



OFFICE OF INSPECTOR GENERAL

Inspection Report

2014-AE-B-006

The Board's Law Enforcement Unit Could Benefit From Enhanced Oversight and Controls to Ensure Compliance With Applicable Regulations and Policies

March 28, 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

Report Contributors

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Abbreviations

Board	Board of Governors of the Federal Reserve System
EOF	external oversight function
Federal Reserve System	Board of Governors of the Federal Reserve System and Federal Reserve Banks
IOC	internal oversight committee
LEU	Law Enforcement Unit
OIG	Office of Inspector General
RBOPS	Division of Reserve Bank Operations and Payment Systems



Executive Summary:

The Board's Law Enforcement Unit Could Benefit From Enhanced Oversight and Controls to Ensure Compliance With Applicable Regulations and Policies

2014-AE-B-006

March 28, 2014

Purpose

The objective of this inspection was to assess the Law Enforcement Unit's (LEU) compliance with Board of Governors of the Federal Reserve System (Board) and LEU internal policies, procedures, and applicable regulations.

Background

The USA Patriot Act of 2001 granted the Board certain federal law enforcement authorities. The Board approved the *Uniform Regulations for Federal Reserve Law Enforcement Officers* on June 18, 2002, to establish basic uniform policies and procedures governing the exercise of federal law enforcement authority. Consistent with the Board's regulations, the LEU has adopted specific policies and procedures titled *General Orders*. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* and the *General Orders* cover qualifications and standards, jurisdiction, cross-designation, training, authority to carry firearms, use of force, arrest powers, execution of searches, plain-clothes operations, internal oversight, and external oversight. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* requires each Federal Reserve System law enforcement unit to establish an internal oversight committee (IOC) that will have inspection and evaluation responsibilities for the unit and designates the Board's Office of Inspector General to perform the external oversight function for the Board's LEU.

Findings

We found that the LEU could benefit from enhanced oversight and controls to ensure compliance with applicable Board regulations and LEU policies and procedures. Specifically, we found that the Board's IOC did not perform the required reviews of the LEU and that LEU management could not account for credentials and badges; did not confirm the assignment of credentials, badges, and firearms from inventory; and did not verify that instructors and officers met all training requirements. In addition, in some instances there was insufficient evidence that officers were eligible to possess firearms and understood the *Use of Force Policy* because the signed forms, which are required annually, were not available.

Recommendations

Our report contains 10 recommendations to improve the LEU's programs and operations. Our recommendations are designed to increase the frequency of the IOC's review of the LEU, improve the system for inventorying credentials and badges and establishing officer accountability for firearms, help ensure that instructors and officers satisfy training and recertification requirements, and ensure that a signed Use of Force Policy Review and Acknowledgement form and Statement of Eligibility to Possess Firearms form are obtained annually from all officers and are retained. In its response to a draft of our report, the Board concurred with our recommendations and noted that it is taking actions to implement them.

Access the full report: <http://www.federalreserve.gov/oig/files/Board-Law-Enforcement-Unit-Oversight-Controls-Mar2014.pdf>

For more information, contact the OIG at 202-973-5000 or visit <http://www.federalreserve.gov/oig>.

Summary of Recommendations, OIG Report No. 2014-AE-B-006

Rec. no.	Report page no.	Recommendation	Responsible office
1	10	<p>Ensure that effective and consistent oversight of the Board's Law Enforcement Unit is maintained by establishing a policy that documents</p> <ul style="list-style-type: none"> a. an expected frequency for internal oversight committee meetings. b. the scope and frequency of internal oversight committee inspections and evaluations. c. specific roles and responsibilities for the internal oversight committee members. 	Chief Operating Officer
2	10	<p>Ensure that internal oversight committee inspections and evaluations of the Board's Law Enforcement Unit are performed biennially at a minimum and that results are reported to the external oversight function.</p>	Chief Operating Officer
3	15	<p>Strengthen accountability and control over credentials and badges by</p> <ul style="list-style-type: none"> a. requiring that periodic updates of inventory records be signed and dated certifying items on hand and those that have been assigned. b. requiring a second-level review of each inventory update, to include signed and dated records certifying that the review was completed. 	Law Enforcement Unit
4	15	<p>Require that credentials be destroyed or rendered void within one week of officer separation from the Law Enforcement Unit, and require the Law Enforcement Unit Operations Support Bureau to prepare and maintain an administrative record of the disposition.</p>	Law Enforcement Unit
5	15	<p>Ensure that the daily firearms inventory is documented in a consistent manner and that a second-level review of the inventory is performed and documented.</p>	Law Enforcement Unit
6	15	<p>Strengthen accountability and control over ammunition by</p> <ul style="list-style-type: none"> a. requiring formal quarterly inventories of all ammunition, to include signed and dated records certifying that the inventory was completed. b. requiring a second-level review of each quarterly inventory, to include signed and dated records certifying that the review was completed. 	Law Enforcement Unit
7	15	<p>Require evidence confirming officers' receipt of credentials, badges, and firearms when these items are issued and evidence confirming their return when officers separate from the Law Enforcement Unit. The evidence should include relevant information describing the property as well as the appropriate dates and signatures.</p>	Law Enforcement Unit
8	19	<p>Require periodic reviews of training records to ensure that instructors and officers comply with all training and recertification requirements contained in the <i>Federal Reserve System Law Enforcement Training Manual</i>.</p>	Law Enforcement Unit

Rec. no.	Report page no.	Recommendation	Responsible office
9	19	Ensure that a signed Instructor Performance and Expectations Acknowledgement form is obtained annually from instructors and retained by the Training Bureau.	Law Enforcement Unit
10	21	Ensure that a signed Statement of Eligibility to Possess Firearms form and a signed Use of Force Policy Review and Acknowledgement form are obtained annually from all officers and retained by the Training Bureau.	Law Enforcement Unit



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

March 28, 2014

MEMORANDUM

TO: Donald Hammond
Chief Operating Officer
Board of Governors of the Federal Reserve System

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

FROM: Melissa Heist *Melissa Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report No. 2014-AE-B-006: *The Board's Law Enforcement Unit Could Benefit From Enhanced Oversight and Controls to Ensure Compliance With Applicable Regulations and Policies*

The Office of Inspector General has completed its final report on the subject inspection. We conducted this inspection to assess the Law Enforcement Unit's (LEU) compliance with Board of Governors of the Federal Reserve System (Board) and LEU internal policies and procedures and applicable regulations. We also conducted this inspection to fulfill our responsibility, as the external oversight function, to review and evaluate the Board's law enforcement programs and operations.

Our report contains 10 recommendations to enhance oversight and controls in the Board's LEU. We provided you with a copy of our draft report for review and comment. In your response, you stated your overall concurrence with our recommendations and that you have made, or will implement, changes to the oversight of the LEU as well as strengthen controls within the LEU. We have included your response as appendix B in our report.

We appreciate the cooperation that we received from the LEU. Please contact me if you would like to discuss this report or any related issues.

cc: David Capp
Curtis Eldridge
William Mitchell

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Introduction

Objective

The objective of this inspection was to assess the Law Enforcement Unit's (LEU) compliance with Board of Governors of the Federal Reserve System (Board) and LEU internal policies and procedures and applicable regulations. We conducted this inspection to fulfill our responsibility, as the external oversight function (EOF), to review and evaluate the Board's law enforcement programs and operations. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* designates the Office of Inspector General (OIG) as the EOF and requires us to perform continuing reviews and evaluations. These regulations also require that the LEU establish an internal oversight committee (IOC) responsible for ensuring that the LEU has instituted a system of management controls and for conducting inspections and evaluations.

To accomplish our objective, we reviewed the Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers* and relevant procedures that the LEU developed to implement the regulations.¹ We also interviewed Board staff, reviewed previous inspections of the Board's LEU conducted by the OIG, and reviewed LEU records for the two-year period ending December 31, 2012. We reviewed the following areas of the *Uniform Regulations for Federal Reserve Law Enforcement Officers*:

- qualifications and standards
- training
- authority to carry firearms
- use of force
- arrest powers
- policy for plain-clothes operations
- searches

In addition, we reviewed the records for weapons, ammunition, credentials, and badges. Additional details on our scope and methodology are discussed in appendix A.

Background

The USA Patriot Act of 2001, Public Law 107-56, empowered the Board to authorize the use of federal law enforcement authority to protect and safeguard the premises, grounds, property, and personnel of the Board and the Federal Reserve Banks (collectively, the Federal Reserve System). The Board approved the *Uniform Regulations for Federal Reserve Law Enforcement Officers* on June 18, 2002, which establishes basic policies and procedures governing the exercise of federal law enforcement authority. The Board's LEU maintains a manual titled

1. Board of Governors of the Federal Reserve System, *Uniform Regulations for Federal Reserve Law Enforcement Officers*, S-2609, June 18, 2002.

General Orders to facilitate the implementation of rules; regulations; procedures; and LEU structure, roles, and responsibilities.

Uniform Regulations for Federal Reserve Law Enforcement Officers

The Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers* contains basic policies and procedures for Federal Reserve System employees who exercise federal law enforcement authority. The regulations also include a description of the external and internal oversight responsibilities for the LEUs.

Internal and External Oversight

The *Uniform Regulations for Federal Reserve Law Enforcement Officers* requires each Federal Reserve System LEU to establish an internal oversight committee (IOC) that will have inspection and evaluation responsibilities for the unit (figure 1). These committees are responsible for ensuring that the Federal Reserve System LEUs have a system of management controls in place and are maintaining the appropriate administrative records to document compliance with these regulations.

The *Uniform Regulations for Federal Reserve Law Enforcement Officers* designates the OIG as the EOF for the Board's LEU, and the Division of Reserve Bank Operations and Payments Systems (RBOPS) as the EOF for the Federal Reserve Banks' LEUs. The OIG and RBOPS are to conduct "continuing reviews and evaluations of law enforcement programs and operations." The OIG issued its most recent inspection report on the Board's LEU in March 2009.

Figure 1: IOC and EOF Responsibilities

<p><i>XII. Internal Oversight</i></p> <p>Each Law Enforcement Unit will establish an Internal Oversight Committee that will have inspection and evaluation responsibilities for the Unit. Law Enforcement Managers are responsible for establishing and maintaining a system of management control within their Law Enforcement Unit. A written report of each law enforcement evaluation will be submitted to the External Oversight Function.</p>
<p><i>XIII. External Oversight Function</i></p> <p>A. The External Oversight Function ("EOF") shall conduct a continuing review and evaluation of law enforcement programs and operations.</p> <p>B. The EOF for Reserve Bank programs and operations will be performed by the Board's Division of Reserve Bank Operations and Payment Systems.</p> <p>C. The EOF for the Board's program and operations will be performed by the Board's Office of the Inspector General. No provision of these regulations, however, shall limit the role of the Board's Inspector General's Office in conducting agency performance audits, investigating alleged criminal conduct or other misconduct, or performing any other function falling within its statutory jurisdiction.</p>

Source: *Uniform Regulations for Federal Reserve Law Enforcement Officers*.

The Board established an IOC to perform the required inspections and evaluations for the Board's LEU and designated the staff in the following positions as members:

- the Law Enforcement Manager
- the Special Agent in Charge of the Protective Support Unit
- a representative of the Legal Division
- the Associate Director of Human Resources
- a representative of the Board's RBOPS Protection Program
- the Continuity of Operations Program Manager

During the period of our review, the Legal Division representative chaired the committee.

According to the *Uniform Regulations for Federal Reserve Law Enforcement Officers*, the IOCs are required to submit to the respective EOF a written report of each LEU inspection and evaluation. The regulations do not provide guidance relative to each IOC's specific roles and the expectations for, or the frequency of, inspections and evaluations. The Board's IOC most recently conducted an evaluation of the LEU in 2004.

For the Federal Reserve Bank IOCs, RBOPS issued a memorandum in 2003 to each committee chair that assigns the IOC the responsibility for inspecting and evaluating Reserve Bank LEUs and specifies the frequency with which the committees should conduct inspections. According to the memorandum, the Federal Reserve Bank IOCs are responsible for reviewing the following policy areas at least every 24 months during their inspections and evaluations:

- qualifications and standards
- cross-designation
- training
- authority to carry firearms
- use of force
- arrest powers
- plain-clothes operations

General Orders

The *Uniform Regulations for Federal Reserve Law Enforcement Officers* requires the Federal Reserve System LEUs to develop specific policies and procedures that are appropriate to the unique needs of their facilities and personnel. The Board's LEU defined specific policies and procedures in a manual titled *General Orders*, which also describes the roles and responsibilities within the LEU. The *General Orders* addresses the following areas:

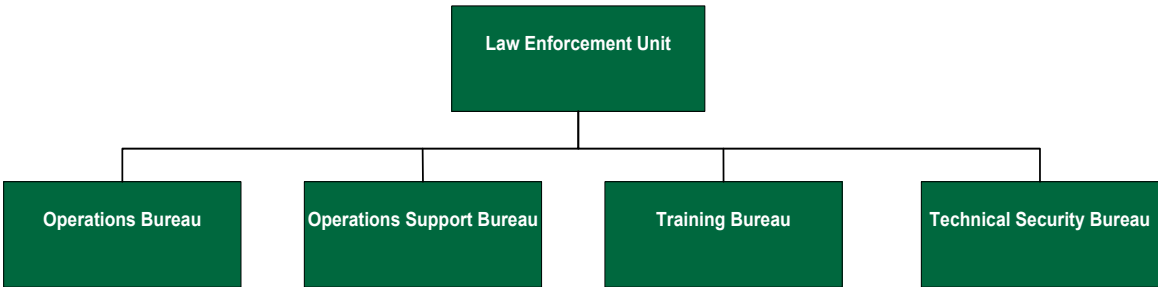
- internal oversight
- securing and controlling credentials and badges
- training
- firearms and ammunition
- preparing incident reports
- use of force
- arrest powers
- plain-clothes operations

We identified issues within four of the eight areas included in the *General Orders*: internal oversight, credentials and badges, firearms and ammunition, and training.

The Board LEU’s Structure, Roles, and Responsibilities

The LEU is led by a Chief and an Assistant Chief who oversee four separate bureaus: Operations, Operations Support, Training, and Technical Security (figure 2). Each bureau is led by a Manager/Deputy Chief. Managers are generally responsible for planning, directing, coordinating, staffing, and controlling all activities of their respective bureaus; carrying out the LEU’s mission, goals, and objectives; and being familiar with federal law, administrative policy, and the *General Orders*. Section Commanders and the Operations Bureau Captain are generally responsible for planning, organizing, and directing the activities of personnel, to include being familiar with, and ensuring consistent interpretation and full compliance with, administrative policy and procedures. To address the objective of this inspection, we focused on the Operations Bureau, the Operations Support Bureau, and the Training Bureau.

Figure 2: LEU Organizational Structure



Source: OIG review of LEU organizational responsibilities and the Management Division’s organization chart.

Note: During our inspection, the LEU Chief was also responsible for overseeing the Safety Bureau and the Personnel Security Section, which were not relevant to this inspection and are not included in the chart.

Operations Bureau

The Operations Bureau’s function is to prevent crime and protect Board property, staff, contractors, and visitors in Board-occupied space by providing professional law enforcement, physical security, and access control services. The Manager of the Operations Bureau is the commanding officer and is responsible for all elements within the bureau. The Captain is responsible for ensuring the efficiency and effectiveness of operations; the quality of supervision, including conformity to regulations and policy; and initiating corrective action or disciplinary measures. The Shift Commanders are responsible for organizing and directing the activities of assigned officers within their section, which includes maintaining the daily firearms inventory.

Operations Support Bureau

The Operations Support Bureau enables Operations officers to function effectively on a day-to-day basis by

- providing supplies, such as uniforms and weapons
- managing payroll activities
- administering the parking program
- performing firearms and ammunition inventories

The Manager of the Operations Support Bureau is responsible for all aspects within the Operations Support Bureau. The Administrative Section Commander is responsible for all LEU property, as well as planning for and ordering supplies as needed for the LEU.

Training Bureau

The Training Bureau develops, administers, and coordinates all basic, in-service, and advanced training for LEU officers. The Manager of the Training Bureau is responsible for

- developing and implementing unit-wide training programs
- administering all LEU training programs
- keeping training records

The Section Commander oversees the basic training, in-service training, special projects, and firearms training programs. Specific responsibilities include the following:

- coordinating and implementing training and education for all LEU officers according to the LEU's mission statement and goals
- liaising with officers regarding training programs
- planning and developing training programs to meet the changing needs of the LEU
- maintaining accurate training records for LEU officers in accordance with Board standards
- notifying LEU officers of required training, such as firearms and CPR, and when required training is available
- continually evaluating, updating, and revising all training programs

Securing and Controlling Credentials and Badges

The *General Orders* states that to ensure accountability, property receipts should be used by the LEU to record the issuance and return of credentials and badges. The LEU issues each officer one law enforcement badge and one law enforcement credential after an officer has (1) completed the Board's application process, (2) successfully completed the Board's officer basic training program, and (3) been sworn in and designated as an officer.

Officers are directly responsible for the safekeeping of the credentials and badges issued to them. When a credential or a badge has been lost or stolen, the officer must prepare a written report for the LEU Chief within 24 hours. An on-duty manager or supervisor will notify the local law enforcement agency of the loss and ask the agency to enter the badge or credential

information into the National Crime Information Center database. The manager must also notify the Federal Reserve Bank of St. Louis LEU to alert all Federal Reserve System protection managers. The written report must specify that the required alerts have been made. The LEU Chief, or his or her designee, will ensure that the Federal Reserve Bank of St. Louis has alerted the Federal Reserve System protection managers.

When an officer separates from the LEU, the officer must return his or her credential and badge to the LEU at the end of the last day of employment. Law enforcement badges returned by officers are to be placed in the unit's badge inventory and be available for reissuance. The Operations Support Bureau's Administrative Section Commander, or his or her designee, must destroy or void credentials and maintain a record of the disposition. The record should include the separating officer's name, date, method of disposal, and the signature of the Commander or designee.

Authorization and Accountability of Firearms and Ammunition

Officers are authorized to carry firearms only while conducting law enforcement activities in accordance with LEU policies. As part of the *General Orders*, the LEU developed procedures for the storage and maintenance of firearms and ammunition, as well as the use of property receipts to record the assignment of these items. In addition to satisfying training requirements for each authorized firearm, each officer must sign a Statement of Eligibility to Possess Firearms each year to affirm that he or she has not been involved in criminal activity, has not renounced his or her U.S. citizenship, and has not been found to be mentally incompetent, among other requirements.

Training Requirements

The *General Orders* states that the officers must fulfill training and retraining standards established by the Board. The *Federal Reserve System Law Enforcement Training Manual* is the foundation for all law enforcement training throughout the Federal Reserve System. Each Federal Reserve System LEU, including the Board's, is required to provide training to officers and officer candidates. In addition, instructors must meet the minimum instructor training requirements as specified in the training manual.

Instructors

Instructors must complete a minimum of 40 hours of advanced training in instructor skills every three years, maintain certifications, and complete periodic advanced or recertification training every three years in subjects such as firearms, intermediate weapons, emergency medical response, and physical control techniques.² Instructors are also required to sign the Instructor Performance and Expectations Acknowledgement form to show that they are aware of their

2. Advanced instructor training consists of courses designed to develop and improve existing training skills. These courses cover topics such as records management, coaching skills, technological advances in training techniques, reducing training liability, student stress and stress management, and written examination development. This training does not include law enforcement-specific expertise courses, such as defensive tactics, use of force, firearms, or intermediate weapons.

duties and responsibilities as an instructor. The form must be signed prior to the delivery of any basic or in-service training. In 2012, the *Federal Reserve System Law Enforcement Training Manual* was updated to require instructors to sign the Instructor Performance and Expectations Acknowledgement form each year and to complete 4 hours of advanced instructor training each year. The revised guidance also requires instructors to teach a minimum of 4 hours per calendar year, 2 hours of which should address high-liability areas. Additionally, instructors must maintain certifications for each discipline they are qualified to teach.

Officers

The *Federal Reserve System Law Enforcement Training Manual* requires annual in-service training for officers. In-service training includes courses such as Firearms Safety and Qualification, Basic Tactics, Physical Control Techniques, Report Writing, Emergency Medical Response, and Use of Force. Following completion of the annual Use of Force course, officers sign and date the Board's Use of Force Policy Review and Acknowledgement form to certify that they have read and understood the policy. In addition, officers are required to review the requirements for firearms eligibility during in-service training. During the annual firearms eligibility review, officers submit a Statement of Eligibility to Possess Firearms form. By signing and dating the form on an annual basis, officers certify that they meet the requirements and are eligible to possess a firearm.

Commendable Processes

During our inspection, we found that the Board's LEU was in compliance with elements of the *Uniform Regulations for Federal Reserve Law Enforcement Officers* and the *General Orders* applicable to reporting an accidental discharge of firearms, searches, arrest powers, use of force, and plain-clothes operations. Specifically, officers followed the proper procedures during incidents that resulted in an arrest, wore proper plain clothes, prepared incident reports following the accidental discharge of a firearm, and properly secured unassigned badges. The individual policy areas listed in table 1 are components of the *Uniform Regulations for Federal Law Enforcement Officers* and *General Orders*.

Table 1: Summary of Testing

Policy area	In compliance	Deficiencies noted
Accidental discharge of a weapon	•	
Arrest powers	•	
Searches	•	
Use of force	•	
Plain-clothes operations	•	
Internal oversight committee		•
Credentials and badges		•
Weapons, inventory and control		•
Training		•
Qualifications and standards		•

Source: OIG analysis based on testing.

Finding 1: The IOC Does Not Perform Inspections and Evaluations on a Routine Basis

We found that the Board's IOC did not perform detailed inspections and evaluations of the LEU's operations on a routine basis. The Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers* requires the IOC to inspect and evaluate operations and report the results to the EOF. The IOC is responsible for ensuring that the LEU has a system of management controls and is maintaining the appropriate administrative records to document compliance with these regulations. The IOC did not perform inspections and evaluations because the committee believed that its oversight duplicated the OIG's activities and placed an additional burden on the LEU. However, the *Uniform Regulations for Federal Reserve Law Enforcement Officers* calls for the OIG, as the EOF, to review law enforcement programs and operations, which would include activities performed by the IOC. Without regular internal inspections and evaluations performed by the IOC, the Board cannot be assured that the LEU is operating in compliance with applicable laws as well as the Board's law enforcement policies and procedures.

IOC Inspections and Evaluations Have Not Been Performed Since 2004

During the period of our review, the Board's IOC did not perform inspections of the LEU or meet regularly to schedule inspections. The IOC last inspected the LEU, in 2004. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* does not specify a frequency for performing inspections and evaluations of the Board's LEU nor provide guidance on which areas should be inspected.

We reviewed IOC meeting minutes to determine the committee's schedule for inspections and evaluations. The IOC acknowledged that previous inspections of the LEU were performed by the OIG as recently as 2009. Based on the audit work done by the OIG, the IOC decided not to conduct its own inspections of the LEU in 2009. According to the IOC chairman, he consulted with the OIG about the timing and scope of the OIG inspections and about the IOC's reliance on those inspections. During its December 2010 committee meeting, the Board's IOC considered whether to yield its oversight responsibilities to the OIG to avoid duplication of effort and to reduce the burden on the LEU. Based partly on the OIG's experience in performing inspections and evaluations, the IOC decided to consider the results of the OIG's inspections and evaluations before scheduling its next inspection. We did not find written evidence that the OIG was notified of the IOC's decision to rely on the OIG inspections or that the OIG concurred with this policy decision.

The IOC resolved to revisit the reliance on OIG inspections and discuss the scheduling of future inspections and evaluations during a meeting scheduled for the first quarter of 2011. That meeting did not occur, and the committee has not convened since December 2010. According to the IOC chairman, the committee did not meet because a quorum of committee members could not be met due to member retirements and resignations. Further, the IOC chairman stated that the committee is coordinating with the Management Division to develop a

process for selecting IOC members, and once that process is complete and replacement members are selected, committee meetings will resume.

We found that RBOPS's 2003 memorandum to Federal Reserve Bank IOCs required those IOCs to perform inspections at least once every 24 months and identified specific areas to be inspected. We consider this RBOPS guidance to be a standard practice throughout the Federal Reserve System.

Recommendations

We recommend that the Chief Operating Officer

1. Ensure that effective and consistent oversight of the Board's LEU is maintained by establishing a policy that documents
 - a. an expected frequency for IOC meetings.
 - b. the scope and frequency of IOC inspections and evaluations.
 - c. specific roles and responsibilities for the IOC members.
2. Ensure that IOC inspections and evaluations of the Board's LEU are performed biennially at a minimum and that results are reported to the EOF.

Management's Response

In its response, the Board concurred with the recommendations pertaining to the LEU's oversight provided by the IOC and described changes that have taken place since we concluded our fieldwork. Effective August 30, 2013, the by-laws relating to the administration of the IOC were amended to establish a formal procedure for the appointment of members to the committee. The Chief Operating Officer is now responsible for appointing the Chair of the IOC, and the Directors of the Management, Legal, Board Members, and RBOPS divisions are responsible for designating their representative member on the IOC. The Board stated that steps have already been taken to have the IOC meet regularly and ensure consistent oversight of the LEU.

The Board also stated in its response that the IOC had reviewed the OIG's inspections of the LEU performed in 2006 and 2009 and, based on the scope of that work, did not conduct its own inspections. The recently re-formed IOC has met informally to discuss, among other things, procedures for inspections of the LEU by the committee, and it will consider the matters contained in our recommendations at upcoming meetings. Management's full response is included as appendix B.

OIG Comment

In our opinion, the actions described by the Board are responsive to our recommendations. We also note that the revised by-laws provided by the Management Division require that the IOC Chair establish a meeting schedule for the committee. Regarding recommendation 2, we acknowledge that the Board's IOC does not have a required frequency for inspections and

evaluations. Nonetheless, since the Board and Reserve Banks are to adhere to the *Uniform Regulations for Federal Reserve Law Enforcement Officers*, as well as policies and procedures developed to address the specific needs of each Federal Reserve System facility and its personnel, we believe that following a standard frequency for all Federal Reserve law enforcement IOC reviews would help ensure that the Board's LEU continues to maintain a system of management controls. We plan to follow up on actions taken by the Chief Operating Officer and the IOC to ensure that our recommendations are fully addressed.

Finding 2: The LEU Did Not Effectively or Consistently Implement Established Controls to Account for Property

The LEU did not accurately and fully account for property assigned to officers, such as credentials and badges. Further, the LEU did not consistently document firearms inventory or complete ammunition inventories as required. We found that credentials were not destroyed in a timely manner, credentials and badges were not returned promptly, badge inventory records did not accurately reflect the inventory on hand, and some unassigned badges were not accounted for. In addition, daily firearms inventories were documented in an inconsistent manner; ammunition inventories were not performed on a quarterly basis; and property receipts were not used to ensure accountability of credentials, badges, and firearms assigned to or returned by officers. The *General Orders* requires the LEU to use property receipts when equipment is assigned to officers and for officers to return credentials, badges, and firearms on their last day of employment. Surrendered credentials are to be destroyed by the Administrative Section Commander of the Operations Support Bureau and surrendered badges returned to inventory. The *General Orders* also requires formal quarterly ammunition inventories to be performed. The LEU did not effectively or consistently implement established internal controls to ensure accountability and did not keep accurate inventory records for all unassigned items. Not having these internal controls increases the risk that theft of credentials, badges, firearms, and ammunition could go undetected.

Badge Inventory Records Were Not Accurate

The LEU's Operations Support Bureau did not adequately inventory and safely secure unassigned badges nor were inventory records updated in a timely manner. The *General Orders* states that LEU badges that have not been issued for use should be inventoried and stored in a safe. We compared the badges on hand to the most recent Badge Inventory Verification Record and found that the record did not reflect the actual number of unassigned badges on hand. We found 2 badges in the safe that were listed on the Badge Inventory Verification Record, but the physical location of the badges was not specified. We found that 5 of 49 badges (10 percent) listed as unassigned on inventory records were not stored in the safe. Three of these badges were discovered to have been assigned to officers. The other 2 badges could not be located. Upon further review, earlier inventory records for one of the 2 missing badges indicated that it had been assigned to an officer who had separated from the LEU.

In a review of officers who had separated from the LEU from 2010 through 2012, we found that the Badge Inventory Verification Record did not accurately report the disposition of the separated officers' badges. The personnel record we inspected showed that 34 officers separated from the LEU. The inventory record indicated that badges for 3 separated officers were still assigned to them; however, we were able to locate these badges in the safe during our inventory.

We brought the inaccuracies on the Badge Inventory Verification Record and the 2 missing badges to the attention of the Deputy Chief of Operations Support, who acknowledged that the Badge Inventory Verification Record was neither current nor accurate. As a result, the LEU filed an incident report for both missing badges. The Deputy Chief of Operations Support stated

that he would strengthen the practice for storing and inventorying unassigned badges to improve accountability.

Insufficient Evidence That Credentials for Separated Officers Were Destroyed

The LEU's Operations Support Bureau did not always ensure that credentials were destroyed or rendered void as required when officers separated from the Board or ensure that credentials were destroyed in a timely manner. We compared records of employee separations from 2010 through 2012 to the LEU's spreadsheet documenting the final disposition of credentials and found that the Operations Support Bureau did not record the disposition of credentials for 21 of the 34 officers (65 percent) who separated. Neither the *Uniform Regulations for Federal Reserve Law Enforcement Officers* nor the *General Orders* specifies a time frame for destroying or voiding the credentials of separating officers. We found that, on average, the LEU destroyed credentials 45 days after a separation; however, in one instance, the LEU destroyed a credential 232 days after a separation. The *General Orders* states that when an officer separates from the Board, the credential will be turned in on the last day of employment and appropriately disposed.

We brought these issues to the attention of the Deputy Chief of Operations Support. He stated that he was unaware of the spreadsheet to record the final disposition of credentials.

Daily Firearms Inventory Records Were Not Documented Consistently

The Operations Bureau did not consistently document the daily firearms inventory reports. On a daily basis, the Operations Bureau's on-duty Shift Commander, or his or her designee, performs an inventory of all of the unit's assigned firearms by visually inspecting all gun lockers, documenting each firearm's presence or absence, and reconciling any missing firearms to the shift roster. The inventory takes place after the beginning of each shift, and there are three shifts per day. At the conclusion of each shift, the Shift Commander submits the inventory report to the Administrative Section Commander.

During our testing, we judgmentally selected 25 shifts from 2010 through 2012 to verify that daily firearm inventories were performed. Although Shift Commanders performed inventories and submitted inventory reports as required, we found inconsistencies with the completion of daily inventory reports. We found the following:

- **Reconciliations were not routinely performed.** One report did not record the inventory status for the majority of the firearms listed. Another report indicated that one firearm was unaccounted for; however, after further inquiry, we learned that the firearm was accounted for and had been moved from the gun box by the officer performing the inventory because the officer to whom it was assigned was on suspension.
- **Inventory reports were incomplete.** The name of the officer performing the inventory was written in the comments column for three firearms, but checkboxes to indicate that the firearms were accounted for were not marked. In these instances, the officer

removed the three firearms from the gun box because the assigned officers were no longer in an active-duty status.

Formal Quarterly Ammunition Inventories Were Not Performed

The LEU's Operations Support Bureau did not perform an inventory of all ammunition on a quarterly basis as required. We did find, however, that inventory records showed the date and name of the officer who added or removed ammunition from the ammunition vault. We reviewed Ammunition Inventory Logs from 2010 through 2012 and observed that the LEU maintains a running inventory that documents when ammunition is added or removed from the vault but does not document the total amount of ammunition on hand. To perform our inventory, we calculated the total amount of ammunition in the vault based on the LEU's running inventory and determined that all ammunition listed on the 2013 Ammunition Inventory Log was accounted for. The *Uniform Regulations for Federal Reserve Law Enforcement Officers* states that each LEU will adopt procedures for the maintenance of records with respect to the issuance, proper care, storage, and maintenance of firearms and ammunition. The *General Orders* states that the Board's LEU will perform a formal quarterly inspection of ammunition.

Property Receipts Were Not Used

The LEU's Operations Support Bureau no longer issues property receipts when credentials, badges, and firearms are assigned to or returned by officers. The bureau does, however, maintain inventory records of these items that identify the officer to whom the item was issued. We performed an inventory of firearms by comparing the master inventory to the serial numbers on unassigned and assigned weapons and found that all firearms were accounted for. However, the inventory records do not indicate the date firearms were issued or include the signature of the officer acknowledging receipt or return of the firearm. We also found that records for credentials and badges do not include the date of issuance and an officer's signature showing that he or she received these items. The *General Orders* requires that the LEU use property receipts to ensure accountability of LEU-issued credentials, badges, and firearms. In addition, items such as credentials, badges, and firearms should be issued to officers at the completion of basic training. Because the LEU no longer uses property receipts to record the assignment of credentials, badges, and firearms to officers, the LEU does not have evidence indicating when these items were assigned to an officer.

We learned that the use of property receipts was discontinued when the previous Administrative Section Commander, responsible for issuing property receipts, was replaced. The Deputy Chief of Operations Support stated that he was unaware of the discontinued use but stated that property receipts will be used going forward.

Recommendations

We recommend that the Chief of the LEU

3. Strengthen accountability and control over credentials and badges by
 - a. requiring that periodic updates of inventory records be signed and dated certifying items on hand and those that have been assigned.
 - b. requiring a second-level review of each inventory update, to include signed and dated records certifying that the review was completed.
4. Require that credentials be destroyed or rendered void within one week of officer separation from the LEU, and require the LEU Operations Support Bureau to prepare and maintain an administrative record of the disposition.
5. Ensure that the daily firearms inventory is documented in a consistent manner and that a second-level review of the inventory is performed and documented.
6. Strengthen accountability and control over ammunition by
 - a. requiring formal quarterly inventories of all ammunition, to include signed and dated records certifying that the inventory was completed.
 - b. requiring a second-level review of each quarterly inventory, to include signed and dated records certifying that the review was completed.
7. Require evidence confirming officers' receipt of credentials, badges, and firearms when these items are issued and evidence confirming their return when officers separate from the LEU. The evidence should include relevant information describing the property as well as the appropriate dates and signatures.

Management's Response

The Director of the Management Division generally concurred with recommendations 3 through 7. In his response, the Director indicated that steps have already been taken to strengthen the accountability of LEU property, to include properly tracking and inventorying credentials and badges, recording the destruction of credentials when officers separate from the LEU, and conducting an annual inventory of all serialized property. In addition, the Director reported that supervisory staff have been retrained on firearms and ammunition inventory, and a secondary review of all inventories each month has been instituted. The Director also noted in his response that the LEU is in the process of identifying a "scalable inventory system capable of tracking all real property belonging to the unit," which will assist the LEU in ensuring accountability for critical assets. Management's full response is included as appendix B.

OIG Comment

In our opinion, the actions described by the Director of the Management Division are responsive to our recommendations. We acknowledge that the steps described are likely to address recommendations 3 through 6, and in one instance, the prescribed actions exceed the

recommendation for quarterly second-level reviews of ammunition by stating that such reviews are conducted monthly. Recommendation 7 calls for evidence confirming officers' receipt of property when credentials, badges, and firearms are assigned, as well as when that property is returned. While the Director's response does not address these actions specifically, we encourage the Director to include the capability to capture an officer's acknowledgement of receiving or returning these critical assets in the proposed inventory management system. We plan to follow up on actions taken by the LEU to ensure that our recommendations are fully addressed.

Finding 3: The LEU Training Bureau Did Not Ensure That All Training and Recertification Requirements Were Documented or Met

The LEU's Training Bureau did not ensure that instructors and officers complied with Federal Reserve System training and certification requirements. We found that officers were trained by LEU instructors who did not have sufficient documentation indicating that training and certification requirements were met. In addition, we found instances in which there was no documentation to indicate that officers completed all required courses. The *General Orders* states that "it is Unit policy to comply with the requirements of the Federal Reserve System in regards to the training of Board Law Enforcement Officers." The *Federal Reserve Law Enforcement Training Manual* requires LEU instructors to attend instructor training and maintain certifications; further, the manual requires officers to complete basic training before being sworn in and to attend in-service training annually. The Training Bureau did not have controls to help it ensure that training and recertification requirements were met. Insufficient internal controls regarding LEU training and recertification exposes the Board to potential liability for any inadequate or improper actions taken by officers and increases the Board's reputational risk.

Training Bureau Did Not Routinely Document Instructor Training and Recertification

We did not find evidence that the Board's LEU instructors satisfied all training and recertification requirements. The training records for all nine course instructors showed that they maintained general instructor certifications and that seven instructors who taught high-liability topics had maintained specialized certifications in those areas.³ However, we did not find evidence of course completion or recertification for the following:

- six instructors who were required to complete a minimum of 40 hours of advanced training in instructor skills every three years prior to 2012
- six instructors who were required to complete 4 hours of instructor skills training in 2012
- five instructors who were required to complete advanced or recertification training within 3 years of their certification
- two instructors who were required to maintain their certifications in defensive tactics

The *Federal Reserve System Law Enforcement Training Manual* requires that course instructors read and sign the Instructor Performance and Expectations Acknowledgement form prior to the delivery of any basic or in-service training to acknowledge that they understood their duties and responsibilities as an instructor. The form should be maintained in the instructor's professional

3. High-liability topics include firearms; intermediate weapons; emergency medical response; and physical control techniques, such as defensive tactics.

file. However, upon our review of instructor's files, we did not find evidence of forms for the following:

- four of the nine instructors who taught courses in 2010, of which three also taught courses in 2011
- all nine instructors who taught courses in 2012

We discussed our concerns with the Deputy Chief of the Training Bureau, who stated that he was unclear about the documentation requirements for course instructors.

Officers Did Not Complete Certain Training Requirements

We compared course schedules from 2010 through 2012 with the *Federal Reserve System Law Enforcement Training Manual* and reviewed training records for a sample of 50 officers: 30 who were hired prior to 2010 and 20 hired during the two-year period ending December 2012. We found that none of the officers in our sample completed the required Basic Tactics course during in-service training in 2012 because the Training Bureau did not offer the course. In addition, some officers did not meet other training requirements, as follows:

- One of the 50 officers did not complete the annual in-service Report Writing course in 2010. In 2012, the officer was promoted to a new position that does not include the Report Writing course as a training requirement.
- In 2012, one officer did not complete the Emergency Medical Response course. The officer's 2010 CPR/AED certification expired in April 2012. The Training Bureau Administrative Section Commander informed us that he planned to recertify all officers in CPR/AED in 2013.

According to the *Federal Reserve System Law Enforcement Training Manual*, officers are required to complete all in-service courses each year to maintain their law enforcement officer designations. We discussed the Basic Tactics requirement with the Deputy Chief of the Training Bureau, who stated that he was unaware of the 2012 *Federal Reserve System Law Enforcement Training Manual* requirement to offer Basic Tactics and the requirement's effective date. The Deputy Chief said he would add the mandatory Basic Tactics course to the 2013 in-service training schedule.

In addition, we noted that all officers qualified on semiautomatic pistols on a semiannual basis; however, we found that three officers in our sample did not attempt to qualify on the submachine gun on a semiannual basis during certain periods from 2010 to 2012 as required by the *General Orders*. According to the *General Orders*, the LEU adopted as its minimum standard a semiannual firearms qualification schedule for both the semiautomatic pistol and submachine gun. The LEU should administer training and retraining standards that ensure that officers are proficient in the use of all types of firearms.

We discussed the findings with the Training Section Commander, who stated that the officers likely did not qualify on the submachine guns because they had limited time at the firing range. The Deputy Chief of Operations Support stated that when officers do not qualify on the submachine guns, they are restricted from accessing them.

Recommendations

We recommend that the Chief of the LEU

8. Require periodic reviews of training records to ensure that instructors and officers comply with all training and recertification requirements contained in the *Federal Reserve System Law Enforcement Training Manual*.
9. Ensure that a signed Instructor Performance and Expectations Acknowledgement form is obtained annually from instructors and retained by the Training Bureau.

Management's Response

The Director of the Management Division concurred with recommendations 8 and 9. In his response, the Director stated that controls are being strengthened for the retention of training forms for both instructors and officers, to include an annual review for all required documents. In addition, training forms are being modified as part of this effort, and a new form has been developed to capture each officer's participation in required training topics; the new form must be signed, maintained electronically, and reviewed for compliance annually. Management's full response is included as appendix B.

OIG Comment

In our opinion, the actions described by the Director of the Management Division address our recommendations. We plan to follow up on actions taken by the LEU to ensure that our recommendations are fully addressed.

Finding 4: The LEU Does Not Have Sufficient Controls to Ensure That Firearms Eligibility and Use of Force Forms Are Signed and Retained

We found a lack of documentation indicating that officers had signed the Statement of Eligibility to Possess Firearms form and the Use of Force Policy Review and Acknowledgement form on an annual basis. The *General Orders* requires that officers sign and date these forms on an annual basis to certify that they are eligible to possess a firearm and that they understand the *Use of Force Policy*. The Training Bureau did not have sufficient controls to ensure that these forms were signed by officers and retained within the bureau. Without annually signed and dated forms on file, the LEU cannot be certain that officers are eligible to possess a firearm and that they understand the *Use of Force Policy*.

Lack of Evidence That Officers Consistently Signed Firearms Eligibility and Use of Force Forms

According to the *General Orders*, officers must sign the Statement of Eligibility to Possess Firearms form and the Use of Force Policy Review and Acknowledgement form each year. Typically the LEU obtains these signed forms during in-service training. By signing a Statement of Eligibility to Possess Firearms form, an officer affirms that he or she

- has not been convicted of a felony in any court
- is not a fugitive from justice
- is not an unlawful user of or addicted to any controlled substance
- has not been determined by a court to be mentally incompetent or has not been committed to a mental institution
- is not illegally or unlawfully in the United States
- has not been discharged from the U.S. Armed Forces under dishonorable conditions
- has not renounced his or her U.S. citizenship
- is not subject to any court order that restrains him or her from harassing, stalking, threatening, or engaging in other conduct involving the use or attempted use of physical force or threatened use of a deadly weapon by a current or former spouse, a current or former partner, or a parent or guardian of the victim
- has not been convicted of a misdemeanor crime of domestic violence

During our review of training records for the 50 officers in our sample, we found a lack of evidence that officers signed the required Statement of Eligibility to Possess Firearms and Use of Force Policy Review and Acknowledgement forms. Table 2 shows the number of instances in which either a signed Statement of Eligibility to Possess Firearms form or a signed Use of Force Policy Review and Acknowledgement form was not on file in the Training Bureau.

Table 2: Number of Officers Without Signed Forms on File, 2010–2012

Year	Statement of Eligibility to Possess Firearms form	Use of Force Policy Review and Acknowledgement form
2010	1	1
2011	3	10
2012	8	1

Source: OIG review of LEU training records.

Although we did not find signed forms for these officers, we reviewed additional records and determined that these officers had completed the in-service training when these forms would have been signed. The Training Bureau should have effective controls to ensure that these forms are signed and dated as required by the *General Orders*.

Recommendation

We recommend that the Chief of the LEU

10. Ensure that a signed Statement of Eligibility to Possess Firearms form and a signed Use of Force Policy Review and Acknowledgement form are obtained annually from all officers and retained by the Training Bureau.

Management's Response

The Director of the Management Division concurred with our recommendation. In his response, the Director stated that controls have been strengthened for obtaining officers' signatures on the firearms eligibility and use of force forms and retaining these forms in the Training Bureau. A new form was developed and is provided to each officer during in-service training, and controls have been strengthened to ensure that these forms are "signed, collected, and scanned into a single repository" and reviewed annually for compliance. Management's full response is included as appendix B.

OIG Comment

In our opinion, the actions described by the Director of the Management Division address our recommendation. We plan to follow up on actions taken by the LEU to ensure that our recommendation is fully addressed.

Appendix A

Scope and Methodology

To assess the LEU's compliance with Board and LEU internal policies and procedures and applicable laws, we reviewed records for the two-year period ending December 31, 2012. We interviewed LEU management and staff to gain an understanding of their processes for firearms, ammunition, credentials, and badges, and we interviewed staff from the RBOPS Protection Unit, which serves as the EOF for the Federal Reserve Banks' LEUs, to gain insight into its inspection methodology. In addition, we interviewed RBOPS staff responsible for overseeing the *Federal Reserve System Law Enforcement Training Manual* to gain an understanding of the Federal Reserve System's training requirements. We also completed the following steps:

- We reviewed the OIG's 2009 inspection of the Board's LEU, the Board's *Uniform Regulations for Federal Reserve Law Enforcement Officers*, the LEU's *General Orders*, the *Federal Reserve System Law Enforcement Training Manual*, and the Federal Reserve System's *Common Audit Programs*.
- We reviewed IOC meeting minutes to assess the committee's role and oversight of the LEU.
- We reviewed personnel records and the results of background investigations for 50 LEU officers to determine whether the minimum officer qualifications and standards were met.
- We performed a comprehensive inventory of all LEU badges, inspected records for badges and destroyed credentials for separated officers, and reviewed incident reports for lost or stolen credentials and badges to determine the accuracy of the LEU's inventory records and its level of control over credentials and badges. We analyzed the LEU's badge inventory records and determined that 204 badges were within our scope, 49 of which were unassigned. In addition, we analyzed the record of destroyed credentials for 34 officers who separated from the LEU during our scope.
- We performed a comprehensive inventory of all LEU firearms and ammunition to determine the accuracy of the LEU's inventory records and its control over firearms and ammunition.
- We visited the Board's Training Bureau and interviewed training staff to gain an understanding of how they document instructors' and officers' training and maintain training records. While at the Training Bureau, we reviewed instructors' and officers' training records.
- We reviewed training records for all nine instructors and for a sample of 50 officers. We selected a random sample of 30 officers who were employed as of January 1, 2010, and 20 officers hired during our scope.

- We reviewed Human Resources, Health Services, and Personnel Security records for our sample of 50 officers to determine compliance with LEU employment qualifications and standards.

We conducted our fieldwork from April 2013 through June 2013. We performed this inspection in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix B Management's Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

MANAGEMENT DIVISION

DATE: March 25, 2014
TO: Melissa Heist, Associate Inspector General for Audits and Evaluations
FROM: Michell Clark, Director, Management Division *MCC*
SUBJECT: Management's Response to OIG Inspection of the LEU

We have reviewed your report entitled "*The Board's Law Enforcement Unit Could Benefit From Enhanced Oversight and Controls to Ensure Compliance With Applicable Regulations and Policies,*" prepared as part of your responsibility as the external oversight function for reviewing and evaluating the Board's law enforcement program. Thank you for the opportunity to provide comments on your findings and recommendations.

Finding 1: The IOC does not perform inspections and evaluations on a routine basis

Recommendations

We recommend that the Chief Operating Officer

1. Ensure that effective and consistent oversight of the Board's LEU is maintained by establishing a policy that documents
 - a. an expected frequency for IOC meetings.
 - b. the scope and frequency of IOC inspections and evaluations.
 - c. specific roles and responsibilities for the IOC members.
2. Ensure that IOC inspections and evaluations of the Board's LEU are performed biennially at a minimum and that results are reported to the EOF.

Management's Response

We concur and Chief Operating Officer (COO) has already taken several steps toward ensuring that the IOC meets regularly and ensures consistent oversight of the LEU. Reserve Bank IOCs are required to perform inspections every 24 months, but the Board is not. The Committee reviewed the inspections of the LEU performed by the OIG in

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2006 and 2009. Based on the scope of these inspections, the Committee did not conduct its own inspections of the LEU. Effective August 30, 2013, responsibility for appointing the Chair of the Internal Oversight Committee was transferred to the Board's COO. Under the direction of the COO, the by-laws relating to the administration of the IOC have been amended to establish a formal procedure for the appointment of members to the Committee. Effective the same date, the directors of the Management, Legal, Board Members, and Reserve Bank Operations and Payment Systems (RBOPS) Divisions were given the responsibility of designating their representative membership on the IOC. Effective November 5, 2013, the committee was re-formed and the COO designated a new chairperson.

The chair and other members of the oversight committee have met informally to discuss, among other things, procedures for inspections of the LEU by the committee. The committee will consider the matters contained in the recommendations at upcoming meetings. Consistent with the Federal Reserve Law Enforcement Officers Uniform Rules the IOC will provide the external oversight function with copies of any evaluations conducted.

Finding 2: The LEU did not effectively or consistently implement established controls to account for property

Recommendations

We recommend that the Chief of the LEU

3. Strengthen accountability and control over credentials and badges by
 - a. requiring that periodic updates of inventory records be signed and dated certifying items on hand and those that have been assigned.
 - b. requiring a second-level review of each inventory update, to include signed and dated records certifying that the review was completed.
4. Require that credentials be destroyed or rendered void within one week of officer separation from the LEU and that the LEU Operations Support Bureau prepare and maintain an administrative record of the disposition.
5. Ensure that the daily firearms inventory is documented in a consistent manner and that a second-level review of the inventory is performed and documented.
6. Strengthen accountability and control over ammunition by
 - a. requiring formal quarterly inventories of all ammunition, to include signed and dated records certifying that the inventory was completed.
 - b. requiring a second-level review of each quarterly inventory, to include signed and dated records certifying that the review was completed.
7. Require evidence confirming officers' receipt of credentials, badges, and firearms when these items are issued and evidence confirming their return when officers separate from the LEU. The evidence should include relevant information describing the property as well as the appropriate dates and signatures.

Management's Response

Overall the Management Division concurs with the recommendations. The LEU has already taken steps to tighten accountability of property. The Operations Support staff are properly tracking the disposition of issued and un-issued badges, and all unassigned badges have been collected, inventoried, and locked in a safe. In addition, a 100% inventory has been conducted of all issued badges. Credentials will be destroyed or rendered void within one week of an officer's separation and the disposition of these destroyed credentials will be recorded and maintained by the Operations Support Bureau. A physical inventory of all serialized property will occur annually. Additionally, physical inventory of badges and credentials will occur biannually. The daily firearms inventory report has been retooled and supervisory staff have been re-trained regarding expectations for counting and inventory control of weapons and ammunition. A monthly secondary review of all inventories has also been implemented.

The LEU is in the process of identifying a scalable inventory management system capable of tracking all real property belonging to the unit. This system will aid in maintaining accurate records as well as ensuring accountability for critical assets such as badges, firearms, ammunition, credentials, and badges.

Finding 3: The LEU Training Bureau did not ensure that all training and recertification requirements were documented or met recertification requirements

Recommendations

We recommend that the Chief of the LEU

8. Require periodic reviews of training records to ensure that instructors and officers comply with all training and recertification requirements contained in the *Federal Reserve System Law Enforcement Training Manual*.

9. Ensure that a signed Instructor Performance and Expectations Acknowledgement form is obtained annually from instructors and retained by the Training Bureau.

Management's Response

The Management Division concurs with recommendations eight and nine. The Law Enforcement Unit Training Bureau has modified forms, where appropriate, and is strengthening controls by storing the *Instructor Performance and Expectations* form in a consolidated repository and reviewing the required documents annually. Additionally, a new form has been developed which records each officer's participation in Federal Reserve System required training topics. The form is signed, stored electronically, and reviewed annually to ensure compliance.

Regarding the fourth set of findings that opportunity exists to strengthen controls around the signature and retention of firearms eligibility and use-of-force forms, the Management Division concurs with the recommendations. The Law Enforcement Training Bureau has already strengthened the controls to ensure that firearms eligibility and use-of-force forms are signed and retained. A new form has been developed and is

presented to each LEO at in-service training. These forms are signed, collected, and scanned into a single repository. This collection of records is then audited internally each year to ensure compliance.



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