



OFFICE OF INSPECTOR GENERAL

Evaluation Report

2016-MO-B-010

The Board's Protective Services Unit Is Operating Effectively and Efficiently

July 22, 2016

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
DAR	Daily Activity Report
<i>General Policies</i>	<i>General Policies for Law Enforcement Officers Assigned to the Protective Services Unit</i>
OIG	Office of Inspector General
PSU	Protective Services Unit
SOP	standard operating procedure
<i>Uniform Regulations</i>	<i>Uniform Regulations for Federal Reserve Law Enforcement Officers</i>



Executive Summary:

The Board's Protective Services Unit Is Operating Effectively and Efficiently

2016-MO-B-010

July 22, 2016

Purpose

We evaluated the Board of Governors of the Federal Reserve System's Protective Services Unit (PSU) to fulfill our external oversight responsibilities as required by the *Uniform Regulations for Federal Reserve Law Enforcement Officers*. Our objective was to evaluate the effectiveness and efficiency of PSU operations as well as the PSU's compliance with applicable laws, regulations, policies, and procedures.

Background

The PSU's mission is to use an experienced and highly trained staff, a full array of protection measures, and active planning and coordination with intelligence sources and law enforcement to provide for the physical security of the Chair at all times.

Results of Evaluation

The PSU is operating effectively, efficiently, and in compliance with applicable laws, regulations, and internal policies and procedures in the following mission-critical areas: (1) hiring, (2) inventory, (3) qualifications/training, (4) incident reporting, (5) travel transactions, (6) scheduling and timekeeping, and (7) continuity of operations.

In addition, the level of the Chair's security is both appropriate and consistent with the level of security provided to Cabinet-level agency heads and those in the presidential line of succession.

We are not making recommendations in this report.

Summary of Recommendations, OIG Report 2016-MO-B-010

Recommendation number	Page	Recommendation	Responsible office
No recommendations			



OFFICE OF INSPECTOR GENERAL

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

July 22, 2016

MEMORANDUM

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

FROM: Melissa Heist *Melissa Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2016-MO-B-010: *The Board's Protective Services Unit Is Operating Effectively and Efficiently*

The Office of Inspector General (OIG) has completed its report on the subject evaluation. We conducted this evaluation to determine the effectiveness and efficiency of Protective Services Unit (PSU) operations as well as the PSU's compliance with applicable laws, regulations, policies, and procedures.

We provided you with a draft of our report. Because we make no formal recommendations in this report, we did not request an official management response. You noted in your informal comments that the PSU is pleased that we found the unit to be operating effectively and efficiently.

We appreciate the cooperation that we received from PSU staff during our evaluation. Please contact me if you would like to discuss this report or any related issues.

cc: Alberto Rivera-Fournier, Acting Deputy Inspector General

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Introduction

Objective

We evaluated the effectiveness and efficiency of the Board of Governors of the Federal Reserve System's (Board) Protective Services Unit (PSU) operations as well as the PSU's compliance with applicable laws, regulations, policies, and procedures. This evaluation covered the PSU's operations from January 1, 2014, to December 31, 2015. We conducted our fieldwork from January 2016 through April 2016 in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency. Details on our scope and methodology are in appendix A.

Background

The USA PATRIOT Act of 2001 amended the Federal Reserve Act to provide certain federal law enforcement authority for security officers of the Board. It also required the Board to establish corresponding regulations approved by the Attorney General. The Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers (Uniform Regulations)* was approved by the Attorney General in 2002.

The *Uniform Regulations* applies to (1) the Law Enforcement Unit, which safeguards Board-designated property and personnel, and (2) the PSU, which provides physical security for the Chair of the Board. The *Uniform Regulations* also designates two entities with oversight functions for these units: the Internal Oversight Committee, which has inspection and evaluation responsibilities for the Board's Law Enforcement Unit and PSU, and the External Oversight Function, which is responsible for reviewing and evaluating the Board's law enforcement programs and operations. The *Uniform Regulations* states that the External Oversight Function for the PSU's programs and operations is to be performed by the Board's Office of Inspector General (OIG).

In our 2012 evaluation of the PSU, we made six recommendations designed to improve internal controls for various PSU processes.¹ In 2013, we determined that the PSU had sufficiently addressed those recommendations.

The PSU's mission is to use an experienced and highly trained staff, a full array of protection measures, and active planning and coordination with intelligence sources and law enforcement to provide for the physical security of the Chair at all times. To carry out its mission, the PSU has 12 standard operating procedures (SOPs), including the *General Policies for Law Enforcement Officers Assigned to the Protective Services Unit (General Policies)*, which governs various PSU processes and requirements.

1. Office of Inspector General, [Inspection of the Board's Protective Services Unit](#), August 16, 2012.

Results of Evaluation

The PSU is operating effectively, efficiently, and in compliance with applicable laws, regulations, and internal policies and procedures in the following mission-critical areas.

Hiring

The *General Policies* requires that all PSU agent candidates must (1) not be disqualified from possessing firearms and ammunition, (2) qualify for a Top Secret security clearance, (3) be proficient in the use of firearms, and (4) have scaled levels of protective detail experience. All candidates are also required to meet the law enforcement officer training requirements established by the Federal Law Enforcement Training Center and to qualify with their primary firearm prior to being sworn as a Federal Reserve Law Enforcement Officer. They also are subject to the Board's *Mandatory Fitness Program* policy and random drug testing under the Board's *Drug-Free Workplace Plan*.

Based on our review of new hire documentation, we determined that all five candidates hired during our review period met the qualification requirements established in the *General Policies*.

Inventory

The *General Policies* requires all PSU agents to complete an Accountable Property Receipt, which documents the Board-issued firearm and property items and the protective equipment issued to and maintained by members of the PSU. In addition, all agents are required to self-certify that they are in possession of the property, including the firearm, to maintain a current and correct inventory. Finally, an annual independent inspection of firearms is conducted by designated officials of the Board's Law Enforcement Unit in the presence of the employee.

We verified that the serial numbers on all agents' self-certification forms matched the serial numbers on the independent verification form signed by designated officials of the Board's Law Enforcement Unit. We also conducted an unscheduled physical onsite inspection to further ensure that the serial numbers on a sample of firearms and badge numbers matched the record on file. Finally, we determined that controls surrounding the storage of PSU agents' passports issued for official government travel were adequate.

The *General Policies* also requires a quarterly reconciliation of ammunition. After the end of each three-month firearms qualification period, the responsible firearms coordinator conducts a reconciliation of ammunition, noting the amount of ammunition on hand at the beginning of each quarter, the number of rounds used during the quarter, and the balance of ammunition on hand at the end of the quarter. The firearms coordinator reports the results of the quarterly reconciliation to the Special Agent in Charge or Deputy Special Agent in Charge in a memorandum.

We reviewed quarterly ammunition reconciliation documents and determined that they were completed as required by the *General Policies*.

Qualifications/Training

PSU's *SOP 5.0—Firearms* states that all agents are required to qualify with their issued firearm each quarter. In addition, *SOP 11.0—Training* provides periodic requirements for in-service, legal, medical, and instructor training as well as the certifications for the use of force, the Flying Armed Training Program, and eligibility to possess firearms. According to *SOP 3.0—Administration*, each PSU agent is subject to the Board's *Mandatory Fitness Program* policy and the *Drug-Free Workplace Plan*.

We reviewed qualification, training, and certification documentation, including compliance with the Board's *Mandatory Fitness Program* policy and the *Drug-Free Workplace Plan*, for all agents. Based on our review, we determined that the PSU is in compliance with these requirements.

Incident Reporting

According to the *Uniform Regulations*, all incidents of deadly force and any use of force that results in serious bodily injury or death shall be jointly investigated by the Internal Oversight Committee and the External Oversight Function. During a meeting with PSU management, we were informed that such incidents, if they were to occur, would be reported in the Daily Activity Reports (DARs). PSU's *SOP 4.0—PSU Operations* states that DARs are prepared daily, stored in a computer database, and reviewed and approved by the Special Agent in Charge or Deputy Special Agent in Charge.

We performed a cursory review of DARs corresponding to the period of our review, January 1, 2014, through December 31, 2015, and conducted an in-depth review of some judgmentally selected DARs. Based on our review, we confirmed that there were no incidents during our scope and all DARs aligned with the requirements set forth in *SOP 4.0*.

Travel Transactions

According to the Board's *Travel* policy, all Board business travel arrangements should be made through the Board's electronic travel system. Further, *SOP 3.0—Administration* stipulates what should be included on travel expense vouchers, including miscellaneous travel expenses and unusual expenses, among others.

In consultation with our data analytics team, we identified potentially questionable transactions (e.g., laundry expenses, unauthorized merchant category codes, or transactions made while not in official travel status) in a population of about 1,000 records. We tested a judgmental sample of these potentially questionable transactions and determined that the PSU was in compliance with applicable policies and procedures.

Scheduling and Timekeeping

SOP 3.0—Administration and *SOP 4.0—PSU Operations* include documentation and approval procedures for the time and attendance worksheet and work schedule, respectively, which are required to be completed by PSU agents each week.

We determined that controls over the time entry and approval process were adequate. Based on our review of supporting documentation, the premium hours (i.e., night differential, scheduled overtime, Sunday time, or holiday time) noted on a judgmental sample of timesheets reconciled to the premium hours noted on weekly system reports provided by the PSU's Administrative Manager and were reasonable given the agents' travel schedule with the Chair.

Continuity of Operations

Continuity of operations is a federal government-wide initiative. Continuity of operations planning ensures the performance of mission-essential functions under a broad range of circumstances.

We reviewed surveys that detail evacuation plans to various relocation sites. We also reviewed a plan to protect, in addition to the Chair, the Vice Chair and the other Governors, if necessary. We determined that the PSU has an adequate plan to ensure its performance of mission-essential functions under a broad range of circumstances.

Assessment of the Chair's Security Level

Based on our discussions with other similarly situated agencies, we determined that the level of physical security currently provided to the Chair is consistent with the level of physical security provided to Cabinet-level agency heads and those in the presidential line of succession. The protection model used by PSU agents, including the number and roles of staff, is the same protection model used across the federal government. In addition, based on intelligence that has been gathered on threats to the Chair and the Eccles and Martin Buildings, we determined that the level of protection provided to the Chair is appropriate.

Conclusion

The PSU is operating effectively and efficiently and in compliance with applicable laws, regulations, and internal policies and procedures. In addition, we determined the level of the Chair's security is appropriate and consistent with the level of security provided to Cabinet-level agency heads and those in the presidential line of succession.

Management's Response

In her informal comments to our draft report, the Director of the Office of Board Members stated that the PSU is pleased that we found the unit to be operating effectively and efficiently and that we made no formal recommendations.

Appendix A

Scope and Methodology

To accomplish our objective, we interviewed Board officials and PSU management and staff, performed an inventory of weapons and ammunition and observed PSU storage units, reviewed training and personnel records, and verified relevant qualifications and certifications of PSU staff. We also reviewed and evaluated other relevant documents, including Accountable Property Receipts, DARs, travel transactions and associated reimbursement vouchers, and applicable timekeeping documents and work schedules.

We tested the following mission-critical areas: (1) hiring, (2) inventory, (3) qualifications/training, (4) incident reporting, (5) travel transactions, (6) scheduling and timekeeping, and (7) continuity of operations. To determine whether the current level of protection is appropriate, we interviewed a member of the Board's National Security Intelligence Program; the Chair of the interagency Protective Security Working Group; and agents providing protective services for the U.S. Secret Service, the U.S. Department of State, and the U.S. Department of the Treasury.



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