



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

## MEMORANDUM

**DATE:** May 8, 2019

**TO:** Michell Clark  
Director, Management Division  
Board of Governors of the Federal Reserve System

**FROM:** Timothy Rogers *Timothy Rogers*  
Senior OIG Manager for Management and Operations  
Office of Audits and Evaluations

**SUBJECT:** Closure of the Audit of the Board’s Fine Arts Program

We are terminating our audit of the Board of Governors of the Federal Reserve System’s (Board) Fine Arts Program based on the results of scoping. Our objective was to assess the adequacy of internal controls related to the management and administration of the Board’s Fine Arts Program, including the Board’s process for acquiring artwork.<sup>1</sup> Our scoping effort did not identify any potential internal control concerns that warrant further review at this time.

### Background

The Fine Arts Program was established in 1975 in response to a 1971 White House directive encouraging federal partnership with the arts. The Fine Arts Program’s stated mission is to organize exhibitions and collect art to foster collegiality and a sense of well-being and pride among employees. The Fine Arts Program, which is within the Management Division, acquires artwork through gifts, monetary donations,<sup>2</sup> and Board allocation.<sup>3</sup> The Fine Arts Program is managed by a program director and two staff members.

### Results of Scoping

We found that the Fine Arts Program has controls in place that involve several Board divisions other than the Management Division; these controls create a separation of duties that mitigates operational risk. Each division is aware of its responsibilities relating to Fine Arts Program processes. We also determined

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<sup>1</sup> For the purposes of this audit, artwork was limited to paintings and sculptures.

<sup>2</sup> Monetary donations are held in the Fine Arts Trust Fund and can only be used for the purchase of artwork.

<sup>3</sup> The Board allocates 0.5 percent of its major renovation and new building project budgets for the purchase of artwork. This allocation aligns with the U.S. General Services Administration’s guidance for art in architecture.

that the Fine Arts Program obtains the appropriate documentation and management approvals prior to acquiring artwork and monitors and tracks its artwork inventory. Our scoping effort did not identify any internal control concerns that would warrant our continuing the audit.

Our audit scope included activities and controls related to artwork acquisitions and inventory management. To address our audit objective, we interviewed Board personnel and reviewed the Fine Arts Program policy and procedures to gain an understanding of the program and to identify controls relevant to the audit objective. We observed the process of adding artwork to the collection database and tested user access controls. We also judgmentally sampled nine artwork acquisitions acquired between January 1, 2017, and September 1, 2018, to inform our scoping efforts. We analyzed the documentation of these acquisitions to determine compliance with the Fine Arts Program policy and procedures. We reviewed inventory memorandums completed by the Board to confirm that full or sample inventories were conducted in accordance with the applicable policy and procedures.

## ***Acquisitions***

During our scoping efforts, we learned there are two common methods for acquiring artwork, donations and purchases, and assessed controls for both methods. For example, donors are required to complete a conflict of interest disclosure statement prior to donating artwork, and justifications and management approvals are required prior to purchasing artwork. We tested a judgmental sample of nine artwork acquisitions obtained through both donations and purchases to verify that controls are in place and functioning as intended. Based on our scoping sample, we found that the Board has established sufficient controls related to donations and purchases of artwork.

## ***Inventory***

The Fine Arts Program uses a collection management database to monitor the inventory of its collection by tracking artwork entering or leaving the Board's custody, as well as the location of each artwork. We learned that the access controls for the Fine Arts Program's collection management database define specific roles for each type of user. We tested user access and verified that the ability of each type of user to make edits in the database is appropriately limited to their access rights.

The Division of Financial Management conducts a full inventory of the artwork every 3 to 5 years and a sample inventory in the intervening years to physically verify that the artwork is in the Board's possession and to note its location.<sup>4</sup> Further, at the conclusion of each inventory a memorandum is created documenting the results of the completed inventory. We reviewed the two most recent inventory memorandums and verified that the inventories were conducted as required.

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<sup>4</sup> Artwork that is in the Board's possession can either be displayed or be stored in Board buildings or in an offsite storage facility.

## Closing

We appreciate the support and assistance of the Fine Arts Program management and staff, as well as the management and staff in Board divisions involved in the administration of the program. This memorandum is provided for informational purposes, and a response is not required.

cc: Winona Varnon  
Stephen Phillips  
Ricardo A. Aguilera