The Board Can Further Enhance the Design and Implementation of Its Operating Budget Process

Findings
The Board of Governors of the Federal Reserve System designed and implemented processes to formulate and execute its annual operating budget. The Board has made changes over the past several years to improve its budget process; the Board has acknowledged perennial underspending and is addressing it by focusing on slowing growth and spending more consistently with budget estimates. The Board can further enhance the design and implementation of its operating budget process by communicating its budget process in an overarching document, strengthening the connection between budget and strategy, and implementing a Boardwide approach to executing the approved budget.

Enhancing the Board’s operating budget process may help the Board (1) define a more predictable and repeatable process; (2) prioritize funding and monitor progress against strategic goals; and (3) allocate financial and human capital resources more effectively, including conducting tradeoffs across the agency.

Recommendations
Our report contains recommendations designed to help the Board enhance the design and implementation of its operating budget process. In its response to our draft report, the Board concurs with our recommendations and outlines actions that have been or will be taken to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose
We conducted this evaluation to assess the design and implementation of the Board’s processes for formulating and executing its annual operating budget. The scope of our evaluation was 2018 budget activities, which included executing the Board’s 2018 budget and formulating the Board’s 2019 budget.

Background
We use the term operating budget to refer to allocating financial and human capital resources to perform an organization’s day-to-day operations. Leading practices indicate that an organization should develop its operating budget based on organizational priorities and should monitor and adjust the budget to reflect changing conditions.

Although the Board is not subject to federal budget-related laws, such as the Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010, it prepares an annual budget as part of its efforts to ensure appropriate stewardship and accountability. The Board’s 2018 annual operating budget was $766.7 million and included 2,847 authorized positions.