

FEDERAL RESERVE BOARD

WASHINGTON

X-9271

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

July 26, 1935.

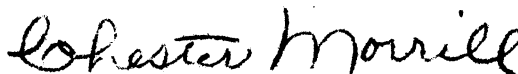
Dear Sir:

As you know, since July, 1933, funds of the Federal Reserve Board have been deposited with the Federal Reserve Bank of Richmond. Under an arrangement made with the Federal Reserve Bank of Cleveland for a period ending June 30, 1936, the books of the Board's Fiscal Agent are audited four times each year by the Auditor of the Cleveland bank.

The suggestion has been made that the Federal reserve banks would be interested in knowing how these audits are conducted, and, for the purpose of advising the banks in this connection, Mr. F. V. Grayson, Auditor of the Federal Reserve Bank of Cleveland, has prepared the attached summary of audit procedure and certificate covering the audit of the Fiscal Agent's books as of June 29, 1935.

In order that the Federal reserve banks may be informed as to the results of future audits of the Board's accounts, an arrangement has been adopted under which a copy of the auditor's certificate will be furnished to each bank.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BANK OF CLEVELAND

AUDIT DEPARTMENT

Report of Examination of:

Accounts of the
Fiscal Agent
Federal Reserve Board

Federal Reserve Board,
Washington, D. C.

Gentlemen:

Since the funds of the Board were ordered deposited with the Federal Reserve Bank of Richmond, Richmond, Virginia (effective July 1, 1933) the accounts of the Board and its Fiscal Agent have been audited eight times in accordance with established procedure. The eighth of these audits was made as of June 29, 1935.

A resume of how these audits are conducted is given for your information.

RECONCILEMENTS

The balances in the four accounts now carried with the Richmond bank as reported to your auditor by the auditor of the Richmond bank at the close of each month are reconciled with the balances as shown by the Fiscal Agent's books and on June 29, 1935 the totals of these accounts were:

Fiscal Agent's books	\$ 376,186.18
Checks outstanding	<u>57,877.30</u>
Federal Reserve Bank of Richmond	\$ 434,063.48

Transfers of funds from one account to another are checked to see that they bear the authorization of a member of your Executive Committee.

RECEIPTS

Funds are received by an administrative officer of the Board or are received direct by the Federal Reserve Bank of Richmond in accordance with established routine or as directed by the Board. The funds are checked from schedules originating in an administrative office and from assessments levied by the Board as prepared by divisions of the Board to the daily statements rendered by the Richmond bank. This method provides an independent check on the Fiscal Agent as no funds are originally received by his office.

DISBURSEMENTS

Disbursements, voucher by voucher, are checked to the Fiscal Agent's books and must bear an administrative officer's approval and be in conformity to applicable contracts or agreements entered into by the Board.

All of the checks issued by the Fiscal Agent which must be countersigned by an administrative officer are checked against the vouchers to ascertain if they were issued in the proper amounts and to the proper payees.

All payroll sheets are checked to ascertain that new names are bona fide employees; that all salary payments were as approved; that proper deduction has been made from the salary of each member of the Retirement System and of each member of the Civil Service Retirement Fund and that these deductions and the amount to be paid to the Retirement System and Civil Service Retirement Fund by the Board are disposed of properly.

CONTRACTS

Contracts and agreements entered into by the Board are checked to see that they are in order and bear the approval of the Board's counsel.

COMMITMENTS

The known and estimated commitments of the Board are recorded and checked through to see that proper disbursements are made.

SURETY BONDS

Bonds covering Fiscal Agent, O. E. Foulk and Deputy Fiscal Agent, J. E. Lally for \$40,000 each are checked to see that they are in force and bear the approval of the Board's counsel.

COMMENTS

There is every indication that the funds of the Board are being disbursed in conformity to Government regulations in practically the same manner as when the funds were being audited by the Comptroller General of the United States.

The books and records maintained by the Assistant Secretary and the Fiscal Agent which reflect the Receipts and Disbursements of the Board bear evidence of the thoroughly efficient manner in which these items are being checked and handled.

The auditors receive most considerate cooperation during the audits.

I, F. V. Grayson, hereby certify:

- (a) That a complete audit has been made of all entries in the accounts, "Federal Reserve Board-Special Fund," "Federal Reserve Board-Building Account," "Federal Reserve Board-Fiscal Agent," and "Federal Reserve Board-Fiscal Agent Building Account," for the period July 1, 1933 to June 29, 1935, inclusive.
- (b) That all cash receipts received by the Board as shown by the "Collection Schedules" furnished the Fiscal Agent by the Secretary's office have been deposited by the Fiscal Agent, and properly credited by the Federal Reserve Bank of Richmond, in the account, "Federal Reserve Board-Special Fund."
- (c) That all remittances made direct to the Richmond bank for the account of the Federal Reserve Board by the Federal reserve banks and others, in compliance with the Board's instructions have been properly credited in the accounts "Federal Reserve Board-Special Fund," and "Federal Reserve Board-Building Account."
- (d) That each expenditure made by the Fiscal Agent was properly authorized by an administrative officer of the Board.
- (e) That the items of receipts and expenditures shown by the books of the Fiscal Agent have been reconciled with the items shown in the statements of the Federal Reserve Board's accounts prepared by the Federal Reserve Bank of Richmond.
- (f) That the balances in each account as shown by the books of the Fiscal Agent have been reconciled with the balances standing to the credit of the Federal Reserve Board on the books of the Federal Reserve Bank of Richmond as certified by the auditor of that bank.
- (g) That all "Transfers of funds" have been properly authorized by a member of the Board's Executive Committee.

Respectfully submitted,

(Signed) F. V. Grayson,

Auditor.

July 18, 1935