



## Office of Inspector General

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

Executive Summary, 2017-FMIC-B-020, December 11, 2017

# The Board's Organizational Governance System Can Be Strengthened

## Findings

The Board of Governors of the Federal Reserve System (Board) has established a core organizational governance structure comprising standing committees and administrators, a Chief Operating Officer, and an Executive Committee. This structure aligns with selected governance principles and benchmark organizations. The Board's public disclosure of governance documents is also consistent with these governance principles and organizations.

Nonetheless, the Board can strengthen its governance system by

- clarifying and regularly reviewing purposes, roles and responsibilities, authorities, and working procedures of its standing committees
- enhancing the orientation program for new Governors and reviewing and formalizing the process for selecting dedicated advisors
- setting clearer communication expectations and exploring additional opportunities for information sharing among Governors
- reviewing, communicating, and reinforcing the Board of Governors' expectations of the Chief Operating Officer and the heads of the administrative functions
- establishing and documenting the Executive Committee's mission, protocols, and authorities

Strengthening the Board's core governance structures should enable the Board to more efficiently and effectively achieve its objectives.

## Recommendations

Our report contains recommendations designed to strengthen the Board's organizational governance structures by clarifying roles and responsibilities, authorities, and working procedures; regularly reviewing the effectiveness of governance structures; and setting a strong tone at the top. In its response to our draft report, the Board of Governors generally concurs with our recommendations and identifies the officials responsible for coordinating work on the recommendations and presenting options to the Board of Governors for the Governors' consideration and appropriate action. We will conduct follow-up activities to determine whether the Board's actions are responsive to our recommendations.

## Purpose

The objectives of our evaluation were (1) to describe the current state of the Board's organizational governance structures and processes and (2) to assess the extent to which these structures and processes align with those of other relevant institutions and governance principles.

## Background

An organizational governance system involves how decisionmaking, accountability, controls, and behaviors accomplish organizational objectives. For this report, we reviewed organizational governance at the highest levels, including the Board of Governors and their standing committees, as well as the Division Directors and their Executive Committee. We focused on select aspects of organizational governance, including structure; delegated roles and responsibilities, authorities, and decision rights; communication; and transparency. We have additional ongoing and planned work related to Board governance.