

GENERAL ACCOUNTING OFFICE



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

OFFICE OF STAFF DIRECTOR  
FOR MANAGEMENT

May 14, 1985

U. S. General Accounting Office  
General Services Administration Building  
Room B-242  
18th and F Streets, N. W.  
Washington, D. C. 20405

Attention: Mr. Hugh Pollon

Dear Sir:

In response to your May 6, 1985 letter to Chairman Volcker, enclosed are Information Request Forms for officials that have been provided home-to-work transportation. I have also attached a copy of Chairman Volcker's letter of January 10, 1985, to Senator Proxmire dealing with this subject.

If there are any additional questions, please contact Robert E. Frazier at 452-3816.

Sincerely,

  
S. David Frost

Enclosures





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

PAUL A. VOLCKER  
CHAIRMAN

January 10, 1985

The Honorable William Proxmire  
United States Senate  
Washington, D.C. 20510

Dear Senator Proxmire:

I am pleased to respond to the questions posed in your letter of January 2, 1985, concerning the use of motor vehicles for transportation between home and places of employment.

In response to a similar inquiry, I wrote to you on July 9, 1982 that although the requirements of section 1344 of Title 31 of the U.S. Code do not, as a technical matter, apply to the Board, our policy on this matter only allows for my use of a motor vehicle as Chairman and for use by other Board Members in limited and exceptional circumstances in connection with official travel, and late night work or official functions. Specifically, I stated that, "Under Board policy, the six passenger motor vehicles operated by the Board to meet its official transportation needs may not be used for transportation of Board members or other Board employees between their residence and their place of employment unless security requirements or exigent circumstances make such transportation essential." A copy of my letter is enclosed.

To help insure continued limited use of motor vehicles in accordance with this policy, I have circulated a copy of this correspondence to all Board Members, and asked the Board Member responsible for administration personally to review our policy with the Board.

I hope this satisfactorily answers the questions you have raised.

Sincerely,

*Paul A. Volcker*

Enclosure



July 9, 1982

The Honorable William Proxmire  
United States Senate  
Washington, D.C. 20510

Dear Senator Proxmire:

I am pleased to respond to the questions posed in your letter of June 28 concerning the use of vehicles for official purposes.

As you know, section 638a of Title 31 of the U.S. Code applies to vehicles purchased with appropriated funds and, while the statute does not technically apply to the Federal Reserve, the Board policy on use of motor vehicles is consistent with its provisions.

Under Board policy, the six passenger motor vehicles operated by the Board to meet its official transportation needs may not be used for transportation of Board members or other Board employees between their residence and their place of employment, unless security requirements or exigent circumstances make such transportation essential. In accordance with this policy, these vehicles are available solely for official business and none is assigned to the exclusive use of any member of the Board or its staff.

For some time, transportation has usually been provided to and from my residence (which happens to be within walking distance) in accordance with the provisions of the policy concerning use of vehicles for security reasons. This transportation arrangement is one of several security measures that the Board put into place in response to threats directed towards me as Chairman of the Board. A security professional now typically accompanies me on all trips and all drivers have received special motor vehicle training to deal with threatening situations.

The annual cost of the specially trained drivers used for security purposes is \$32,157. Overtime costs average an additional \$5,000 per year. The drivers are, of course, available for business transportation during the day. Depreciation of the vehicles used for this transportation is estimated at about \$125 per month and operating costs at about \$145 per month.

I hope this satisfactorily answers the questions that you raised.

Sincerely,

*S. Paul*



INFORMATION REQUEST FORM

1. Government officials that have been provided home-to-work transportation since January 1, 1985 in government-owned or government-leased vehicles including vehicles with or without a driver. Use a separate form for each official. If none please so indicate.

a. NAME OF GOVERNMENT OFFICIAL:

Paul A. Volcker

b. TITLE OR POSITION OF GOVERNMENT OFFICIAL:

Chairman, Board of Governors, Federal Reserve System

c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK TRANSPORTATION:

See attached sheet

d. FREQUENCY OF HOME-TO-WORK TRANSPORTATION (select one):

Daily     X    

                     times per week

                     times per month

Other (describe)                     

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

Owned



2. Relatives of the government official identified in part 1 that have been provided transportation, since January 1, 1985, in government-owned or government-leased vehicles, including vehicles with or without a driver, when not accompanied by the government official. If none please so indicate.

a. NAME OF RELATIVE PROVIDED TRANSPORTATION:

Barbara Volcker

b. RELATIONSHIP TO GOVERNMENT OFFICIAL:

Wife

c. FREQUENCY OR OCCASION:

Seldom -- less often than once a month when she comes to Washington to participate in official social events at which spouse's attendance is appropriate.

d. AUTHORITY OR JUSTIFICATION:

To accompany Chairman

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

Owned

3. Written instructions, statement of policy, or explanation of authority concerning home-to-work transportation furnished to any government official identified in part 1 above. If none please so indicate.

See attached Management Policy Statement

DESCRIPTION (also provide a copy):



4. Individual who can be contacted concerning any of the data shown on this form.

a. NAME:

Robert E. Frazier

b. TITLE OR POSITION:

Director, Division of Support Services

c. PHONE:

452-3816



c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK TRANSPORTATION:

Transportation has been provided to and from Chairman Volcker's residence in accordance with Title 31, Section 638A, USC concerning use of vehicles for security reasons. This transportation arrangement is one of several security measures that the Board put into place in response to threats directed towards Chairman Volcker. A security professional accompanies him on all trips and drivers have received special motor vehicle training to deal with threatening situations.



**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM****MANAGEMENT  
POLICY  
STATEMENT**DATE  
APPROVED BY *DF* 2/4/85  
DATE OF REVISION

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**PASSENGER AND UTILITY VEHICLE POLICY**POLICY STATEMENT

The Board has elected to comply with the provisions of Title 31, U.S. Code, concerning the operation of motor vehicles. Specifically, 31, U.S.C. states, that government vehicles may only be used for "official purposes" and "official purposes" does not include home-to-work transportation.

Under Board policy the motor vehicles operated by the Board to meet its official transportation needs may not be used for transportation of Board Members or other Board employees between their residences and their place of employment, unless security requirements or exigent circumstances make such transportation essential. The policy also provides that when it is clearly in the best interests of the Board, transportation may be provided to and from Board Members' homes in connection with official travel. Such transportation may also be provided on rare occasions when Board Members must work exceptionally late hours or attend official functions which extend into the late evening.

GUIDELINESPASSENGER VEHICLE OPERATIONS

Priority for the use of the Board's motor vehicles is given to Board Members, Senior officials of the Board's staff and Senior officials of Federal Reserve Banks.

The supervisor of the Motor Transport Unit is responsible for all vehicle operations and requests for transportation should be made to the Motor Transport Unit (ext. 3463 or 3464), located in the Board Garage.-

Requests for transportation should be arranged as far in advance as possible in order that trips may be consolidated to insure maximum use of vehicles, as well as consideration for use of public transportation. Requests should also specify the destination, return trip requests and any other pertinent information. The Motor Transport Dispatcher should be notified promptly of cancellations and delayed trips.

Chauffeurs' normal work days are staggered so that they are on duty from 7:00 a.m. to 9:00 p.m.; whenever possible trips should be scheduled to be completed during this period in order to avoid payment of overtime.

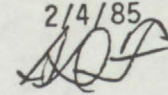
UTILITY VEHICLE OPERATIONS

Utility vehicles are used to support the Board's mail delivery and pick-up service; pick-up and delivery of general supplies and shuttle service.



**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**

**MANAGEMENT  
POLICY  
STATEMENT**

DATE 2/4/85  
APPROVED BY   
DATE OF REVISION

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Mail Delivery and Pick-Up Service

Deliveries are scheduled for 9:30 a.m., 11:15 a.m., 1:15 p.m. and 2:15 p.m. daily, Monday through Friday. All mail should be accompanied by FR Form 477 (Request for Pick-Up and Delivery) and brought to the Board Garage at least 15 minutes prior to delivery. Mail pick-up from other agencies will be brought to the Board's Mail Room (G-233, ext. 3250) for further distribution.

Shuttle Service

Foggy Bottom Metro Station - Morning trips from Foggy Bottom Metro Station to the 1-G Level, Martin Building South Garage, are on a turnaround basis starting at 7:00 a.m. to 9:30 a.m. Afternoon trips from 1-G Level, Martin Building South Garage, to the Foggy Bottom Metro Station start at 4:00, 4:30, 5:00, 5:25, with the last trip at 6:00 p.m.

Airport and Hotels - Trips can be arranged by calling the Motor Transport Unit.

General Hauling

Arrangements for general hauling in direct support of the Board's mission can be made by calling the Motor Transport Unit.

RESPONSIBILITY

The Division of Support Services will be responsible for the administration of the policy.

RECESSION

This policy will be reviewed annually and may be amended or otherwise changed from time to time as circumstances warrant.



INFORMATION REQUEST FORM

1. Government officials that have been provided home-to-work transportation since January 1, 1985 in government-owned or government-leased vehicles including vehicles with or without a driver. Use a separate form for each official. If none please so indicate.

a. NAME OF GOVERNMENT OFFICIAL:

Preston Martin

b. TITLE OR POSITION OF GOVERNMENT OFFICIAL:

Vice Chairman, Board of Governors of the Federal Reserve System

c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK

TRANSPORTATION: Use of vehicles is in connection with exceptional circumstances with official travel and late night work or official functions.

d. FREQUENCY OF HOME-TO-WORK TRANSPORTATION (select one):

Daily \_\_\_\_\_

\_\_\_\_\_ times per week

\_\_\_\_\_ times per month

Other (describe) ad hoc (average of 6 single way trips per month since 1/1/85)

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:



2. Relatives of the government official identified in part 1 that have been provided transportation, since January 1, 1985, in government-owned or government-leased vehicles, including vehicles with or without a driver, when not accompanied by the government official. If none please so indicate. NONE

a. NAME OF RELATIVE PROVIDED TRANSPORTATION:

b. RELATIONSHIP TO GOVERNMENT OFFICIAL:

c. FREQUENCY OR OCCASION:

d. AUTHORITY OR JUSTIFICATION:

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

3. Written instructions, statement of policy, or explanation of authority concerning home-to-work transportation furnished to any government official identified in part 1 above. If none please so indicate.

See attached Management Policy Statement

DESCRIPTION (also provide a copy):

4. Individual who can be contacted concerning any of the data shown on this form.

a. NAME:

Robert E. Frazier

b. TITLE OR POSITION:

Director, Division of Support Services

c. PHONE:

452-3816



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMMANAGEMENT  
POLICY  
STATEMENT

DATE

APPROVED BY

DATE OF REVISION

2/4/85

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PASSENGER AND UTILITY VEHICLE POLICY

POLICY STATEMENT

The Board has elected to comply with the provisions of Title 31, U.S. Code, concerning the operation of motor vehicles. Specifically, 31, U.S.C. states, that government vehicles may only be used for "official purposes" and "official purposes" does not include home-to-work transportation.

Under Board policy the motor vehicles operated by the Board to meet its official transportation needs may not be used for transportation of Board Members or other Board employees between their residences and their place of employment, unless security requirements or exigent circumstances make such transportation essential. The policy also provides that when it is clearly in the best interests of the Board, transportation may be provided to and from Board Members' homes in connection with official travel. Such transportation may also be provided on rare occasions when Board Members must work exceptionally late hours or attend official functions which extend into the late evening.

GUIDELINESPASSENGER VEHICLE OPERATIONS

Priority for the use of the Board's motor vehicles is given to Board Members, Senior officials of the Board's staff and Senior officials of Federal Reserve Banks.

The supervisor of the Motor Transport Unit is responsible for all vehicle operations and requests for transportation should be made to the Motor Transport Unit (ext. 3463 or 3464), located in the Board Garage.-

Requests for transportation should be arranged as far in advance as possible in order that trips may be consolidated to insure maximum use of vehicles, as well as consideration for use of public transportation. Requests should also specify the destination, return trip requests and any other pertinent information. The Motor Transport Dispatcher should be notified promptly of cancellations and delayed trips.

Chauffeurs' normal work days are staggered so that they are on duty from 7:00 a.m. to 9:00 p.m.; whenever possible trips should be scheduled to be completed during this period in order to avoid payment of overtime.

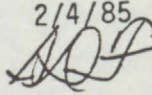
UTILITY VEHICLE OPERATIONS

Utility vehicles are used to support the Board's mail delivery and pick-up service; pick-up and delivery of general supplies and shuttle service.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

MANAGEMENT  
POLICY  
STATEMENT

DATE 2/4/85  
APPROVED BY   
DATE OF REVISION

Mail Delivery and Pick-Up Service

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Shuttle Service

Foggy Bottom Metro Station - Morning trips from Foggy Bottom Metro Station to the 1-G Level, Martin Building South Garage, are on a turnaround basis starting at 7:00 a.m. to 9:30 a.m. Afternoon trips from 1-G Level, Martin Building South Garage, to the Foggy Bottom Metro Station start at 4:00, 4:30, 5:00, 5:25, with the last trip at 6:00 p.m.

Airport and Hotels - Trips can be arranged by calling the Motor Transport Unit.

General Hauling

Arrangements for general hauling in direct support of the Board's mission can be made by calling the Motor Transport Unit.

RESPONSIBILITY

The Division of Support Services will be responsible for the administration of the policy.

RECESSION

This policy will be reviewed annually and may be amended or otherwise changed from time to time as circumstances warrant.



INFORMATION REQUEST FORM

1. Government officials that have been provided home-to-work transportation since January 1, 1985 in government-owned or government-leased vehicles including vehicles with or without a driver. Use a separate form for each official. If none please so indicate.

a. NAME OF GOVERNMENT OFFICIAL:

Henry C. Wallich

b. TITLE OR POSITION OF GOVERNMENT OFFICIAL:

Governor, Board of Governors of the Federal Reserve System

c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK TRANSPORTATION:

Use of vehicles is in connection with exceptional circumstances with official travel and late night work or official functions.

d. FREQUENCY OF HOME-TO-WORK TRANSPORTATION (select one):

Daily \_\_\_\_\_

\_\_\_\_\_ times per week

\_\_\_\_\_ times per month

Other (describe) ad hoc (average of 4 single way trips per month since 1/1/85)

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:



2. Relatives of the government official identified in part 1 that have been provided transportation, since January 1, 1985, in government-owned or government-leased vehicles, including vehicles with or without a driver, when not accompanied by the government official. If none please so indicate.

NONE

a. NAME OF RELATIVE PROVIDED TRANSPORTATION:

b. RELATIONSHIP TO GOVERNMENT OFFICIAL:

c. FREQUENCY OR OCCASION:

d. AUTHORITY OR JUSTIFICATION:

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

3. Written instructions, statement of policy, or explanation of authority concerning home-to-work transportation furnished to any government official identified in part 1 above. If none please so indicate.

See attached Management Policy Statement

DESCRIPTION (also provide a copy):

4. Individual who can be contacted concerning any of the data shown on this form.

a. NAME:

Robert E. Frazier

b. TITLE OR POSITION:

Director, Division of Support Services

c. PHONE:

452-3816



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMMANAGEMENT  
POLICY  
STATEMENTDATE  
APPROVED BY *DF* 2/4/85  
DATE OF REVISION

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PASSENGER AND UTILITY VEHICLE POLICY

POLICY STATEMENT

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Under Board policy the motor vehicles operated by the Board to meet its official transportation needs may not be used for transportation of Board Members or other Board employees between their residences and their place of employment, unless security requirements or exigent circumstances make such transportation essential. The policy also provides that when it is clearly in the best interests of the Board, transportation may be provided to and from Board Members' homes in connection with official travel. Such transportation may also be provided on rare occasions when Board Members must work exceptionally late hours or attend official functions which extend into the late evening.

GUIDELINESPASSENGER VEHICLE OPERATIONS

Priority for the use of the Board's motor vehicles is given to Board Members, Senior officials of the Board's staff and Senior officials of Federal Reserve Banks.

The supervisor of the Motor Transport Unit is responsible for all vehicle operations and requests for transportation should be made to the Motor Transport Unit (ext. 3463 or 3464), located in the Board Garage.-

Requests for transportation should be arranged as far in advance as possible in order that trips may be consolidated to insure maximum use of vehicles, as well as consideration for use of public transportation. Requests should also specify the destination, return trip requests and any other pertinent information. The Motor Transport Dispatcher should be notified promptly of cancellations and delayed trips.

Chauffeurs' normal work days are staggered so that they are on duty from 7:00 a.m. to 9:00 p.m.; whenever possible trips should be scheduled to be completed during this period in order to avoid payment of overtime.


UTILITY VEHICLE OPERATIONS

Utility vehicles are used to support the Board's mail delivery and pick-up service; pick-up and delivery of general supplies and shuttle service.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

MANAGEMENT  
POLICY  
STATEMENT

DATE 2/4/85  
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DATE OF REVISION

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Mail Delivery and Pick-Up Service

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Shuttle Service

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Airport and Hotels - Trips can be arranged by calling the Motor Transport Unit.

General Hauling

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RESPONSIBILITY

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RECESSION

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INFORMATION REQUEST FORM

1. Government officials that have been provided home-to-work transportation since January 1, 1985 in government-owned or government-leased vehicles including vehicles with or without a driver. Use a separate form for each official. If none please so indicate.

a. NAME OF GOVERNMENT OFFICIAL:

Martha R. Seger

b. TITLE OR POSITION OF GOVERNMENT OFFICIAL:

Governor, Board of Governors of the Federal Reserve System

c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK TRANSPORTATION:

Use of vehicles is in connection with exceptional circumstances, with official travel and late night work or official functions.

d. FREQUENCY OF HOME-TO-WORK TRANSPORTATION (select one):

Daily \_\_\_\_\_

\_\_\_\_\_ times per week

\_\_\_\_\_ times per month

Other (describe) ad hoc (average of 4 single way trips every month since 1/1/85)

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:



2. Relatives of the government official identified in part 1 that have been provided transportation, since January 1, 1985, in government-owned or government-leased vehicles, including vehicles with or without a driver, when not accompanied by the government official. If none please so indicate.

NONE

a. NAME OF RELATIVE PROVIDED TRANSPORTATION:

b. RELATIONSHIP TO GOVERNMENT OFFICIAL:

c. FREQUENCY OR OCCASION:

d. AUTHORITY OR JUSTIFICATION:

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

3. Written instructions, statement of policy, or explanation of authority concerning home-to-work transportation furnished to any government official identified in part 1 above. If none please so indicate.

See attached Management Policy Statement

DESCRIPTION (also provide a copy):

4. Individual who can be contacted concerning any of the data shown on this form.

a. NAME:

Robert E. Frazier

b. TITLE OR POSITION:

Director, Division of Support Services

c. PHONE:

452-3816



BOARD OF GOVERNORS  
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STATEMENT

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2/4/85

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PASSENGER AND UTILITY VEHICLE POLICY

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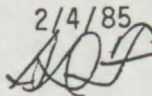
UTILITY VEHICLE OPERATIONS

Utility vehicles are used to support the Board's mail delivery and pick-up service; pick-up and delivery of general supplies and shuttle service.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

MANAGEMENT  
POLICY  
STATEMENT

DATE 2/4/85  
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Mail Delivery and Pick-Up Service

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RESPONSIBILITY

The Division of Support Services will be responsible for the administration of the policy.

RECESSION

This policy will be reviewed annually and may be amended or otherwise changed from time to time as circumstances warrant.





UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1985 MAY -7 PM 12:05

RECEIVED  
OFFICE OF THE CHAIRMAN

# 743  
85-2367

GENERAL GOVERNMENT  
DIVISION

MAY 6 1985

The Honorable Paul A. Volcker  
Chairman, Federal Reserve System

Dear Mr. Volcker:

The General Accounting Office has been requested by the Chairman of the Subcommittee on Legislation and National Security, House Committee on Government Operations, to determine which government officials have been provided government transportation between their homes and their places of employment in the United States since January 1, 1985, and to obtain other related information. This work is being performed under GAO's assignment code 014010.

In order to meet the Chairman's request for our expeditious response, we request that within ten calendar days from the date of this letter your agency complete the attached information request form and return it to:

//

United States General Accounting Office  
Attention: Hugh Pollon  
Room B-242  
General Services Administration Building  
18th and F Streets, N.W.  
Washington, D.C. 20405

Please prepare a separate form for each official who has been provided home to work transportation or return the form with a negative response when that is applicable. Also please show in part four on the form the name of an agency representative we may contact in the event we may wish to clarify or verify any of the information provided.

If you should have any questions or wish further information about this request, you may call Hugh G. Pollon or Tyrone Mason on 557-7944.

Sincerely yours,

*James G. Mitchell*

James G. Mitchell  
Senior Associate Director

Enclosures

INFORMATION REQUEST FORM

1. Government officials that have been provided home-to-work transportation since January 1, 1985 in government-owned or government-leased vehicles including vehicles with or without a driver. Use a separate form for each official. If none please so indicate.

a. NAME OF GOVERNMENT OFFICIAL:

b. TITLE OR POSITION OF GOVERNMENT OFFICIAL:

c. AUTHORITY OR JUSTIFICATION FOR HOME-TO-WORK TRANSPORTATION:

d. FREQUENCY OF HOME-TO-WORK TRANSPORTATION (select one):

Daily \_\_\_\_\_

\_\_\_\_\_ times per week

\_\_\_\_\_ times per month

Other (describe) \_\_\_\_\_

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:



2. Relatives of the government official identified in part 1 that have been provided transportation, since January 1, 1985, in government-owned or government-leased vehicles, including vehicles with or without a driver, when not accompanied by the government official. If none please so indicate.

a. NAME OF RELATIVE PROVIDED TRANSPORTATION:

b. RELATIONSHIP TO GOVERNMENT OFFICIAL:

c. FREQUENCY OR OCCASION:

d. AUTHORITY OR JUSTIFICATION:

e. INDICATE WHETHER VEHICLE IS OWNED OR LEASED:

3. Written instructions, statement of policy, or explanation of authority concerning home-to-work transportation furnished to any government official identified in part 1 above. If none please so indicate.

DESCRIPTION (also provide a copy):

4. Individual who can be contacted concerning any of the data shown on this form.

a. NAME:

b. TITLE OR POSITION:

c. PHONE:





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

September 13, 1984

RECEIVED  
OFFICE OF THE CHAIRMAN

1984 SEP 14 AM 11:37

FEDERAL RESERVE SYSTEM

BOARD OF GOVERNORS

The Honorable Paul A. Volcker  
Chairman, Board of Governors of  
the Federal Reserve System  
Washington, D.C. 20551

Dear Chairman Volcker:

We are scheduled to meet on October 9 at 4:00 p.m. in your office. At that time, I would like to give you some background about the Comptroller General's Consultant Panel, to whom you have agreed to speak on the evening of November 8.

I would also like to use the opportunity of our meeting to discuss with you our efforts to encourage a fundamental reform of the federal government's financial management structure. Some of our ideas, on issues ranging from budget formulation to financial reporting are discussed in a two-volume draft report, of which I have enclosed a copy. I would greatly value your reaction to those ideas, your suggestions as to other issues we should raise, and your advice on how we can best proceed in developing a consensus on solutions.

Sincerely yours,

Charles A. Bowsher  
Comptroller General  
of the United States

Enclosure--Draft Report "Managing the Cost of Government:  
Building An Effective Financial Management Structure"  
(GAO/AFMD-84-43 and 43-A)

Barreaux, Theodore C.  
Vice-President in charge of  
Washington Office of  
American Institute of  
Certified Public Accountants

Former Assistant to the Chairman  
and Director of Congressional  
Relations, SEC (1972-76).

Bucy, J. Fred  
President and Chief Operating  
Officer, Texas Instruments,  
Inc.

*RESIGNED*

With Texas Instruments since  
1953; numerous awards for  
engineering excellence;  
numerous related associations  
including senior consultant  
to Defense Science Board and  
Member of Technology Assess-  
ment Advisory Council of OTA.

Burton, John C. (Dr.), Dean,  
Graduate School of Business,  
Columbia University

Served 4 years as Chief  
Accountant of the SEC and was  
Deputy Mayor for Finance of  
the City of New York before  
going to Columbia University.

Cardwell, James Bruce  
Executive Vice-President,  
Blue Cross Blue Shield  
Association

Former Commissioner of Social  
Security (1973-77) and other  
senior positions within HEW  
(1958-73).

Chetkovich, Michael N.  
Director, External Affairs,  
University of California  
(Berkeley)

Former Managing Partner,  
Deloittee, Haskins & Sells.

Cohen, Sheldon  
Attorney  
Cohen & Uretz

Former chief counsel of IRS  
(1963-65) and IRS Commissioner  
(1965-69); member of current  
firm since 1969; serves on  
numerous public and religious  
boards and commissions.

Coleman, William  
Attorney  
O'Melveny & Myers

Former Secretary of Department  
of Transportation (1975-77);  
serves on numerous boards of  
directors (IBM, Chase  
Manhattan, Pepsi Co., others);  
served on numerous govern-  
mental and civic boards and  
commissions.



Dunlop, John T. (Dr.)  
Lamont University Professor,  
Harvard University

Former Secretary of Labor  
(1975-76); prominent in labor  
relations field.

Franklin, Barbara Hackman  
Senior Fellow, Wharton School  
(Director of Public Policy  
Fellowship Program)

Former White House Staff member  
and Commissioner, U.S. Consumer  
Product Safety Commission.

Grayson, C. Jackson, Jr. (Dr.)  
Chairman, Board of Directors,  
The American Productivity  
Center, Inc.

Former Chairman, U.S. Price  
Commission; current member of  
President's National Produc-  
tivity Advisory Committee.

Holland, Robert C. (Dr.)  
President, Committee for  
Economic Development

Former member of the Board of  
Governors of the Federal  
Reserve System.

Inman, Bobby R.  
President and Chief Executive  
Officer,  
Microelectronics and Computer  
Technology Corp.

Retired Admiral, USN. Naval  
intelligence specialist.  
Former Deputy Director,  
Central Intelligence Agency,  
and Director, National  
Security Agency.

Kent, Ralph E.  
Retired

Former Senior Partner of  
Arthur Young & Co., and served  
as President of the AICPA.

Laird, Melvin R.  
Senior Counsellor,  
Reader's Digest Assn.

Served as Secretary of Defense,  
Counsellor to the President on  
Domestic Affairs; Former Member  
of Congress.

Lee, Kent  
Farmer

Retired Vice Admiral, USN.;  
former Chief of Air Systems  
Command. Held numerous  
important policy positions and  
sea commands.

Linowes, David F.  
Harold Boesehenstein Professor  
of Political Economy and  
Public Policy, University of  
Illinois

Former partner Leopold & Linowes,  
CPAs (1946-62); partner S.D.  
Leidesdorf & Co., CPAs (1963-  
65) and Laventhol & Horwath  
(1965-75); serves on several  
corporate boards of directors;  
former Chairman of Federal  
Privacy Protection Commission.

Luce, Charles F.  
Attorney  
Preston, Ellis and Holman

Recently joined law firm in Portland, Oregon; served as Chairman of Consolidated Edison Co., of New York from 1967-82 and was Under Secretary of Interior 1966-67.

MacLaury, Bruce K.  
President  
The Brookings Institution

Served as President of the Federal Reserve Bank of Minneapolis (1971-77) and Treasury's Deputy Under Secretary for Monetary Affairs (1969-71).

Paget, Richard M.  
President  
Cresap, McCormick and Paget

Former Member, President Nixon's Council on Executive Organization; former Captain, USN Reserve.

Peet, Raymond E.  
Vice President-International and Consultant to the President, Teledyne Ryan Aeronautical Co.

Retired Vice Admiral, USN. Areas of expertise are command and control, nuclear power applications, and foreign military sales. Held numerous important policy positions and sea commands.

Petrie, Donald A.  
Partner  
Lazard Freres & Co.

Since 1966 has been a financial consultant; previously Chairman of the Executive Committee, AVIS, Inc.; President, Hertz American Express International; Executive Vice President, Hertz Corp.

Rhineland, John  
Attorney  
Shaw, Pittman, Potts & Trowbridge

Former Undersecretary of HUD (1975-77) and general counsel of HEW (1973-75); other legal positions in U.S. Government including advisor to SALT delegation (1971-72). With current firm since 1977.

Richardson, Elliot L.  
Attorney  
Milbank, Tweed, Hadley & McCloy

Former Under Secretary of State, Secretary of Commerce, Defense and HEW; Attorney General; and Ambassador-at-Large.



Schaetzel, J. Robert  
Retired

Former Ambassador to the European Community (1966-72); Deputy Assistant Secretary of State for Atlantic Affairs (1962-66); other senior State Department positions (1945-62).

Seamans, Robert C. Jr. (Dr.)  
Henry R. Luce Professor of Environment and Public Policy, Massachusetts Institute of Technology

Former Dean of Engineering, MIT (1977-81); Administrator of ERDA (1974-77); President, National Academy of Engineering (1973-74); Secretary of the Air Force (1969-73); Associate Administrator and then Deputy Administrator, NASA (1960-68).

Simmons, Edwin H.  
Director, Marine Corps Historical Center

Retired Brigadier General, USMC. Highly decorated for activities spanning a diversified military career beginning in 1942.

Weaver, Robert (Dr.)

*Retired*

Formerly Distinguished Professor Emeritus, Hunter College (1970-80); President, Bernard M. Baruch College (1969-70); Secretary, HUD (1966-68); Administrator, Housing and Home Finance Administration (1961-66).

Weinberg, Sidney J., Jr.  
Partner  
Goldman, Sachs & Co.

With Goldman, Sachs as an investment banking specialist since 1965; previously with Owens-Corning Fiberglass Corp. (1949-65).

Williams, Karen Hastie  
Attorney  
Crowell & Moring

Served as Administrator, Office of Federal Procurement Policy (OMB), Chief Counsel, U.S. Senate Committee on the Budget, and Law Clerk to Associate Justice Thurgood Marshall.

Zwick, Charles J.  
Chairman  
Southeast Banking, N.A.

With Southeast Banking as President from 1969-82; with Bureau of the Budget from 1965-69 serving as its Director.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

Division of  
Research and Statistics

June 26, 1981

Mr. William J. Anderson  
Director  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

This letter is written in response to your recent request for comments on the GAO draft report entitled "The Congress Should Control Federal Credit Programs to Promote Economic Stabilization."

The rapid and uncontrolled growth of federal credit activities over the past decade is a subject of concern to the Federal Reserve. The fact that the volume of direct loans and loan guarantees outstanding has nearly tripled over the past decade, together with the widening range of economic activities assisted by federal credit programs, suggests the need for systematic review by the Congress. Nevertheless, it does not seem to us appropriate to attempt to use controls over federal credit programs for countercyclical purposes as the GAO report suggests.

Some important progress has been made toward establishing comprehensive review of federal credit programs in the context of the budget process. As you know, information on federal credit programs is now more readily available to the Congress and the public, and procedures for subjecting federal credit programs to budgetary control were tried on an experimental basis in the last session of Congress. This effort, however, is still in its infancy. It inevitably involves many difficulties including the necessity for the Congress to become familiar with the new information and to make hard decisions in the very sensitive area of committee jurisdiction. Therefore, it seems inappropriate now to complicate the problems with which the Congress is struggling. The GAO draft report would tend to do so by recommending specific objectives for control when the procedures for achieving control are not yet well established.

Furthermore, we believe that efforts to achieve better cyclical control of federal credit programs would stand in the way of achieving other objectives with higher priority. In our view, it is more important for the Congress to focus its main attention on achieving a better understanding of the allocative efforts (and possible unintended side-effects) of the broad array of credit programs, and on limiting the long-run expansion of federal credit programs by assessing whether some programs which served high-priority social purposes in the past may now divert credit from more important uses. In addition, it is important for the Congress to develop criteria for



Mr. William J. Anderson  
Page 2

determining whether credit assistance, direct spending or tax provisions are the most appropriate tools for achieving the goals of specific programs.

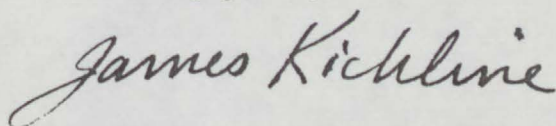
Emphasis on the cyclical characteristics of federal credit programs must take into account the specific intent of some programs to protect certain types of borrowers--those deemed to be disadvantaged in credit markets or to have very high-priority needs--from fluctuations in the cost and availability of credit. Before making a sweeping recommendation that the aggregate volume of federal credit assistance should be controlled with a view toward stabilization objectives, it would appear desirable to assist the Congress in determining the number and size of programs that are inherently procyclical. In addition, the Congress will need assistance with the difficult problem of determining the economic costs of procyclical patterns in federal credit programs in order to balance these costs against the benefits of assisting particular groups of borrowers.

Finally, it should be noted that the thrust of economic policy recently has been to focus on longer-term objectives rather than on cyclical stabilization. Reports by the Joint Economic Committee during the last Congress, for example, emphasized pursuit of steadier and more predictable policies and gave a high-priority to attacking structural problems such as slow productivity growth and imperfections in labor markets. The current administration is also emphasizing the predictability of economic policy in view of the important role of expectations in influencing economic developments. Thus, the central premise of the GAO draft report seems to be at variance with the general direction of current economic policy.

In regard to the recommendation that the Congress require periodic reports by the Board of Governors on the success of any mechanisms for controlling federal credit programs, we would like to note that the reports submitted twice a year under the Humphrey-Hawkins Act provide a forum in which the Board can discuss conditions in financial markets and the relation between the goals of monetary policy and budgetary policy. Additional and separate reports, focused solely on federal credit programs, would not appear to assist policy coordination. On the contrary, reports evaluating growth and fluctuations in federal credit assistance that had already occurred might serve only to generate needless controversy.

I appreciate the opportunity to comment on the draft report and hope that these comments will be useful to you.

Sincerely yours,



James L. Kichline  
Director

SLeppler/LEGramley/JLKichline:lw  
(OSDM #155)

bcc: Governor Gramley, Ms. Lepper, Mr. Mulrenin, Ms. Wolfe (2)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date May 28, 1981

To James L. Kichline  
Office of Staff Director  
From for Management  
(Edward T. Mulrenin)

Subject: GAO Draft Report

(mm)

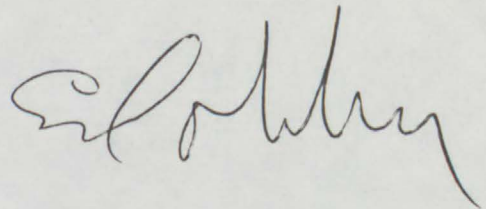
Attached is a copy of a recently received draft GAO report. We were not involved in the preparation of this report. Please note that the report contains a recommendation for consideration by the Congress that the Federal Reserve, as well as other government agencies, prepare periodic reports on the success of the operation of the proposed control mechanism for Federal credit assistance programs. Because of the recommendation, GAO would like to get our comments on the draft report.

Normally, all responses to draft GAO reports with recommendations to the Fed are reviewed by the pertinent oversight committee and the Board. It may be that because this study was done by a unit in GAO other than that assigned to the Federal Reserve and because the recommendation is to the Congress and not to the Federal Reserve, the Board should not get involved in a response, and if any response is to be submitted at all, it should remain at the staff level. Because you are closest to the situation, I will leave to your discretion whether the Board itself should get involved in the response. At a minimum, though, I would recommend that staff comment on the technical aspects of the report and the recommendation regarding the Fed.

Please let me know which path you think the response to the report should take. If it is to be reviewed by the Board, it must go on or about June 22 since the response to GAO is due on June 26.

#### Attachments

cc: Ms. Wells (#55)  
Ms. Doying







UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

OSDM #55

GENERAL GOVERNMENT  
DIVISION

MAY 27 1981

The Honorable Paul A. Volcker  
Chairman, Board of Governors  
of the Federal Reserve System

Dear Mr. Volcker:

Enclosed are five copies of a draft of our proposed report to the Congress on the role of Federal credit assistance activities in economic stabilization.

We are providing the draft report to the Board for review and comment before it is issued in final form.

It is requested that your comments be provided by 30 days from the above date. Public Law 96-226 limits the period of time for comment on this report to 30 days from the date of this letter unless the Comptroller General grants an extension after the head of the agency (1) shows that a longer period is necessary and (2) shows that an extension is likely to result in improvement in the accuracy of the report. In any event, no extensions will be granted beyond 60 days. If you cannot meet the 30-day deadline, please contact Mr. James Bell\* at 275-1551 immediately.

As indicated on the draft report cover, the draft and all of its copies belong, and must be returned on demand, to the General Accounting Office. Also, the report's use is restricted and its publication or other improper disclosure should be prevented.

Should you have any questions, please contact Mr. Bell of our Program Analysis Division.

Sincerely yours,

*W. J. Anderson*

William J. Anderson  
Director

Enclosures - 5

\*Also Craig Simmons

275-1551  
4841

*Chairman Volcker*

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date February 23, 1981

To Board Members Subject: GAO Draft Report Proposing  
From Edward T. Mulrenin *Ed Mulrenin* Closing of the Federal Reserve Banks

Attached for your information is the digest of the GAO's draft report dealing with the feasibility of closing the Federal Reserve Banks. Congressman Reuss requested the study. There are no recommendations in the report. GAO's conclusion is that shifting the functions of the Banks elsewhere saves the taxpayer nothing. Please let me know if you wish to see a copy of the complete draft report.

Attachment





UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

FEB 18 1981

The Honorable Paul A. Volcker  
Chairman, Board of Governors  
of the Federal Reserve System

Dear Mr. Volcker:

In accordance with Public Law 95-320, we are sending, for your review and comment, 25 copies of our draft report to the former Chairman of the House Committee on Banking, Finance and Urban Affairs concerning the effects of a proposed closing of the Federal Reserve Banks. You have 30 days to submit comments on this proposed report. If you have difficulty meeting this requirement, please contact us as soon as possible.

All copies of this draft belong to the General Accounting Office and must be returned on demand. Use of this draft is restricted and its publication or other improper disclosure should be prevented.

Your comments will be included in our final report. If you have any questions about the draft, please contact Charlie Daniel on 452-2833 or Steven Virbick on 275-3641.

Sincerely yours,

*W. J. Anderson*

William J. Anderson  
Director

Enclosures - 25

D R A F T

DRAFT OF A  
PROPOSED REPORT

RESPONSE TO QUESTIONS BEARING  
ON THE FEASIBILITY OF CLOSING THE FEDERAL  
RESERVE BANKS

NOTICE--THIS DRAFT RESTRICTED TO OFFICIAL USE

This document is a *draft* of a proposed report of the General Accounting Office. It was prepared by GAO's staff as a basis for obtaining advance review and comment by those having responsibilities concerning the subjects discussed in the draft. It has *not* been fully reviewed within GAO and is, therefore, subject to revision.

Recipients of this draft must not show or release its contents for purposes other than official review and comment under any circumstances. At all times it must be safeguarded to prevent publication or other improper disclosure of the information contained therein. This draft and all copies thereof *remain the property of*, and must be returned on demand to, the General Accounting Office.

PREPARED  
BY THE STAFF  
OF THE  
U.S. GENERAL ACCOUNTING OFFICE

GAO Form 515 (1/77)  
Replaces GAO Forms 331, 332, and 333

D R A F T



**DRAFT**

COVER SUMMARY

The Federal Reserve Banks spent an estimated \$790 million on their operations in 1980. They own property and equipment worth an estimated \$853 million. Closing the banks to save the operating expenses and gain from the sale of property raises important cost, service and policy questions. It is not readily apparent that any alternative is ready to replace them. Clearly no one alternative will answer all the service, policy and cost considerations.

**DRAFT**

DRAFT

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## ABBREVIATIONS

FOMC	Federal Open Market Committee
PACS	Planning and Control System
RCPC	Regional Check Processing Center

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COMPTROLLER GENERAL'S  
REPORT TO THE HONORABLE  
HENRY S. REUSS  
HOUSE OF REPRESENTATIVES

RESPONSE TO QUESTIONS  
BEARING ON THE FEASIBILITY  
OF CLOSING THE FEDERAL  
RESERVE BANKS

D I G E S T

The Federal Reserve System was established in 1913 to serve as the Nation's central bank. Central bank functions are carried out under the general guidance of a Board of Governors which oversees the activities of 12 regional banks (See ch. 1).

The Federal Reserve Banks, the operating arms of the central banking system, have been performing an array of services for commercial banks and the U.S. Government. Many of the services performed by the reserve banks are similar to services performed by commercial banks for their business and individual customers.

With the passage of the Monetary Control Act of 1980, the Federal Reserve will begin to charge for services that were free to its member banks. There is speculation that the pricing of Federal Reserve services will result in private industry vendors of similar services eventually competing away the System's customers. Legislation (H.R. 7001) was introduced in the 96th Congress to remove the reserve bank presidents from participating in the Federal Open Market Committee.

Combining these factors with an interest in holding down Government spending generally, the former Chairman of the House Committee on Banking, Housing, and Urban Affairs has questioned the need for the continued existence of the 12 Federal Reserve Districts. To aid the Committee in its deliberations on this matter, we were asked to:

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- Review the costs to operate the Banks.  
(See ch. 2.)
- Determine the estimated market value  
of Bank property and equipment. (See  
ch. 4.)
- Review the operating costs of one  
Bank in detail, including administra-  
tive costs. (See ch. 3.)
- Present a discussion of the implica-  
tions of closing the banks. (See  
ch. 5.)

#### OPERATING COSTS

Funds for operating the Federal Reserve Banks are not appropriated by the Congress, but are provided out of reserve bank earnings from open market trading and other sources. In 1980, reserve bank earnings are projected to be \$12,802 million; operating costs about \$790 million. (See ch. 2.)

Expenses are broken down into four major categories, representing the major reserve bank functions:

- Monetary and economic policy,
- Fiscal agency functions,
- Services to financial institutions  
and the public, and
- Bank supervision and regulation.

The operating costs of the Federal Reserve Bank of Boston are presented in detail to show how funds for operating costs are being spent. The Boston bank's operating costs represent almost 7 percent of reserve banks' operating expenses in 1979 and 1980. (See ch. 3.)

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FEDERAL RESERVE BANK  
PROPERTY AND EQUIPMENT

The Federal Reserve Banks own many kinds of property--mostly real estate and equipment--that is used in carrying out normal bank operations. The Banks' property and equipment is valued at slightly over \$853 million.

The reserve banks are undertaking extensive building programs. In the last 5 years, four new bank buildings have been completed and numerous pieces of property acquired for future use. Building programs--new facilities or renovations--are now planned for seven additional banks. (See ch. 4.)

Items of operating machinery and equipment are also constantly being replaced and upgraded throughout the Federal Reserve System. Changes may be necessary in view of the requirements of the Monetary Control Act of 1980 to price services as well as make system improvements in general. (See ch. 4.)

IMPLICATIONS OF FEDERAL  
RESERVE BANK CLOSING

Considerations to close the Federal Reserve Banks raise important cost, service and policy questions. The Federal Reserve Banks have been in existence for nearly 70 years now and has numerous responsibilities affecting domestic and foreign banking, the U.S. economy, and consumers in general. It is not readily apparent that any alternative is ready to replace them. Clearly no one alternative will answer all the service, policy and cost considerations.

Because the Federal Reserve services are necessary, were the Banks to be eliminated, the need for similar services will still exist. In most cases, the various services or functions will have to be performed by someone else at a price. Whether or not any cost savings will result will require a careful study of cost related factors such as alternatives to providing similar

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services, the quality of the services to be provided, and the costs to the taxpayer.

Although some reserve bank real property is located in choice urban sites in cities, disposal of such property may present unique problems. It is difficult, if not impossible, to predict how much could be realized if the property is sold. In the past, Banks have experienced gains as well as losses on real property disposals. (See ch. 4.)

## CONCLUSIONS

A large portion of the current Federal Reserve Bank operating expenses would still be incurred if the banks were to be eliminated. In most cases, the various services or functions will need to be performed by someone else: the Board, another regulatory agency, another Federal agency, or private industry. In general, shifting of functions from the Federal Reserve Banks to elsewhere in the Government saves the taxpayer nothing.

The estimated market value of Federal Reserve Bank property may not be what the Government would realize from its sale. As the Boston and Richmond experiences show, many factors interact to determine how soon a buyer can be found and how much a buyer would be willing to pay.

The hypothetical closing of the Federal Reserve Banks raises a number of important service and policy issues. The roles of the Federal Reserve Banks in monetary policy, as arms of the central bank, and as commercial bank supervisors have been shaped and refined and have grown over the 70 years of their existence. It is not apparent that any one alternative is ready or able to replace them. Even on a service-by-service basis, no obvious alternative surfaces which clearly answers all of the policy and service questions.