



Office of Inspector General

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

Executive Summary, 2018-FMIC-B-021, December 3, 2018

The Board's Currency Shipment Process Is Generally Effective but Can Be Enhanced to Gain Efficiencies and to Improve Contract Administration

Findings

The Board of Governors of the Federal Reserve System's (Board) currency shipment process is generally effective; however, the process can be enhanced to gain time and cost efficiencies. Streamlining the currency forecasting process could save time and minimize the potential for human error. Selecting different transportation modes for certain currency shipment routes and evaluating alternatives to transport shipping equipment could potentially yield transportation cost savings.

Additionally, the Board can improve the administration of its armored carrier contracts. Specifically, monitoring armored carrier insurance could help ensure that the Board is adequately protected against loss or damage during shipments, providing a copy of the *Board Information Security Program and Policies* to armored carriers could help ensure that they are adequately protecting Board data, and updating contract requirements and monitoring armored carrier performance could help ensure that the Board is receiving the expected level of service.

Recommendations

Our report contains recommendations designed to help the Board seek additional efficiencies in the currency shipment process and to improve the administration of armored carrier contracts. Specifically, our recommendations include streamlining the Board's forecasting process to create time efficiencies, evaluating opportunities to potentially achieve cost savings, and establishing processes to ensure that armored carriers comply fully with contract terms. In its response to our draft report, the Board concurs with our recommendations and describes actions that have been or will be taken to address our recommendations. We will follow up to ensure that the recommendations are fully addressed.

Purpose

The objective of this audit was to assess the efficiency and effectiveness of the Board's management of the currency shipment process and to assess the effectiveness of related contracting activities.

Background

Section 16 of the Federal Reserve Act grants the Board the authority to issue Federal Reserve notes to the Federal Reserve Banks. The Reserve Banks then distribute the currency to depository institutions in order to meet public demand. The Board and the Reserve Banks work together to maintain the integrity of and confidence in Federal Reserve notes.

Within the Board's Division of Reserve Bank Operations and Payment Systems, the Banknote Issuance and Cash Operations section is responsible for the currency shipment process. This process includes monitoring and forecasting the demand for currency and planning and executing the issuance of currency to Reserve Bank cash offices.

To carry out its issuance responsibilities, the Board contracts with armored carriers to transport currency. During 2017, the Board executed a total of 3,361 currency shipments, and the transportation costs for those shipments totaled approximately \$21.2 million.