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Description of document: Board of Governors of The Federal Reserve System records provided to Senator Charles E. Grassley and Senator Tom Coburn concerning the independence of Inspectors General necessary to promote efficiency and prevent fraud, waste and abuse in agency programs, in response to the Senators' inquiry, 2011-2012

Requested: 15-April-2012

Released date: 11-May-2012

Posted date: 04-July-2012

Source of document: Freedom of Information Office
Board of Governors of the Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551
Fax: (202) 872-7565
[Online FOIA Form](#)

Note: This is one of several files on the same subject for various agencies available on governmentattic.org. See: <http://www.governmentattic.org/6docs/GrassleyCoburn.htm>

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 2012

This is in response to your letter dated April 15, 2012, and received by the Board's Freedom of Information office on April 25. Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, you seek a copy of "each biannual response or report to Senators Grassley and Coburn regarding their April 8, 2010, request to the Federal Reserve Board/Bureau of Consumer Financial Protection Office of the Inspector General to provide a summary of your non-public management advisories and closed investigations." You also seek the original response from the Board to the April 8, 2010 letter from the senators.

Staff searched Board records and located documents responsive to your request. The Board's Freedom of Information Office will provide you with a copy of the documents being made available to you pursuant to this authorization under separate cover. Your request, therefore, is granted in full.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer J. Johnson", with a long horizontal flourish extending to the right.

Jennifer J. Johnson
Secretary of the Board



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

June 14, 2010

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee
United States Senate
Washington, DC 20510

Dear Senators Grassley and Coburn:

This letter is in response to your April 8, 2010, letter regarding several matters pertaining to the Office of Inspector General of the Board of Governors of the Federal Reserve System (Board). Specifically, you asked us to provide you the following: (1) a response regarding whether our office has had its activities or access to information restricted by the Board during the period October 1, 2008, through April 8, 2010; (2) immediate notification if any federal official threatens and/or otherwise attempts to impede our office's ability to communicate with Congress; (3) a courtesy copy of our response to a request from the Ranking Member of the House Committee on Oversight and Government Reform regarding our outstanding recommendations that have not been fully implemented; and (4) a report on all investigations, evaluations, and audits we closed during the period January 1, 2009, through April 30, 2010, that were not disclosed to the public.

During the period October 1, 2008, through April 8, 2010, our office did not have its activities or access to information restricted by the Board. Similarly, the Board has not threatened or otherwise impeded our ability to communicate with Congress. If such an action occurs in the future, we will notify your offices. Regarding our response to the request from the Ranking Member of the House Committee on Oversight and Government Reform, we forwarded you a courtesy copy of the response on April 15, 2010. Finally, below is a summary of an investigation closed during the period of January 1, 2009, through April 30, 2010, that was not publicly disclosed due to the administrative nature of the results relative to other work performed during the period. It is the only investigation, evaluation, or audit closed during this period that we did not publicly disclose.

In July 2008, the Office of Inspector General initiated an investigation in response to a referral from the Board alleging that its shuttle bus contractor was

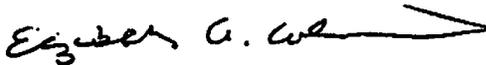
June 14, 2010

not complying with contract provisions that required the contractor to pay its drivers in accordance with labor rates established in the Service Contract Act of 1965, as amended (SCA). The investigation confirmed that the contractor failed to pay the drivers assigned to the Board contract at the prescribed SCA minimum hourly wage rate. We referred this matter to the U.S. Attorney's Office for the Eastern District of Virginia for potential criminal violations of law. The U.S. Attorney's Office declined criminal prosecution in lieu of administrative and contracting remedies available to the Board. Subsequently, we referred this matter to the Board for appropriate action.

Thank you for your continued support of the Inspector General community and its mission. In particular, we appreciate your leadership in supporting Amendment 4072 to the *Restoring American Financial Stability Act of 2010* (S. 3217) to strengthen the independence and enhance the accountability of designated federal entity Inspectors General governmentwide.

If you have any questions or would like to discuss this information further, please contact Ms. Elise Ennis, Senior Program Manager for Communications and Quality Assurance, at (202) 452-2767, or me at (202) 973-5005.

Sincerely,



Elizabeth A. Coleman
Inspector General

cc: Chairman Max Baucus
Chairman Carl Levin
Mr. Stephen R. Malphrus



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

December 14, 2010

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee
United States Senate
Washington, DC 20510

Dear Senators Grassley and Coburn:

This letter is in further response to your April 8, 2010, letter wherein you requested that the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System provide you a biannual report on all investigations, evaluations, and audits we closed during the reporting period that were not disclosed to the public. Our previous response to you covered the period January 1, 2009, through April 30, 2010; this report covers the period May 1, 2010, through September 30, 2010.

During the period May 1, 2010, through September 30, 2010, the only investigation, evaluation, or audit we closed that was not publicly disclosed was the matter summarized below:

The OIG conducted a preliminary investigation of an allegation involving unknown person(s) attempting to defraud consumers by using false automated clearing house telephone numbers. We determined that the Federal Bureau of Investigation (FBI) was already investigating the matter, and we coordinated our work with the FBI. The investigation determined that the attempted fraud was likely a Nigerian scheme involving persons residing outside the United States. No victims or losses were identified; therefore, we closed our investigation.

The Honorable Charles E. Grassley
The Honorable Tom Coburn

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December 7, 2010

If you have any questions or would like to discuss this information further, please contact Ms. Elise Ennis, Associate Inspector General for Management and Quality Assurance, at (202) 452-2767, or me at (202) 973-5005.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth A. Coleman". The signature is written in a cursive style with a long horizontal flourish at the end.

Elizabeth A. Coleman
Inspector General

cc: Chairman Max Baucus
Chairman Carl Levin



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

May 2, 2011

The Honorable Charles E. Grassley
Ranking Member
Committee on the Judiciary
United States Senate
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee
United States Senate
Washington, DC 20510

Dear Senators Grassley and Coburn:

This letter is in further response to your April 8, 2010, letter wherein you requested that the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System (Board) provide you a biannual report on all investigations, evaluations, and audits we closed during the reporting period that were not disclosed to the public. Our last response to you covered the period May 1, 2010, through September 30, 2010; this response covers the period October 1, 2010, through March 31, 2011.

During the designated period, the only investigations, evaluations, or audits we closed that were not publicly disclosed are the two matters summarized below.

- In September 2006, the OIG initiated an investigation into alleged workers' compensation fraud by a former Board employee. The investigation disclosed that the Department of Labor accepted the individual's claim for permanent long-term disability beginning in 1995. The investigation did not disclose any evidence that the individual submitted a fraudulent claim, and the OIG closed the investigation in September 2006. In August 2009, the Board requested that the OIG reopen this investigation to determine whether the former employee was fraudulently receiving compensation benefits. The investigation did not disclose any evidence that the employee was fraudulently receiving disability benefits, and the OIG closed its investigation.
- The OIG initiated an investigation into an allegation that a Board law enforcement officer was arrested for shoplifting in a local store. The OIG interviewed the subject and coordinated with local authorities, who had already initiated their own investigation. The law enforcement officer pleaded guilty to petit larceny and was sentenced by the court.

The Honorable Charles E. Grassley
The Honorable Tom Coburn

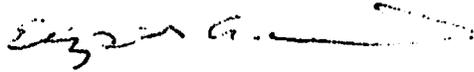
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May 2, 2011

The OIG referred the matter to Board management, and the officer received a 21-day suspension.

We appreciate your continued support of the Inspector General community and its mission. If you have any questions or would like to discuss this information further, please contact Ms. Elise Ennis, Associate Inspector General for Management and Quality Assurance, at (202) 452-2767, or me at (202) 973-5005.

Sincerely,



Elizabeth A. Coleman
Inspector General

cc: Chairman Patrick Leahy
Chairman Carl Levin



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

OFFICE OF INSPECTOR GENERAL

December 14, 2011

The Honorable Charles E. Grassley
Ranking Member
Committee on the Judiciary
United States Senate
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member
Permanent Subcommittee on Investigations
Homeland Security and Governmental Affairs Committee
United States Senate
Washington, DC 20510

Dear Senators Grassley and Coburn:

This letter is in further response to your April 8, 2010, letter wherein you requested that the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System (Board) provide you a biannual report on all investigations, evaluations, and audits we closed during the reporting period that were not disclosed to the public. Our last response to you covered the period October 1, 2010, through March 31, 2011; this response covers the period April 1, 2011, through September 30, 2011.

During the designated period, the only investigations, evaluations, or audits we closed that were not publicly disclosed are the matters summarized in the enclosure. We appreciate your continued support of the Inspector General community and its mission. If you have any questions or would like to discuss this information further, please contact Ms. Jacqueline Becker, Associate Inspector General for Legal Services and Counsel to the Inspector General, at (202) 973-5045, or me at (202) 973-5005.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Bialek".

Mark Bialek
Inspector General

Enclosure

cc: Chairman Patrick Leahy
Chairman Carl Levin

Enclosure

1. The OIG initiated an investigation based on an allegation received from the U.S. Attorney's Office concerning possible unauthorized disclosure of grand jury information to a financial institution by the Board or a Federal Reserve Bank. Due to the lack of evidence substantiating the allegation, the OIG closed its investigation.
2. The OIG initiated an investigation of the alleged theft of a Federal Reserve Bank employee's laptop and BlackBerry. After the employee reported the theft, it was later determined that the employee had accessed and downloaded sensitive information that did not correlate to his work assignments and duties. The employee subsequently terminated his employment with the Federal Reserve Bank. As a result of the information developed during this investigation, the OIG closed its investigation.
3. The OIG conducted an investigation of allegations that a Board contractor was under investigation for having submitted false claims to the U.S. Postal Service for medical services personnel. A review of the invoices submitted by the contractor to the Board did not support that the Board was overcharged under its contract, and the OIG closed its investigation.
4. The OIG conducted an investigation based on a referral from the Maryland Mortgage Fraud Task Force alleging mortgage fraud by several individuals in connection with an investment company. At the request of the Task Force, the OIG reviewed certain bank records and participated in witness and subject interviews. After providing the initial support, no additional assistance has been provided or requested by the Task Force; therefore, the OIG closed its case.
5. The OIG conducted an investigation based on an alleged money laundering scheme perpetrated against a Board-regulated financial institution. The investigation determined that a business entity engaged in suspicious monetary transactions through accounts established at the financial institution. After reviewing the case, the U.S. Attorney's Office declined to prosecute this matter. Based on this declination, the OIG closed its investigation.
6. The OIG conducted an investigation of an alleged money laundering scheme perpetrated against a Board-regulated financial institution. The investigation determined that a business entity engaged in suspicious monetary transactions through accounts established at the financial institution. After reviewing the case, the U.S. Attorney's Office declined to prosecute this matter. Based on this declination, the OIG closed its investigation.
7. The OIG conducted an investigation concerning allegations of commercial loan fraud at a Board-regulated financial institution. Between 2008 and 2009, the financial institution provided a line of credit to a commercial customer based on contracts and accounts receivable pledged by the customer. Initially, the U.S. Attorney's Office expressed interest in prosecuting the case, but later declined the case based upon a lack of evidence. As a result, the OIG close its investigation.

Enclosure (continued)

8. The OIG initiated an investigation based upon a referral from the Mortgage Task Force in Baltimore, MD, regarding a foreclosure rescue scheme. Subsequently, the Task Force notified the OIG that it did not plan to continue this investigation. As a result, the OIG closed its investigation due to, among other things, the fact that there was no indication that any Board-regulated financial institutions were victimized by this scheme.
9. The OIG conducted an administrative review of three external hard drives found in the office of a former employee. A computer forensics examination of the three hard drives did not disclose any evidence that the former employee accessed or stored unauthorized Board or OIG data inconsistent with records or documents he might normally have had access to in connection with his job responsibilities. This investigation did not identify any violation of criminal law by the former employee. The investigation did establish that the former employee violated the Board's information technology policies by connecting and transferring Board-sensitive files to his personal drive while using the drive to perform his official job responsibilities. However, since the individual was no longer employed by the Board, this case was administratively closed.