



Audit Report



OIG-23-004

FINANCIAL MANAGEMENT

Audit of the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2022 and 2021

October 28, 2022

Office of Inspector General
Department of the Treasury

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SECTION I -
REPORT OF THE OFFICE OF INSPECTOR GENERAL

*The Department of the Treasury
Office of Inspector General*

Independent Auditor's Report

To the Acting Assistant Secretary of Management

In our audits of the Department of the Treasury's (Department) Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2022 and 2021, we found:

- the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses¹ in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the Schedules; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Schedules

Opinion

In accordance with U.S. generally accepted government auditing standards, we have audited the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2022 and 2021, and the related notes (Schedules). In our opinion, the Schedules present fairly,

¹A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

in all material respects, the balances of the Department of the Treasury's United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2022 and 2021, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedules

The Department management is responsible for (1) the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing audited Schedules, and ensuring the consistency of that information with the audited Schedules; and (3) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the Schedules conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedules.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit of the Schedules.

Report on Internal Control over Financial Reporting

In connection with our audits of the Schedules, we considered the Department's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies² or to express an

² A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

opinion on the effectiveness of the Department's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting related to the Schedules that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the Department's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

The Department management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, in accordance with U.S. generally accepted government auditing standards, we considered the Department's internal control relevant to audit of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the Department's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the Schedules in accordance with U.S. generally accepted accounting principles,

and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Schedules.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Department's internal control over financial reporting related to the Schedules and the results of our procedures, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Schedules, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations

contracts, and grant agreements applicable to the Department. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

The Department management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Department.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Department that have a direct effect on the determination of material amounts and disclosures in the Schedules, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws,

regulations, contracts, and grant agreements is not suitable for any other purpose.

* * * * *

Should you or your staff have any questions, you may contact me at (202) 927-5329, or a member of your staff may contact Nikki Holbrook, Audit Manager, Financial Statement Audits at (202) 597-1813. We appreciate the courtesy and cooperation extended to our staff.



Ade Bankole
Director, Financial Statement Audits

Washington, D.C.
October 28, 2022

SECTION II -

**THE DEPARTMENT OF THE TREASURY'S SCHEDULES OF
UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE
BANKS AS OF SEPTEMBER 30, 2022 AND 2021**

**DEPARTMENT OF THE TREASURY
SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE BANKS
AS OF SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
United States Gold Reserves held by Federal Reserve Banks	<u>\$ 568,007,257</u>	<u>\$568,007,257</u>

The accompanying notes are an integral part of these schedules.

**DEPARTMENT OF THE TREASURY
NOTES TO THE SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY
FEDERAL RESERVE BANKS
AS OF SEPTEMBER 30, 2022 AND 2021**

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

The Department of the Treasury (Department) is an executive agency of the United States government created by an Act (1 Stat.65) on September 2, 1789. Many subsequent acts affected the development of the Department, delegating new duties to its charge and establishing the numerous bureaus and divisions that now comprise the Department. The Department is responsible for promoting economic prosperity and ensuring the financial security of the United States. In carrying out its responsibilities, the Department is engaged in a wide range of activities including safeguarding the United States government's gold reserves in accordance with 31 USC §5117.

B. Basis of Presentation

These schedules have been prepared to report the United States gold reserves held by Federal Reserve Banks (FRBs). The accounting principles used in the preparation of the accompanying schedules are issued by the Federal Accounting Standards Advisory Board, as the body authorized to establish generally accepted accounting principles for federal government entities. Accordingly the accompanying schedules are prepared in accordance with United States generally accepted accounting principles.

Note 2 United States Gold Reserves held by Federal Reserve Banks

The Federal Reserve Bank of New York holds 99.98% of the total United States-owned gold bars and coins held by FRBs within its vault. The remaining 0.02% is held at various Federal Reserve Bank districts.

United States-owned gold reserves are reported in these schedules at the value stated in 31 U.S.C. §5117 (statutory rate) which is \$42.2222 per fine troy ounce (FTO) of gold.

DEPARTMENT OF THE TREASURY
NOTES TO THE SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY FEDERAL
RESERVE BANKS
AS OF SEPTEMBER 30, 2022 AND 2021

Note 2 United States Gold Reserves Held by Federal Reserve Banks (Continued)

At September 30, 2022 and 2021, the market values of gold per the London Gold Fixing (PM) were \$1,671.75 and \$1,742.80 per FTO, respectively. United States gold reserves held by Federal Reserve Banks consisted of the following at September 30:

2022

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$22,366,311,540
Gold Coins	73,829.500	\$ 3,117,244	\$ 123,424,467
Total	13,452,810.532	\$568,007,257	\$22,489,736,007

2021

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$23,316,888,143
Gold Coins	73,829.500	\$ 3,117,244	\$ 128,670,053
Total	13,452,810.532	\$568,007,257	\$23,445,558,196

APPENDICES

Appendix 1

Major Contributors to this Report

Financial Statement Audits Directorate

Ade Bankole, Director
R. Nikki Holbrook, Audit Manager
Steven Bitz, Auditor
Gerald Kelly, Referencer

Appendix 2

Report Distribution

The Department of the Treasury

Secretary of the Treasury
Treasurer of the United States
Acting Assistant Secretary for Management
Deputy Chief Financial Officer
Director, Financial Reporting and Policy

United States Mint

Director
Acting Chief Financial Officer

Federal Reserve Bank of New York

Executive Vice President and General Auditor
Senior Vice President – Cash and Custody
Vice President - Counsel