



Executive Summary:

The Board Should Strengthen Controls to Safeguard Embargoed Sensitive Economic Information Provided to News Organizations

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Purpose

The Office of Inspector General (OIG) conducted this audit to assess the Board of Governors of the Federal Reserve System's (Board) controls to protect sensitive economic information from unauthorized disclosure when it is provided under embargo to news organizations either (1) through a press lockup room located at the Board or (2) via the Board's embargo application, which enables news participants to remotely access information made available by the Board. The OIG's audit covered the period April 2014 through March 2015 and included the Federal Open Market Committee (FOMC) statements and Summaries of Economic Projections, the FOMC minutes, the *Summary of Commentary on Current Economic Conditions by Federal Reserve District* (also known as the Beige Book), and the four principal federal economic indicators (as designated by the Office of Management and Budget). We also conducted live observations of the press lockup room on June 17, 2015, and March 2, 2016.

Background

The FOMC and the Board produce several economic publications, including statistical releases, on a periodic schedule and provide approved news organizations access to them under embargo before they are available to the general public on the Board's website. The Board told the OIG that it provides news organizations embargoed access to economic publications to facilitate the "smooth and accurate" dissemination of sensitive economic information to the public.

Findings

The Board should strengthen controls to safeguard sensitive economic information that is provided to news organizations under embargo. We identified opportunities for the Board to (1) more strictly adhere to controls already established in policies, procedures, and agreements with participating news organizations and (2) establish new controls to more effectively safeguard embargoed economic information. We also identified risks to providing information under embargo through the embargo application.

During the course of this audit, we discovered issues that warranted the Board's immediate attention. We issued a restricted early alert memorandum to the Board on July 16, 2015, that outlined these concerns and included recommendations.

On August 19, 2015, a news organization broke the embargo of the FOMC meeting minutes that had been provided through the embargo application. On August 21, 2015, the Board ceased using the embargo application to provide news organizations embargoed access to FOMC-related information and other market-moving economic publications within the scope of our audit. Separately, the Board relocated its press lockup room in September 2015, a move that had already been planned prior to the start of our audit.

Recommendations

Our report contains recommendations designed to strengthen the Board's controls to safeguard sensitive economic information provided to news organizations under embargo and includes actions taken by the Board in response to the early alert memorandum. In its response to our draft report, the Board generally concurs with our recommendations. The Board notes that substantial improvements were planned before we began our review and that many were implemented during our review.