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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

AUDIT OF FISCAL AGENCY DEPARTMENT.

January 26, 1918.

Dear Sir:

For some months past monthly reports of proofs and verifications made by the Audit Department of each Federal Reserve Bank have been received by the Board. From an inspection of these reports it is quite apparent that the necessary attention is not being given to the audit of the various divisions of the Fiscal Agent Department. In a number of instances no check of this department has been made by the audit department. The same care must be given and check maintained on the work of the Fiscal departments as is given to the operating departments of the bank.

There is enclosed herewith copies of new forms of Monthly Report of Proofs and Verifications (Banking Operations) and Monthly Report of Proofs and Verifications (Fiscal Department.) These reports are to be filed in duplicate with the Federal Reserve Agent by the auditors of the bank on the first day of each month. One copy is to be sent by the Federal Reserve Agent to the Federal Reserve Board. Separate reports are to be filed for each branch bank.

In order to have a uniform audit of allotments, payments and deliveries of each loan, you are requested to arrange to have the

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Auditor or his representatives in the Fiscal Agent Department prepare a proof, using the headings indicated:

Proof of Allotments, Payments and Deliveries

First Liberty Loan

Date of Proof	State	Auditor	Payments		Unpaid
City or Town	Name of Subscriber	Allotment	Princi- pal	Inter- est	Balance

Deliveries	Signed Receipts on file	Interest on Depository Balances	Remarks
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It is suggested a twelve or thirteen column sheet be used for the proof. The totals in the summary should agree with the figures shown on the Fiscal Agent report made to the Board. The total cash receipts should agree with the "Receipts deposited to the credit of the General Account, Treasurer of the United States".

In the Fiscal Agent Department the Auditor should have a sufficient and competent force to maintain a daily check upon cash receipts, authorizations for deliveries, signed receipts for bond deliveries, complaints, reports of errors and adjustments made. Periodical check should be made of all divisions in the same manner as audits are made of the cash, loans and investments of the bank. The

Chairman of Board and Executive officers of the Bank should be promptly advised of important errors, defects in system, incompetency of employees holding responsible positions, and securities reported lost or missing. Missing receipts covering bond deliveries should be promptly traced. In some instances it has been found that owing to the rush of work signed receipts covering bonds delivered were not checked and the missing receipts were not traced for weeks after the deliveries were made. If such methods continue sooner or later heavy losses will be sustained.

If the work of the Auditor is to be effective, he should be directly responsible to the Board of Directors, to the Chairman of the Board and the Governor of the Bank. He should not be subject to instructions of any administrative officer or of an executive officer to whom administrative duties have been assigned.

The Board will look to the Federal Reserve Agent, in his capacity as Chairman of the Board, to see that the Auditor is given a sufficient force of competent men to insure a thorough check upon all departments of the bank and also to see that the proper standard is maintained.

Very truly yours,

Governor.