGD-93-48	1-8-93
FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness	AFMD-93-13	2-16-93
Improvements Needed in Examination Quality and Regulatory Structure	AFMD-93-15	2-16-93
Personnel Engaged in Public and Congressional Affairs in Federal Agencies	GGD-93-71FS	3-8-93
Credit Availability Guidance	GGD-93-15R	3-30-93
Treasury Automation: Automated Auction May Not Achieve Benefits or Operate Properly	IMTEC-93-28	4-27-93
IRS Can Improve the Federal Tax Deposit System	AFMD-93-40	4-28-93
Funding Foreign Bank Examinations	GGD-93-35R	5-4-93
Preliminary Information Related to a Futures Transaction Fee	GGD-93-108	5-17-93
The Business Environment in the United States, Japan, and Germany	GGD-93-124	8-9-93
Regulatory Impediments to Small Business Lending Should Be Removed	GGD-93-121	9-7-93
Recent Developments in Foreign Exchange Markets	GGD-93-154	9-24-93
Benefits and Risks of Removing Regulatory Restrictions	GGD-94-26	11-2-93
Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives	GGD-94-28	12-13-93
Strengthening the Framework for Supervising International Banks	GGD-94-68	3-21-94
Insider Problems and Violations Indicate Broader Management Deficiencies	GGD-94-88	3-30-94
U.S. Credit Card Industry: Competitive Developments Need to be Closely Monitored	GGD-94-23	4-28-94
Better Guidance Is Needed for Real Estate Evaluations	GGD-94-144	5-24-94
Treasury Securities Auction	AIMD-94-165R	8-25-94
Divergent Loan Loss Methods Undermine Usefulness of Financial Reports	AIMD-95-8	10-31-94
Interstate Banking: Experiences in Three Western States	GGD-95-35	12-30-94
Lessons Learned from Resolving First City Bancorporation of Texas	GGD-95-37	3-15-95
Investment of Trust Assets in Bank Proprietary Mutual Funds	GGD-95-21	3-16-95
Status Report on the Initiative to Improve Economic Statistics	GGD-95-98	7-7-95
Mandated Studies to Review Costly Bank and Thrift Failures	GGD-95-126	7-31-95
Differences in Screening Bank Executives	GGD-95-181R	8-17-95
Banks' Securities Activities: Oversight Differs Depending on Activity and Regulator	GGD-95-214	9-21-95
Mutual Funds: Impact on Bank Deposits and Credit Availability	GGD-95-230	9-22-95
Bank Mutual Funds: Sales Practices and Regulatory Issues	GGD-95-210	9-27-95
Challenges Remain to Successfully Implement CRA	GGD-96-23	11-28-95
Foreign Banks: Assessing Their Role in the U.S. Banking System	GGD-96-26	2-7-96
Federal Reserve Banks: Internal Control, Accounting, and Auditing Issues	AIMD-96-5	2-9-96
Mexico's Financial Crisis: Origins, Awareness, Assistance, and Initial Efforts to Recover	GGD-96-56	2-23-96
Counterfeit U.S. Currency Abroad: Issues and U.S. Deterrence Efforts	GGD-96-11	2-26-96
Money Laundering: A Framework for Understanding U.S. Efforts Overseas	GGD-96-105	5-24-96
Federal Reserve System: Current and Future Challenges Require Systemwide Attention	GGD-96-128	6-17-96
Fair Lending: Federal Oversight and Enforcement Improved but Some Challenges Remain	GGD-96-145	8-13-96
Federal Reserve Banks: Inaccurate Reporting of Currency at the Los Angeles Branch	AIMD-96-146	9-30-96

Table C.2
Completed GAO Reports Relating to the Federal Reserve System—Continued

Report	Number	Date issued
Implementation of the Foreign Bank Supervision Enhancement Act of 1991	GGD-96-187	9-30-96
Financial Derivatives: Actions Taken or Proposed since May 1994	GGD-AIMD-97-8	11-1-96
Inspectors General: Mandated Studies to Review Costly Bank and Thrift Failures	GGD-97-4	11-7-96
Regulatory Burden: Measurement Challenges and Concerns Raised by Selected Companies	GGD-97-2	11-18-96
Bank Oversight Structure: U.S. and Foreign Experience May Offer Lessons for Modernizing U.S. Structure	GGD-97-23	11-20-96
Implementation of FDICIA's Prompt Regulatory Action Provisions	GGD-97-18	11-21-96
Bank Regulatory Structure: Japan	GGD-97-5	12-27-96
Bank Data: Material Loss of Oversight Information from Interstate Banking Is Unlikely	GGD-97-49	3-26-97
The Commodity Exchange Act: Legal and Regulatory Issues Remain	GGD-97-50	4-7-97
Treasury's Plan to Study Genuine and Counterfeit U.S. Currency Abroad	NSIAD-97-104	4-11-97
Bank Oversight: Few Cases of Tying Have Been Detected	GGD-97-58	5-8-97
Foreign Banks: Opportunities Exist to Enhance Supervision Programs as Implementation Proceeds	GGD-97-80	5-9-97
Four Financial Crises in the 1980s	GGD-97-96	5-21-97
Payments, Clearance, and Settlement: A Guide to the Systems, Risks, and Issues	GGD-97-73	6-20-97
International Financial Crises: Efforts to Anticipate, Avoid, and Resolve Sovereign Crises	GGD-NSIAD-97-168	7-7-97
Federal Reserve Banks: Internal Controls Over Cash at Atlanta, Los Angeles, and Philadelphia Banks	AIMD-97-127	8-28-97
Foreign Banks: Internal Control and Audit Weaknesses in U.S. Branches	GGD-97-181	9-29-97
OTC Derivatives: Additional Oversight Could Reduce Costly Sales Practice Disputes	GGD-98-5	10-2-97
Information on Private Banking and Its Vulnerability to Money Laundering	GGD-98-19R	10-30-97
Electronic Banking: Experiences Reported by Banks in Implementing On-line Banking	GGD-98-34	1-15-98
Regulatory Oversight of Offshore Private Banking Activities	GGD-98-154	6-29-98
Year 2000 Computing Crisis: Actions Needed on Electronic Data Exchanges	AIMD-98-124	7-1-98
Experience With Electronic Check Presentment	GGD-98-145	7-14-98
Risk-Based Capital: Regulatory and Industry Approaches to Capital and Risk	GGD-98-153	7-20-98
High-Loan-To-Value Lending: Information on Loans Exceeding Home Value	GGD-98-169	8-13-98
Live Loan Checks: Information on Unsolicited Consumer Loans for Preapproved Borrowers	GGD-98-176	8-14-98
Year 2000 Computing Crisis: Federal Reserve Is Acting to Ensure Financial Institutions Are Fixing Systems But Challenges Remain	AIMD-98-248	9-17-98
Federal Reserve Banks: Areas for Improvements in Computer Controls	AIMD-99-5	10-14-98
The Results Act: Observations on the Federal Reserve's 1998–99 Biennial Performance Plan	GGD-99-9R	11-9-98

Office of Inspector General

The Board's Office of Inspector General functions in accordance with the Inspector General Act of 1978, as amended. The OIG plans and conducts audits and investigations of the programs and operations of the Board and its delegated functions at the Federal Reserve Banks. The OIG also reviews existing and proposed legislation and regulations for economy and efficiency. It recom-

Table C.3

Completed OIG Reports Relating to the Federal Reserve System, 1998

Report	Number	Month issued
Audit of the Federal Reserve System's Application Commitment Processing	A9710	January
Audit Scoping Review of the FFIEC's Operations	A9802	February
Audit of the Board's Compliance with the Service Pricing Provisions of the Monetary Control Act	A9703	March
Audit of the Division of Reserve Bank Operations and Payments Systems' Distributed Processing Environment	A9707	March
Audit of the Federal Reserve's Implementation of the Risk-Focused Approach to Supervising Community Banks	A9709	March
InterFed Security and Controls Audit	A9711	March
Assistance to Financial Statement Audit of the Federal Reserve Employee Benefits System (years ended 12-31-97 and 12-31-96)	A9804	March
Audit of the FFIEC's Financial Statements (years ended 12-31-97 and 12-31-96)	A9801	March
Audit of the Board's Financial Statements (years-ended 12-31-97 and 12-31-96)	A9801	March
Review of Internal Controls in the Board's Protocol Office	A9805	May
Control Self-Assessment of Information Resources Management's Central Automation and Telecommunications Operations Center	P9717	July
Interim Assessments on the Board's Year 2000 Readiness Activities (Advisory Letters)[1]	. . .	March, July, and September
Advisory Letter to the Board's Federal Reserve Bank Affairs Committee Regarding the System's Approach to Allocating Certain Corporate Overhead Costs Among Priced Services	A9703	September

1. These assessments consolidated information from separate audits of the three components of the Board's response to the Year 2000 problem: oversight of financial institution efforts by the Division of Banking Supervision and Regulation (A9713), Board systems (A9803), and monitoring of Reserve Bank efforts by the Division of Reserve Bank Operations and Payment Systems (A9807). On Sept. 17, the Inspector General provided written testimony to the Committee on Banking and Financial Services, U.S. House of Representatives, regarding the status of the Federal Reserve's Year 2000 work.

. . . Not applicable.

mends policies, and it supervises and conducts activities that promote economy and efficiency and that prevent and detect waste, fraud, and abuse in Board and Board-delegated programs and operations.

In addition, it coordinates its efforts with other governmental and nongovernmental agencies to promote economy and efficiency and to detect and prevent fraud and abuse in activities administered or financed by the Board. The OIG keeps the Congress and the Chairman of the Board fully informed about serious abuses and deficiencies and about the status of any corrective actions.

During 1998, the OIG publicly reported on fifteen audits, reviews, and assessments (table C.3) and conducted a number of follow-up reviews to evaluate action taken on earlier recommendations, In addition, the OIG closed three investigations and performed numerous legislative and regulatory reviews. ■