



## Office of Inspector General

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

Executive Summary, 2021-FMIC-B-008, June 7, 2021

# The Board's Payroll Controls Are Generally Effective

## Finding

The Board of Governors of the Federal Reserve System's payroll controls are generally effective in ensuring compliance with applicable laws, regulations, policies, and procedures. We used data analytics to identify potentially unusual transactions and to test categories such as premium pay, salary adjustments, tax withholdings, and payroll deductions and additions.

Our follow-up activities identified one instance in which the Board did not comply with its compensation policy. In that instance, an employee's base salary exceeded the grade-level salary maximum for 5 months. Implementing an additional payroll control to detect instances of employee pay exceeding grade-level maximums can help the Board to ensure that it compensates its employees in accordance with its internal policies.

## Recommendations

Our report does not contain any recommendations. After becoming aware of our finding, Payroll implemented a control to validate the pay information it uses to process the biweekly payroll. We observed the execution of the control and found it to be effective. In response to our draft report, the chief financial officer states that the Division of Financial Management is pleased with our audit finding and that it remains committed to continuing an effective control environment.

## Purpose

We conducted this audit to assess the effectiveness of certain payroll internal controls designed to ensure compliance with applicable laws, regulations, policies, and procedures. The scope of our audit covered January 1, 2019, through March 31, 2020; during this time period, Payroll processed \$498.5 million in payments to 3,112 Board employees.

## Background

The Federal Reserve Act grants the Board broad authority over employment matters, including employee compensation. Under this authority, the Board has designed and implemented its own compensation and benefits programs. Although the Board is not subject to many federal personnel statutes and regulations, it voluntarily complies with federal standards for overtime pay. Additionally, the Board generally follows requirements to withhold applicable federal and state taxes. The Board's Payroll function is responsible for processing the Board's biweekly payroll in accordance with applicable laws, regulations, policies, and procedures.