

# Open Recommendations Made to the Board of Governors of the Federal Reserve System



---

We oversee the Board of Governors of the Federal Reserve System by conducting audits and evaluations of the Board's programs and operations and by making recommendations to improve economy, efficiency, and effectiveness.

Audits assess aspects of the economy, efficiency, and effectiveness of Board programs and operations and are conducted in accordance with *Government Auditing Standards*, which is issued by the comptroller general of the United States. Evaluations include program evaluations and statutorily mandated reviews of failed financial institutions supervised by the Board. Evaluations are generally focused on the effectiveness of specific programs or functions and are performed according to *Quality Standards for Inspection and Evaluation*, which is issued by the Council of the Inspectors General on Integrity and Efficiency.

Our audit and evaluation reports explain why we conducted the review and the issues we found that should be corrected or improved, and they contain specific recommendations for agency corrective action. Table 1 shows, as of March 31, 2024, the total number and status of recommendations we made to the Board by calendar year, beginning with the first year for which recommendations remain open.

**Table 1. Status of Recommendations Made to the Board During 2016–2024, as of March 31, 2024**

Status	2016	2017	2018	2019	2020	2021	2022	2023	2024
Recommendations	40	41	57	22	43	23	30	53	4
Open	1	2	2	2	2	2	12	39 <sup>a</sup>	3 <sup>a</sup>
Closed	39	39	55	20	41	21	18	14	1
Public recommendations	30	41	37	22	43	23	28	47	4
Open	1	2	1	2	2	2	11	33	3 <sup>a</sup>
Closed	29	39	36	20	41	21	17	14	1
Nonpublic recommendations	10	0	20	0	0	0	2	6	0
Open	0	0	1	0	0	0	1	6 <sup>a</sup>	0
Closed	10	0	19	0	0	0	1	0	0

Note: Some reports are nonpublic because they contain sensitive information; therefore, the recommendations from these reports are also nonpublic.

<sup>a</sup>Only the recommendations that have been open for more than 6 months are reflected in table 2.

Because we recognize that some recommendations may require complex corrective actions, table 2 only includes the text of each public and nonpublic recommendation that has been open for more than 6 months, which for this report means open recommendations made through September 30, 2023, and the recommendations’ status. Given their sensitivity, the nonpublic recommendations are summarized. The status designations and their definitions are as follows:

- **Agency concurrence**—The Board stated that it plans to implement the recommendation.
- **Agency nonconcurrence**—The Board stated that it does not concur with the recommendation. We continue to believe the recommendation should be implemented and are working with the Board to reach a resolution.
- **Agency partial concurrence**—The Board stated that it does not agree with part of the recommendation. We continue to believe the recommendation should be fully implemented and are working with the Board to reach a resolution.
- **Agency action**—The Board reported that it has begun taking steps to implement the recommendation.
- **Partial implementation**—The Board reported that it has completed actions to close part of the recommendation and is taking steps to close the remaining aspects.
- **Verification in progress**—The Board reported that it has completed actions to fully close the recommendation. We are verifying that the actions address the recommendation.

For inquiries about the list of open recommendations, please contact [oir.media@frb.gov](mailto:oir.media@frb.gov) or 202-973-5043.

**Table 2. Open Board Recommendations Made Through September 30, 2023**

Report title	Issuance date	Recommendation	Recommendation status
<a href="#">2016 Audit of the Board's Information Security Program</a> 2016-IT-B-013	11/10/2016	1. Work with the chief operating officer to perform a risk assessment to determine which aspects of an insider threat program are applicable to other types of sensitive Board information and develop and implement an agencywide insider threat strategy for sensitive but unclassified Board information, as appropriate.	Agency action
<a href="#">The Board Can Enhance Its Cybersecurity Supervision Approach in the Areas of Third-Party Service Provider Oversight, Resource Management, and Information Sharing</a> 2017-IT-B-009	04/17/2017	1. Reiterate to financial institutions the requirement to notify their primary regulator of the existence of new service relationships, and develop a process to periodically reconcile and refresh the listing of multiregional data processing servicer firms and technology service providers.	Agency action
<a href="#">2017 Audit of the Board's Information Security Program</a> 2017-IT-B-018	10/31/2017	8. Develop, implement, and regularly update an information security continuous monitoring strategy that includes performance measures to gauge the effectiveness of related processes and provides agencywide security status.	Agency action
<a href="#">Security Control Review of the Board's Public Website</a> 2018-IT-B-008R	03/21/2018	7. The open recommendation relates to strengthening cybersecurity risk management processes.	Agency action
<a href="#">2018 Audit of the Board's Information Security Program</a> 2018-IT-B-017	10/31/2018	6. Develop and implement a process to assess the knowledge, skills, and abilities of Board staff with significant security responsibilities and establish plans to close identified gaps.	Agency action
<a href="#">2019 Audit of the Board's Information Security Program</a> 2019-IT-B-016	10/31/2019	5. Work with the Federal Reserve System to ensure that the data loss protection replacement solution a. functions consistently across the Board's technology platforms. b. supports rulesets that limit the exfiltration weaknesses we identified, to the extent practicable.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		6. Develop and implement a Boardwide process to incorporate the review of data loss protection logs into employee and contractor offboarding processes to identify any potential unauthorized data exfiltrations or access.	Agency action
<a href="#">The Board's Oversight of Its Designated Financial Market Utility Supervision Program is Generally Effective, but Certain Program Aspects Can Be Improved</a>	03/18/2020	2. Define and document which parties at the division director and governor levels will have a role in reviewing and approving enforcement actions for designated financial market utilities.	Verification in process
<a href="#">2020-FMIC-B-005</a>			
<a href="#">2020 Audit of the Board's Information Security Program</a>	11/02/2020	3. Ensure that the Board's continuous monitoring processes include the security control requirements for applicable network devices.	Agency action
<a href="#">2020-IT-B-020</a>			
<a href="#">The Board's Implementation of Enterprise Risk Management Continues to Evolve and Can Be Enhanced</a>	09/15/2021	1. Work with Board divisions to conduct an assessment of the current risk management practices and risk culture across the agency and use the results to inform the direction of the Board's enterprise risk management program.	Verification in process
<a href="#">2021-IT-B-011</a>			
		2. Work with the administrative governor, as appropriate, to determine an optimal governance structure and associated reporting relationships for the agency's enterprise risk management program and update the Delegations of Administrative Authority accordingly.	Verification in process
<a href="#">The Board Can Strengthen Inventory and Cybersecurity Life Cycle Processes for Cloud Systems</a>	03/23/2022	1. Ensure that the Cloud Resource Center's inventory of cloud projects in the configuration and production phases is comprehensive and periodically maintained.	Agency action
<a href="#">2022-IT-B-006</a>			
		2. Develop and implement a process to ensure that the Federal Risk and Authorization Management Program Program Management Office has an accurate inventory of Federal Risk and Authorization Management Program-approved cloud systems used by the Board.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		3. Ensure that the Board's information security continuous monitoring standards and associated procedures provide consistent guidance on continuous monitoring frequencies and associated documentation review requirements for cloud service providers.	Agency action
Testing Results for the Board's Software and License Asset Management Processes 2022-IT-B-008R	06/15/2022	1. The open recommendation relates to strengthening software asset management processes.	Agency action
2022 Audit of the Board's Information Security Program 2022-IT-B-013	09/30/2022	1. Ensure that risks are appropriately categorized and prioritized on the Board's cybersecurity risk register.	Agency action
The Board Can Enhance Certain Governance Processes Related to Reviewing and Approving Supervisory Proposals 2022-SR-B-017	12/07/2022	1. Develop, in consultation with the Board of Governors, a dashboard or similar tool for Board members that forecasts planned supervisory policy and guidance proposals. As part of this effort, assign responsibilities for maintaining and updating the dashboard or tool and establish a frequency for distributing the dashboard or tool.	Agency action
		2. Update the Policy Issuance Processing Form template to provide guidance on how to document Board member and Board committee consultation on supervisory policy and guidance proposals.	Agency action
		3. Issue internal guidance on the process for soliciting public comment on supervisory policy and guidance proposals that defines <ul style="list-style-type: none"> <li>a. the types of supervisory proposals that should be submitted for public comment.</li> <li>b. the options for soliciting public comment on a proposal.</li> <li>c. the factors that should be considered when determining whether to seek comment and, if the Board decides to solicit public comment on a supervisory proposal, which option to use.</li> <li>d. the approval process for whether and how to solicit public comment.</li> </ul>	Agency action
		4. Update, in consultation with the Board of Governors, the director of the Division of Financial Stability, and the general counsel, the delegations of authority related to the stress testing program to clarify how actions should be delegated when there is no vice chair for supervision or Committee on Supervision and Regulation chair.	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		<p>5. Update, in consultation with the Board of Governors, the director of the Division of Supervision and Regulation, and the general counsel, the Committee on Supervision and Regulation charter to state how the committee should operate in the absence of a vice chair for supervision and a Committee on Supervision and Regulation chair, including specifying who is responsible for setting the strategic direction and priorities of the committee and developing committee meeting agendas.</p>	Agency action
		<p>6. Update, in consultation with the Board of Governors, the Board Organization and Procedures policy to state who will fill the role of oversight governor for the Division of Supervision and Regulation if the Board chair has not appointed one.</p>	Agency action
		<p>7. Establish a process to document Committee on Supervision and Regulation meetings, including describing what guidance or concurrence was provided to Board staff.</p>	Agency action
<p><a href="#">The Board Can Further Enhance the Design and Effectiveness of the FOMC's Investment and Trading Rules</a></p> <p><a href="#">2023-SR-B-006</a></p>	04/26/2023	<p>3. Develop a plan for how to further enhance uniformity across the Federal Reserve System's financial disclosure report review process, including considering additional controls and guidance.</p>	Agency action
		<p>4. Formalize a process for determining and enforcing consequences for Federal Reserve Bank covered individuals who violate the Investment and Trading Policy that includes clear roles and responsibilities.</p>	Verification in process
		<p>5. Develop a process to verify the accuracy of the information on financial disclosure reports for individuals subject to the Investment and Trading Policy. As part of this effort,</p> <p>a. require covered individuals to provide brokerage statements to their respective ethics officer for all accounts with holdings and transactions reported on their annual financial disclosure report.</p> <p>b. update financial disclosure review guidance to include the use of employee-provided brokerage statements to check annual financial disclosure reports for accuracy and completeness.</p>	Agency action

Report title	Issuance date	Recommendation	Recommendation status
		<p>6. Develop an approach to verify the accuracy of the information on financial disclosure reports for individuals who have access to confidential Class I Federal Open Market Committee information and are not covered by the Investment and Trading Policy. As part of this effort,</p> <p>a. determine the method and frequency for checking the accuracy and completeness of financial disclosure reports against brokerage statements, for example, by conducting periodic random sampling or full reviews.</p> <p>b. update financial disclosure review guidance to include the use of employee-provided brokerage statements to check annual financial disclosure reports for accuracy and completeness and describe the method and frequency of this review.</p> <p>c. assess the costs and benefits of establishing a system to automatically detect prohibited assets or failure to preclear trades using employee-provided brokerage statements and determine whether to implement such an automated approach.</p>	Agency action
<p><a href="#">Results of Scoping of the Evaluation of the Board and Reserve Banks' Cybersecurity Incident Response Process for Supervised Institutions</a></p> <p><a href="#">2023-SR-B-010</a></p>	06/26/2023	<p>3. Update the Cybersecurity Analytics Support Team's operating procedures to reflect the governance structure.</p>	Verification in process
		<p>5. Update the Board's December 2018 playbook implementing guidance to reflect</p> <p>a. the updates made to the playbook as part of recommendation 4.</p> <p>b. the role of the Operational Resilience function in the cybersecurity incident response process.</p> <p>c. the governance structure of the cybersecurity incident response process.</p>	Verification in process
		<p>6. Require that key stakeholders in the cybersecurity incident response process complete training or other exercises on their roles and responsibilities in the process once the updates to the playbook and its implementing guidance have been completed.</p>	Agency concurrence
<p><a href="#">2023 Audit of the Board's Information Security Program</a></p> <p><a href="#">2023-IT-B-015</a></p>	09/29/2023	<p>1. Prioritize the definition and incorporation of a cybersecurity risk tolerance into the agency's cybersecurity policies, procedures, and processes, as appropriate.</p>	Agency concurrence
		<p>2. Ensure all required attributes are consistently documented within the agency's cybersecurity risk register.</p>	Agency concurrence

Report title	Issuance date	Recommendation	Recommendation status
		3. Document and implement a process to consistently inventory the Board's web applications, including its public-facing websites.	Agency concurrence
		4. Document and implement a process to consistently inventory and prioritize the Board's third-party systems, including the identification of subcontractors.	Agency concurrence
		5. Enforce the agency's iOS Update and Device Inactivity Policy to ensure that agency services are denied to mobile devices that are out of compliance.	Agency concurrence
		6. Develop, document, and implement a process to review and update the Board's privacy impact assessments.	Agency concurrence
		7. Ensure that the process to update privacy impact assessments is adequately resourced for effective implementation.	Agency concurrence
<a href="#">Material Loss Review of Silicon Valley Bank</a> <a href="#">2023-SR-B-013</a>	09/25/2023	1. Assess the current Regional Banking Organization supervision framework and determine whether adjustments should be made based on a supervised institution's size and complexity, such as unique or concentrated business models or rapid growth. Based on the determination, develop and implement training for Regional Banking Organization Supervision staff that emphasizes the need for varying approaches based on an institution's size, complexity, and business model.	Agency concurrence
		2. Assess whether the Bank Exams Tailored to Risk models are appropriate for Regional Banking Organizations, specifically those that are large or complex or that present unique risk factors such as concentrated business models or rapid growth, and determine whether a different approach to determining the scope and resources for examinations is needed.	Agency concurrence
		3. Assess the current Regional Banking Organization supervisory planning process and implement measures to tailor supervisory plans to better promote a timely focus on salient risks.	Agency concurrence

Report title	Issuance date	Recommendation	Recommendation status
		<p>4. Develop an approach for transitioning institutions from the Regional Banking Organization portfolio to the Large and Foreign Banking Organization portfolio and determine how best to involve Large and Foreign Banking Organization Supervision earlier, such as through joint reviews with Regional Banking Organization Supervision, and how to more timely form a dedicated supervisory team. Based on the approach developed, finalize and issue formal guidance on transitioning Regional Banking Organizations to the Large and Foreign Banking Organization portfolio that includes steps and a timeline for forming a dedicated supervisory team, approaches for the two Supervision sections to collaborate, and a list of potential Regional Banking Organization and Large and Foreign Banking Organization joint reviews to conduct to better prepare an institution for the transition.</p>	Agency concurrence
		<p>5. Reiterate to examination teams the purpose of the Risk and Surveillance Sections' reports and the need to closely reflect on their contents to help inform their ongoing supervisory activities.</p>	Agency concurrence
		<p>6. Assess the current Large and Foreign Banking Organization supervisory planning process and implement measures to tailor supervisory plans to better promote a timely focus on salient risks.</p>	Agency concurrence
		<p>7. Develop guidance for Large and Foreign Banking Organization Supervision staff that outlines the importance of a balanced approach to supervising institutions and requires a focus on assessing both forward-looking risks and relevant financial indicators.</p>	Agency concurrence
<a href="#">Review of the Supervision of Silvergate Bank</a> <a href="#">2023-SR-B-014R</a>	09/27/2023	<p>1. Update Supervision and Regulation Letter 02-9 to provide additional details on what may constitute a change in the general character of a state member bank's business, including providing examiners with a variety of examples or scenarios that could help them to determine when a bank needs to file an application and receive approval from the Board under Regulation H.</p>	Agency concurrence
		<p>2. Discuss and reinforce the updates made to Supervision and Regulation Letter 02-9 in response to recommendation 1 with Federal Reserve Banks through training.</p>	Agency concurrence
		<p>3. Develop guidance to ensure that banking organizations engaged in new and novel business activities have a custom-tailored supervisory plan and approach appropriate for their uniqueness and associated risks.</p>	Agency concurrence

Report title	Issuance date	Recommendation	Recommendation status
		4. Develop a plan to ensure that the Division of Supervision and Regulation's oversight activities assess compliance with the guidance developed in response to recommendation 3.	Agency concurrence
		5. Develop and implement a plan for instructing Community Banking Organization and Regional Banking Organization examiners to take a forward-looking view of a bank's risk profile and the possible and plausible outcomes of that risk profile when assigning CAMELS composite and component ratings, including <ul style="list-style-type: none"> <li>a. guidance for examiners on effectively balancing a bank's financial results and condition with its risk profile when assigning CAMELS composite and component ratings, particularly for banks with concentrated business models susceptible to boom and bust cycles.</li> <li>b. guidance for examiners on circumstances that warrant a heightened sense of urgency to initiate CAMELS composite or component ratings downgrades, identify when a bank is exhibiting unsafe or unsound banking practices, or designate a bank as being in "troubled condition."</li> <li>c. required training for examiners that reinforces the guidance developed as part of this recommendation, including scenarios that exemplify the challenges of assigning CAMELS composite and component ratings and the implications of potentially deferring composite or component ratings downgrades when a disconnect has developed between a bank's financial condition and results and its escalating risk profile.</li> </ul>	Agency concurrence
		6. Develop guidance for examiners on preparing firms to transition from the Community Banking Organization portfolio to the Regional Banking Organization portfolio that includes references to updated and relevant guidance applicable to firms that cross the \$10 billion asset size threshold.	Agency concurrence
		7. Develop a plan to minimize the time necessary to establish a new Regional Banking Organization central point of contact and supervisory team for Community Banking Organizations approaching the \$10 billion asset size threshold.	Agency concurrence
		8. Develop guidance for examiners on supervising firms approaching the \$10 billion total assets threshold that describes <ul style="list-style-type: none"> <li>a. how to prepare for the transition, including the roles and responsibilities of the Board, the Community Banking Organization team, and the Regional Banking Organization team, and the expectations for sharing relevant information between the portfolio teams.</li> <li>b. procedures for developing and updating the supervisory plan before, during, and after the transition.</li> </ul>	Agency concurrence

Report title	Issuance date	Recommendation	Recommendation status
		9. Expand the scope of examiner guidance related to volatile funding sources and liquidity risks to highlight the risks associated with concentrations in uninsured deposits and noninterest-bearing deposits.	Agency concurrence
		10. Expand examiner guidance to address supervising firms with concentrated deposits, large customer relationships, and concentrated business models susceptible to boom and bust cycles based on the lessons learned from Silvergate's voluntary liquidation.	Agency concurrence
		11. Develop guidance for examiners on supervising banks projecting or experiencing rapid growth. The guidance should include <ul style="list-style-type: none"> <li>a. parameters for identifying significant, rapid growth that may hinder a bank's ability to operate in a safe and sound manner and parameters for identifying when a bank is growing in an unchecked manner based on conditions in the market that have surpassed management's capability to effectively manage it.</li> <li>b. actions examiners should take as a bank projects or experiences such growth, including any expected escalations.</li> <li>c. actions examiners should take when supervising banks susceptible to volatile market conditions.</li> </ul>	Agency concurrence
		12. Develop guidance for banks projecting or experiencing significant, rapid growth that includes expectations for ensuring that they have requisite staff and risk management capabilities and effective key control functions.	Agency concurrence