



OFFICE OF INSPECTOR GENERAL

Audit Report

2013-AE-B-012

Board Should Strengthen Controls over the Handling of the Federal Open Market Committee Meeting Minutes

August 27, 2013

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Abbreviations

Board	Board of Governors of the Federal Reserve System
CLO	Congressional Liaison Office
CLO contact list	Congressional Liaison Office e-mail distribution list
FOMC	Federal Open Market Committee
MAS	Media access system
Monetary Affairs	Division of Monetary Affairs
OIG	Office of Inspector General
PIO	Public Information Outreach Program
Public Affairs	Public Affairs Office
Web Communications	Web Communications and Development section of Publishing and Communications Services



Executive Summary:

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Purpose

An official in the Congressional Liaison Office (CLO) at the Board of Governors of the Federal Reserve System (Board) e-mailed the Federal Open Market Committee (FOMC) meeting minutes to an e-mail distribution list (CLO contact list) on April 9, 2013, one day earlier than the scheduled release date. As a result, the Board issued the FOMC minutes at 9:00 a.m. on April 10, 2013, rather than the scheduled 2:00 p.m. release time. The Board's Chairman contacted the Office of Inspector General to request our review of the early release. Accordingly, we determined that our audit objectives were to evaluate the Board's processes for distributing the approved FOMC minutes to Board staff prior to their public release and the Board's management controls to prevent the early distribution of those minutes.

Background

During the three-week period following an FOMC meeting, the meeting minutes are drafted, edited, and approved prior to public release. The FOMC minutes are finalized approximately 24 hours prior to publication and loaded into the Board's publication system. FOMC Secretariat staff notify Office of Board Members staff that the FOMC minutes are ready for publication. Subsequently, Office of Board Members staff prepare the minutes to be released to the public. The *Program for Security of FOMC Information* describes who is responsible for ensuring that FOMC information, including the FOMC minutes, is safeguarded and how it should be handled.

Findings

While CLO and Public Affairs Office (Public Affairs) staff are required to properly safeguard FOMC information in accordance with the *Program for Security of FOMC Information*, the Office of Board Members has not established formal written management controls to ensure that the Division Director's directives regarding the CLO contact list and publication of the FOMC minutes are implemented. We noted that the CLO did not have written policies and procedures related to the CLO contact list. In addition, neither the CLO nor Public Affairs had written policies and procedures regarding the business processes that require access to the FOMC minutes.

Public Affairs and CLO staff also did not handle the FOMC minutes in accordance with the *Program for Security of FOMC Information*. Before being given access to confidential FOMC information, including the FOMC minutes, Board staff members agree to abide by the *Program for Security of FOMC Information*, which incorporates the Board's *Information Classification and Handling Standard*. Although the Board provides required annual training that covers the Board's *Information Classification and Handling Standard*, training on FOMC-specific information-handling requirements is not provided.

The *Program for Security of FOMC Information* requires that access to FOMC information be limited to those with a strict need to know. However, the access control list for the publication system included two Board staff members who may not have needed access to the system, and Division of Monetary Affairs staff did not limit access to the FOMC minutes to a subset of users on the publication system access control list with a need to know.

Recommendations

We made four recommendations designed to strengthen the Board's controls over the handling of the FOMC minutes.

In response to our draft report, management concurred with our recommendations and has initiated steps to implement them. Management also stated that it has taken actions to improve compliance with the *Program for Security of FOMC Information*.

Access the full report: http://www.federalreserve.gov/oig/files/FRB_FOMC_Minutes_Handling_Controls_full_Aug2013.pdf

For more information, contact the OIG at 202-973-5000 or visit <http://www.federalreserve.gov/oig>.

Summary of Recommendations, OIG Report No. 2013-AE-B-012

Rec. no.	Report page no.	Recommendation	Responsible office
1	7	Develop and implement a written Congressional Liaison Office policy for maintaining the Congressional Liaison Office contact list and procedures for ensuring that only publicly available information is sent to the Congressional Liaison Office contact list.	Office of Board Members
2	7	Develop and implement written Congressional Liaison Office and Office of Public Affairs policies for determining which business functions require access to the Federal Open Market Committee minutes and procedures that outline how to perform those functions.	Office of Board Members
3	9	Develop and implement a comprehensive training program on the <i>Program for Security of FOMC Information</i> for Board employees who have been identified as needing access to confidential Federal Open Market Committee information. The training program should include, but not be limited to, the handling requirements of the Federal Open Market Committee minutes.	Division of Monetary Affairs
4	11	Strengthen controls by <ol style="list-style-type: none"> a. updating the access control list for the publication system to remove Board staff members who do not have a need to know for accessing the system. b. limiting access to document types, such as the Federal Open Market Committee minutes, in the publication system to Board staff who have a need to know for accessing that particular document type. c. formalizing policies that define the need to know for accessing the publication system and the Federal Open Market Committee minutes and improving procedures to ensure that access is limited to staff who meet those requirements. 	Division of Monetary Affairs



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

August 27, 2013

MEMORANDUM

TO: Michelle Smith
Director, Office of Board Members
Board of Governors of the Federal Reserve System

William English
Director, Division of Monetary Affairs
Board of Governors of the Federal Reserve System

FROM: Melissa Heist 
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2013-AE-B-012: *Board Should Strengthen Controls over the Handling of the Federal Open Market Committee Meeting Minutes*

Attached is the Office of Inspector General's report on the subject audit. Our objectives were to evaluate the Board of Governors of the Federal Reserve System's (Board's) processes for distributing Federal Open Market Committee meeting minutes to Federal Reserve staff and the Board's management controls to prevent the early distribution of those minutes. We conducted this audit in response to a request from the Board's Chairman.

We provided you with a draft of our report for review and comment. In your consolidated response, included as appendix B, you concurred with our recommendations and communicated your intent to implement them.

We appreciate the cooperation that we received from staff in the Office of Board Members and the Division of Monetary Affairs during our audit. Please contact me if you would like to discuss this report or any related issues.

Attachment

cc: Linda Robertson
Deborah Danker
Matthew Luecke
Scott Alvarez
Bill Mitchell

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Introduction

Objectives

The minutes of the March 19–20, 2013, Federal Open Market Committee (FOMC) meeting were scheduled to be released on April 10, 2013, at 2:00 p.m. Following standard practice, to prepare for this release the approved FOMC minutes were provided to a limited distribution of Board of Governors of the Federal Reserve System (Board) staff on April 9, 2013. A Board official in the Congressional Liaison Office (CLO), who obtained the FOMC minutes from a staff member included in the limited distribution, e-mailed the FOMC minutes to an e-mail distribution list (CLO contact list) shortly after 2:00 p.m. on April 9, 2013, one day earlier than the scheduled release date. The early release was detected by another Board official on the morning of April 10, 2013, which resulted in the official issuance of the FOMC minutes at 9:00 a.m. on April 10, 2013, rather than the scheduled 2:00 p.m. release time. Shortly before the minutes were publicly released, the Board's Chairman contacted the Office of Inspector General (OIG) to request our review of the early release. Accordingly, we determined that our audit objectives would be to evaluate the Board's processes for distributing the approved FOMC minutes to Board staff prior to their public release and the Board's management controls to prevent the early distribution of those minutes.

Background

FOMC

The FOMC consists of 12 members: the Board's 7 Governors; the President of the Federal Reserve Bank of New York; and 4 of the remaining 11 Reserve Bank Presidents, who serve one-year terms on the FOMC on a rotating basis. In addition to the FOMC members, the FOMC has its own officers that include individuals from the Board and the Reserve Banks.¹ The FOMC is scheduled to meet eight times throughout the year, and at these meetings, the FOMC members review economic and financial conditions, determine the appropriate stance of U.S. monetary policy, and assess the risks to the FOMC's long-run goals of price stability and sustainable economic growth. In December 2004, the FOMC decided to release the minutes of FOMC meetings three weeks after each meeting.

After an FOMC meeting, the Board's Division of Monetary Affairs (Monetary Affairs) is responsible for drafting sections of the FOMC minutes that cover meeting participants' perspectives on current economic developments, the economic outlook, and the monetary policy decision made at the meeting.² In addition, Monetary Affairs is the system owner of the

1. The FOMC selects staff officers from the Board and Reserve Banks, including a Secretary, a Deputy Secretary, and one or more Assistant Secretaries; a General Counsel, a Deputy General Counsel, and one or more Assistant General Counsels; Economists, one or more of whom may be designated as Senior or Associate Economists; and a Manager of the System Open Market Account.
2. Board staff use summaries of the economic and financial situation to prepare the section of the FOMC minutes that presents an overview of the economic and financial information provided during the FOMC meeting.

publication system that is used to distribute the approved FOMC minutes, as well as other confidential FOMC information, to certain Board staff. Within Monetary Affairs, the FOMC Secretariat is responsible for communicating to the public the Federal Reserve's decisions related to monetary and financial policy.

Access to Confidential FOMC Information

The Federal Reserve System's *Program for Security of FOMC Information* requires that Board staff obtain prior authorization from the FOMC Chairman, or the FOMC Secretary on the Chairman's behalf, to access any confidential FOMC information, including the FOMC minutes.³ The authorization process begins with the staff member's section manager and line officer submitting a request for access to confidential FOMC information to the FOMC Secretariat. If the staff member meets the requirements for access to confidential FOMC information, the staff member is provided a link to the *Program for Security of FOMC Information*.⁴ After agreeing to abide by the *Program for Security of FOMC Information*,⁵ the staff member gains the ability to access confidential FOMC information; however, according to the *Program for Security of FOMC Information*, access to this information is granted on a "strict 'need-to-know' basis." The *Program for Security of FOMC Information* states that any questions related to the classification, distribution, or handling of FOMC information should be directed to the FOMC Secretariat.

Access Controls for FOMC Minutes in the Publication System

The FOMC Secretariat stores the approved FOMC minutes in the publication system so that designated Board staff can access them for preparation and release to the public. The *Program for Security of FOMC Information* requires that access to FOMC information, including the FOMC minutes, be limited to those with a strict need to know. As the publication system owner, the FOMC Secretariat maintains an access control list to limit access to information stored on the system and has the ability to further restrict access to specific documents, including the FOMC minutes, to a subset of users on the access control list.

When the FOMC minutes are accessed in the publication system, the system logs the date, time, and name of the Board staff member who downloaded the FOMC minutes and the location where the minutes were saved. The Division of Information Technology's guidelines for reviewing the publication system logs state that the publication system access logs are reviewed frequently throughout each week. If Division of Information Technology staff detect that an unauthorized

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3. The *Program for Security of FOMC Information* defines confidential FOMC information as including "all privileged information that comes into the possession of the [Board] Governors, the Federal Reserve Bank Presidents, or Federal Reserve System staff in the performance of their duties for, or pursuant to the direction of, the FOMC" and describes who has access to it, how it is classified, how it should be handled, and who is responsible for ensuring that it is protected. The *Program for Security of FOMC Information* can be found on the Federal Open Market Committee Rules and Authorizations page of the Board's FOMC website: http://www.federalreserve.gov/monetarypolicy/files/FOMC_InformationSecurityProgram.pdf.
 4. The requirements for access to confidential FOMC information can be found in the *Program for Security of FOMC Information*.
 5. The FOMC Secretariat receives the staff member's signature or electronic equivalent indicating agreement to abide by the *Program for Security of FOMC Information*.

individual has accessed the system, the FOMC Secretariat is notified. In addition, Board staff in the FOMC Secretariat stated that they review the publication system access logs after the approved FOMC minutes have been loaded into the system.

Handling of FOMC Minutes

Once Board staff have retrieved the FOMC minutes from the publication system, the *Program for Security of FOMC Information* requires that FOMC information, including the minutes, be handled at least as securely as material classified by the Board as Restricted-Controlled FR. For Restricted-Controlled FR digital information, relevant provisions of the Board's *Information Classification and Handling Standard*⁶ require that (1) access be limited to specific Federal Reserve staff who are authorized and have an official business purpose to access the information and (2) any e-mail transmissions that contain the information include indicators in the message body noting that either the message or the message and any attachments are Restricted-Controlled FR. Further, the *Information Classification and Handling Standard* states that providing Restricted-Controlled FR information to unauthorized individuals could result in the risk of serious monetary loss or a serious negative effect on the Board's ability to perform its mission.

Publication of FOMC Minutes

FOMC Secretariat's Role

During the three-week period following an FOMC meeting, the minutes are drafted, edited, and approved before being released to the public.⁷ During the first week, officers in Monetary Affairs and the FOMC Chairman review the draft of the minutes prepared by Board staff. During the second week, the minutes are circulated for comment among FOMC meeting participants. During the third week, the final version of the FOMC minutes is provided to the FOMC members for approval. After the minutes are approved, FOMC Secretariat staff prepare and load the minutes into the publication system.

Office of Board Members' Role

After the FOMC minutes are loaded into the publication system, FOMC Secretariat staff send an e-mail notification, which includes a link to the minutes in the publication system, to certain staff

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6. The Board's *Information Classification and Handling Standard* requires Board employees to categorize Federal Reserve System information using the following sensitivity classification levels: (1) Public, (2) Internal FR, (3) Board Personnel, (4) Restricted-FR, and (5) Restricted-Controlled FR. Specific information-handling restrictions and requirements are based upon the respective classification level. Only information classified as Public may be disclosed outside the Board. This classification standard is separate from the national security information classifications contained in Executive Order 13526 (as amended).
 7. The Board's spring 2005 *Bulletin* included an article titled "Background on FOMC Meeting Minutes," which describes the release schedule and provides an overview of the content of the minutes. During the three-week period after an FOMC meeting, the FOMC minutes are made available to certain Board and Reserve Bank staff in a system that, according to Board officials, allows viewing and printing but not downloading.

in the Office of Board Members, which includes the Public Affairs Office⁸ (Public Affairs), the Public Information Outreach Program (PIO), and the Web Communications and Development section of Publishing and Communications Services (Web Communications). A Public Affairs assistant described to us the steps followed upon receipt of the e-mail:

1. Download the FOMC minutes to a Board-issued computer.
2. Send the PIO an e-mail notification of the date and time that the FOMC minutes should be posted in the media access system (MAS) and to the Board's public website.
3. E-mail a copy of the FOMC minutes as an attachment to the Special Assistant to the Board in the CLO⁹ at that Board official's standing request.
4. Occasionally print the FOMC minutes to prepare for potential calls from media outlets.

When the PIO receives the e-mail notification from the FOMC Secretariat, an assigned editor in PIO uses the link in the e-mail to download the FOMC minutes from the publication system to a secure local drive. The editor prepares the minutes for publication and, at the direction of Public Affairs, enters the requested release date and time for the MAS and the Board's public website. The assigned editor submits changes to another PIO editor, who finalizes the publication. When the release of the FOMC minutes is accompanied by a Summary of Economic Projections, Web Communications ensures that the projections are compliant with section 508 of the Rehabilitation Act of 1973. These steps, including the four enumerated above, are typically accomplished approximately 24 hours before publication of the minutes to facilitate their timely publication. At the scheduled release time, customarily 1:00 p.m. for the MAS and 2:00 p.m. for the Board's public website, the FOMC minutes are posted.

After the FOMC minutes are publicly released, the Special Assistant to the Board in the CLO sends the minutes received from a Public Affairs assistant to the CLO contact list. The CLO contact list includes congressional staffers, trade association staffers, professional contacts at several financial services companies, contacts at other government agencies, and certain staff in the CLO.

Early Release of FOMC Minutes on April 9, 2013

On Tuesday, April 9, 2013, one day before the FOMC minutes from the meeting held on March 19–20, 2013, were scheduled for public release, a Public Affairs assistant received the e-mail notification from the FOMC Secretariat that the FOMC minutes were ready in the publication system. The Public Affairs assistant followed the four steps he described to us, including downloading the FOMC minutes and e-mailing a copy of the minutes as an attachment to the Special Assistant to the Board in the CLO. The Special Assistant to the Board drafted an e-mail to be sent to the CLO contact list with the FOMC minutes as an attachment. The Special Assistant to the Board in the CLO told the OIG that he was confused about the date, and at

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8. Public Affairs works with other Board offices and divisions to respond to inquiries from the press and the public, issues press releases, plans media appearances by Board members and staff, and manages media coverage of Board events.
 9. The CLO, an office within the Office of Board Members, assists in the formulation and presentation to Congress of the Board's views and recommendations on legislative matters, responds to inquiries by members of Congress and congressional committees, reviews all items transmitted to Congress, and keeps Board and Federal Reserve System officials and staff aware of congressional developments of interest to the Federal Reserve.

approximately 2:00 p.m. on April 9, 2013, one day earlier than the scheduled release, he sent the e-mail.

Early the next day, April 10, 2013, Board officials became aware that the minutes had been sent the prior afternoon and immediately notified the Board's Chairman. Subsequently, officials in the Federal Reserve System and other government agencies were notified of the early release, and the Board's Chairman and the General Counsel contacted the OIG. The Board's Chairman authorized the release of the FOMC minutes at 9:00 a.m. on April 10, 2013, before the U.S. financial markets opened and five hours earlier than the scheduled time. Public Affairs officials informed the Board's Governors and the FOMC participants of the early release of the FOMC minutes to the CLO contact list and the plan to release the FOMC minutes at 9:00 a.m. The FOMC minutes were released on the Board's public website at 9:00 a.m.

Board Actions to Date

By April 12, 2013, Board officials from Public Affairs, the CLO, Monetary Affairs, the Legal Division, and the FOMC Secretariat had met to discuss immediate action that could be taken to improve the processes related to the FOMC minutes distribution. The Board officials informed the Board's Governors and the members of the FOMC that they were instituting the following changes:

1. The CLO contact list will only include e-mail addresses ending in *.gov*.
2. E-mails to the CLO contact list will only contain a brief note and a link to the relevant release on the Board's public website and will no longer include an attached copy of the minutes.
3. E-mails to the CLO contact list will only be sent after a CLO staff member has verified the release of the linked information on the Board's public website.

While the initial description of these changes specified that only e-mail addresses ending in *.gov* would be included on the CLO contact list, we learned in a subsequent meeting with Board officials that the change to the CLO contact list was to limit the list to government recipients, which may include e-mail addresses that do not end in *.gov*.

To determine whether these changes were being followed, we reviewed the May 22, 2013, e-mail sent by the Special Assistant to the Board in the CLO to the CLO contact list regarding the April 30–May 1, 2013, FOMC meeting minutes. The e-mail included a link to the information on the Board's website, rather than the minutes as an attachment; it was sent after the minutes were released; and it was sent to government recipients only.

Finding 1: Certain Offices within the Office of Board Members Did Not Have Management Controls Related to the CLO Contact List and Access to the FOMC Minutes

While the FOMC Secretariat requires CLO and Public Affairs staff to read and abide by the *Program for Security of FOMC Information*, the Office of Board Members had not established management controls to ensure that the Division Director's directives regarding the CLO contact list and publication of the FOMC minutes are implemented. As stated in the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, policies and procedures help to ensure that management's directives are efficiently and effectively carried out. During our audit, we noted that the CLO did not have written policies and procedures related to the CLO contact list. In addition, neither the CLO nor Public Affairs had (1) written policies for determining which business functions require access to the FOMC minutes and (2) documented procedures on how to perform those business functions. Developing and implementing written policies and procedures may reduce the risk of another early release of the FOMC minutes.

The CLO Did Not Have Documented Policies and Procedures for the CLO Contact List

The Special Assistant to the Board in the CLO stated that there were no documented policies or procedures related to the CLO contact list, which had been developed to distribute a wide variety of public information. At the time of the early release, the CLO contact list included congressional staffers, trade association staffers, professional contacts at several financial services companies, contacts at other government agencies, and certain staff in the CLO. Since the April 9, 2013, early release, management's directive now requires that the CLO contact list be limited to government recipients. In addition, a CLO staff member will (1) review the Board's public website to ensure that information to be sent to the CLO contact list is publicly available and (2) send only a link to the information being distributed. Therefore, to ensure that its directives are effectively communicated, management should develop and implement policies and procedures regarding who should be on the CLO contact list, what information the contacts will receive, and how the information will be sent to them.

The CLO and Public Affairs Did Not Have Documented Policies That Identified Which Business Functions Require Access to the FOMC Minutes and How to Perform Those Functions

While the CLO and Public Affairs had developed informal procedures over the past several years regarding the publication of the FOMC minutes, there were no written policies that identified which business functions required access to the FOMC minutes or that described the current business functions related to the minutes. Therefore, to ensure that applicable directives in the CLO and Public Affairs are effectively communicated, management should develop written policies for determining which business functions require access to the FOMC minutes and procedures on how to perform those functions.

Recommendations

We recommend that the Director of the Office of Board Members

1. Develop and implement a written CLO policy for maintaining the CLO contact list and procedures for ensuring that only publicly available information is sent to the CLO contact list.
2. Develop and implement written CLO and Public Affairs policies for determining which business functions require access to the FOMC minutes and procedures that outline how to perform those functions.

Management's Response

The Director of the Office of Board Members agreed with our recommendations. In her response, the Director stated that Public Affairs has written a new procedures document that details specific steps that must be taken by Public Affairs staff to properly release the FOMC minutes to the press and the public, outlines safeguards to prevent an inadvertent release of the minutes to unauthorized individuals, and specifies which staff members are responsible for carrying out the release process. The Director also stated that the CLO has revised its administrative procedures manual to include the steps that govern the use of lists such as the CLO contact list.

OIG Comment

In our opinion, the actions described by the Director of the Office of Board Members are responsive to our recommendations. We plan to follow up on the Office of Board Members' actions to ensure that the recommendations are fully addressed.

Finding 2: The FOMC Secretariat Does Not Provide Sufficient Training to Board Staff Who Have Access to Confidential FOMC Information

Certain Public Affairs and CLO staff did not handle the FOMC minutes in accordance with the *Program for Security of FOMC Information*. Before being given access to confidential FOMC information, including the FOMC minutes, Board staff members agree to abide by the *Program for Security of FOMC Information*, which incorporates the Board's *Information Classification and Handling Standard*. While the Board provides and requires annual training that covers the Board's *Information Classification and Handling Standard*, it does not provide or require training on FOMC-specific handling requirements. Ensuring that Board employees with access to confidential FOMC information receive comprehensive training on the FOMC-specific requirements of the *Program for Security of FOMC Information* may reduce the risk of noncompliance.

Certain Office of Board Members Staff Did Not Handle the FOMC Minutes in Accordance with the *Program for Security of FOMC Information*

Neither the Public Affairs assistant nor the Special Assistant to the Board in the CLO handled the FOMC minutes in accordance with the *Program for Security of FOMC Information*. On April 9, 2013, the FOMC Secretariat notified via e-mail certain Office of Board Members staff, including the Public Affairs assistant but not the Special Assistant to the Board in the CLO, that the FOMC minutes were ready to be downloaded from the publication system. This e-mail notification included the required indicator that the FOMC minutes were Class I FOMC – Restricted Controlled (FR) information until their scheduled public release.

After receiving the e-mail from the FOMC Secretariat, the Public Affairs assistant sent an e-mail containing the March 19–20, 2013, FOMC minutes to the Special Assistant to the Board in the CLO. We noted that the e-mail sent by the Public Affairs assistant did not include the proper indicators in the body of the message that the attached FOMC minutes were Class I FOMC – Restricted Controlled (FR). Board officials stated that they were aware that the Special Assistant to the Board in the CLO was providing the published FOMC minutes to individuals outside the Board. However, the Acting Section Chief of the FOMC Secretariat stated that the Special Assistant to the Board in the CLO did not have “explicit permission” to receive the FOMC minutes prior to public release and had not been given access to the publication system. After receiving the FOMC minutes from the Public Affairs assistant, the Special Assistant to the Board in the CLO sent the minutes to the CLO contact list prior to their public release.

As stated in the *Program for Security of FOMC Information*, the FOMC minutes are to be handled at least as securely as Restricted-Controlled FR information at the Board. The Board's *Information Classification and Handling Standard* requires that (1) any e-mail transmissions that contain the information include indicators in the message body noting that either the message or the message and any attachments contain Restricted-Controlled FR information and (2) the information be shared only with authorized users. Therefore, the Public Affairs assistant and the Special Assistant to the Board in the CLO did not handle the FOMC minutes in accordance with

the *Program for Security of FOMC Information* and may have benefitted from a comprehensive training program.

Recommendation

We recommend that the Director of the Division of Monetary Affairs

3. Develop and implement a comprehensive training program on the *Program for Security of FOMC Information* for Board employees who have been identified as needing access to confidential FOMC information. The training program should include, but not be limited to, the handling requirements of the FOMC minutes.

Management's Response

The Director of the Division of Monetary Affairs agreed with our recommendation. In his response, the Director acknowledged the benefits of developing and implementing a training program on the *Program for Security of FOMC Information* in addition to the current integrated training program that covers all Board information security policies. The Director noted that, prior to this audit, the Board engaged an outside firm to perform a review of FOMC information security practices at the Board and, at the conclusion of the review, began developing an online training program that would specifically focus on the *Program for Security of FOMC Information*, including proper handling of FOMC minutes. The Director stated that the training program is expected to be completed and ready for use before the end of 2013.

OIG Comment

In our opinion, the response of the Director of the Division of Monetary Affairs addresses our recommendation. We plan to follow up on the division's actions to ensure that the recommendation is fully addressed.

Finding 3: Access to the Publication System and the FOMC Minutes Is Not Sufficiently Restricted

The *Program for Security of FOMC Information* requires that access to FOMC information be limited to those with a strict need to know; however, the access control list for the publication system included two Board staff members for whom we could not definitively determine a need to access the system. Further, when distributing the FOMC minutes in the publication system, Monetary Affairs staff did not limit access to the FOMC minutes to a subset of users on the publication system access control list with a need to know. The FOMC Secretariat should strengthen its policies and procedures to help reduce the risk of the FOMC minutes being accessed in the publication system by Board staff without a need to know.

Certain Office of Board Members Staff May Not Have Had a Need to Know for Accessing the Publication System

We reviewed the publication system access control list and interviewed Board staff and officials to determine which Board staff had a strict need to know for accessing the system. Based on our review and interviews, we were unable to determine whether two Board staff in the Office of Board Members had a strict need to know for accessing the publication system. After our fieldwork concluded, Board officials stated that the two Board staff mentioned above served as backups to other Office of Board Members staff who perform integral functions in the FOMC minutes publication process. To ensure that access to the publication system is limited to only Board staff with a strict need to know, the Office of Board Members should implement recommendation 2 of this report, and the FOMC Secretariat should strengthen its procedures for determining access to the publication system.

The FOMC Secretariat Should Strengthen Procedures to Ensure That Access to the FOMC Minutes Is Limited to Board Staff with a Need to Know

FOMC Secretariat staff had informal notes that described the process for distributing the FOMC minutes within the publication system to Board staff. These notes did not state that access to the FOMC minutes in the publication system should be limited to Board staff with a need to know. In addition, we found that the notes called for the distribution of the FOMC minutes to a broader group of publication system users than may have been necessary, including the two individuals mentioned above and five other Board staff who needed access to the publication system but did not necessarily need routine access to the FOMC minutes. Therefore, the FOMC Secretariat should strengthen its procedures to ensure that access to the FOMC minutes is limited to Board staff with a need to know.

Recommendation

We recommend that the Director of the Division of Monetary Affairs

4. Strengthen controls by
 - a. updating the access control list for the publication system to remove Board staff members who do not have a need to know for accessing the system.
 - b. limiting access to document types, such as the FOMC minutes, in the publication system to Board staff who have a need to know for accessing that particular document type.
 - c. formalizing policies that define the need to know for accessing the publication system and the FOMC minutes and improving procedures to ensure that access is limited to staff who meet those requirements.

Management's Response

The Director of the Division of Monetary Affairs agreed with our recommendation. In his response, the Director stated that the Division reviewed and updated the access control list and put in place additional access limits for specific documents within the publication system. The Director indicated that the Division is in the process of formalizing its policies in writing for establishing a need-to-know reason for accessing the publication system and the FOMC minutes.

OIG Comment

In our opinion, the actions described by the Director of the Division of Monetary Affairs are responsive to our recommendation. We plan to follow up on the division's actions to ensure that the recommendation is fully addressed.

Appendix A

Scope and Methodology

To accomplish our objectives, we reviewed applicable sections of the *Federal Open Market Committee Rules and Authorizations* and identified criteria by which to assess how the confidentiality of FOMC minutes should be maintained. We also reviewed other relevant guidance, including the *Board Information Security Program, Appendix J: Board's Information Classification and Handling Standards*, and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*. In addition, we reviewed relevant documents that show how FOMC meeting minutes are distributed and the management controls in place within the distribution processes. We also reviewed records describing the events that led to the early release of the March 19–20, 2013, FOMC meeting minutes.

We interviewed Office of Board Members officials and staff, specifically officials from the CLO and Public Affairs, including PIO and the Web Communications staff. We also interviewed staff in the FOMC Secretariat, Monetary Affairs, and the Division of Information Technology. We conducted our fieldwork from April 2013 to May 2013.

The scope of our audit included the Board's processes for distributing FOMC minutes, after the minutes are approved and loaded into the publication system and before the FOMC minutes are loaded into the MAS and the Board's public website. We assessed the effectiveness of the Board's management controls to safeguard the FOMC minutes from early release.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B

Management's Response



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

August 16, 2013

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

Dear Inspector General:

Thank you for providing the Federal Reserve Board an opportunity to comment on your draft Audit Report regarding the handling of Federal Open Market Committee (FOMC) meeting minutes. We appreciate your review of the processes the Board has in place regarding the handling of FOMC meeting minutes, your recognition of the improvements the Board has already made to those processes and your suggestions for additional improvements to those processes.

The report offers four suggestions, all of which the Board intends to take steps to implement. As the report acknowledges, Board staff from the Congressional Liaison Office (CLO), Public Affairs Office, Legal Division, Division of Monetary Affairs, and FOMC Secretariat met on April 12 to develop a set of common procedures for all distributions of FOMC minutes and other Board information to the CLO contact list. Effective that day, changes were made that limited the CLO contact list to government recipients, provided that items distributed to the CLO contact list include only a public link to an item on the Board's website with a brief description of the item and information about other resources on the Board's website, and required verification that information distributed to the CLO contact list be publicly available on the Board's website prior to distribution to the CLO contact list.

We are in the process of implementing the report's two recommendations that these procedures be committed to writing and include policies for determining how these distribution functions will be performed. In the case of the Public Affairs Office, a new procedures document has already been written that details specific steps that must be taken by Public Affairs staff to properly release the minutes to the press and public, outlines safeguards to prevent inadvertent release to unauthorized individuals, and specifies which staff members are responsible for carrying out the release process. The CLO has revised its administrative

procedures manual to include the steps outlined above that govern the use of lists such as the CLO contact list.

The report also recommends that the Director of the Division of Monetary Affairs develop and implement a comprehensive training program on the Program for Security of FOMC Information that covers handling requirements for FOMC minutes. We agree that there are benefits to developing and implementing a training program that focuses on the Program for Security of FOMC Information in addition to our current practice of using a training program that integrates all Board information security policies. The Board last year engaged an outside firm to perform a review of FOMC information security practices at the Board and identify areas that would benefit particularly from additional training. At the end of that study, the Board began developing an on-line training program that will specifically focus on the Program for Security of FOMC Information, and will include, among a range of topics, proper handling of FOMC minutes. The training program is expected to be completed and ready for use before the end of this year.

The final recommendation offered by the report relates to strengthening controls that govern access to the electronic publication system for FOMC materials. As the report acknowledges, the Program for Security of FOMC Information provides that access to FOMC documents, such as the minutes, be limited to staff that have a "need-to-know" the information. We are in the process of formalizing in writing our existing policies for establishing a "need-to-know" reason for accessing the publication system and the minutes; we reviewed and updated the control list that governs access to the publication system and will continue to conduct regular reviews; and we have put in place further access limits for specific documents within the publication system.

We believe that the steps the Board has already taken, coupled with the improvements being developed, will strengthen the Board's information security, and in particular, improve compliance with the Program for Security of FOMC Information. We appreciate your attention to this matter.

Sincerely,



Michelle Smith
Assistant to the Board



William English
Director, Division of Monetary Affairs



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
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