



Office of Inspector General

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

Executive Summary, 2022-MO-B-001, January 31, 2022

The Board Can Enhance Its Personnel Security Program

Findings

The Board of Governors of the Federal Reserve System can enhance its personnel security program. Specifically, the Board's Personnel Security Services (PSS) section has not defined objectives or risk tolerances to measure program performance. In addition, PSS did not consistently follow its processes for documenting position risk designations for the background investigations initiated during our scope. We found that PSS conducted the appropriate investigations for contractors but did not always conduct investigations at the appropriate tier for Board employees.

In addition, PSS did not have a process to reconcile data in the case management system, did not perform periodic reviews to ensure the accuracy of reinvestigation due dates in the case management system, and did not always approve security clearance access request forms in a timely manner.

Lastly, we found that PSS did not have processes to document its annual validation of a clearance holder's need for continued access to classified information and did not always document the validation attempt prior to initiating a reinvestigation.

Recommendations

Our report contains recommendations designed to enhance the Board's personnel security program and strengthen processes and controls for completing background investigations and granting security clearances for employees and contractors. In its response to our draft report, the Board generally concurs with our recommendations and outlines actions that have been or will be taken to address them. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the efficiency and effectiveness of the Board's process and controls for completing background investigations and granting security clearances for employees and contractors. To assess the process and controls for completing background investigations and granting security clearances, we reviewed and analyzed data from the PSS case management system for employees and contractors who had investigations initiated from September 1, 2019, to September 30, 2020.

Background

The Board conducts background investigations to determine an individual's suitability to be employed and grants security clearances to individuals with a need to access classified information. PSS is responsible for initiating and managing the background investigation and security clearance processes for all Board employees and contractors. These processes include determining the risk designation for each position, initiating background investigations and periodic reinvestigations, and making adjudication recommendations to the Board's personnel security officer. The Board has policies and standard operating procedures to guide its personnel security program.