



Audit Report



OIG-17-020

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, 2016 and 2015

November 18, 2016

Office of
Inspector General

Department of the Treasury

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SECTION I -

REPORT OF THE OFFICE OF INSPECTOR GENERAL

Independent Auditor's Report

To the Assistant Secretary for Management:

Report on the Schedules

We have audited the accompanying Department of the Treasury's (Department) Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2016 and 2015 and the related notes (Schedules).

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with U.S. generally accepted accounting principles. This responsibility includes the design, implementation, and maintenance of 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 Responsibility

Our responsibility is to express an opinion on these Schedules based on our audits. We conducted our audits in accordance with U.S. generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules referred to above present fairly, 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, 2016 and 2015, in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by U.S. Generally Accepted Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audits of the Schedules, we considered the Department's internal control over financial reporting related to the Schedules to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, 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 effectiveness of the Department's internal control over financial reporting.

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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedules are free from material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. We limited our tests of compliance to those provisions and 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 those tests. Providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under U.S. generally accepted government auditing standards.

Purpose of the Other Reporting Required by U.S. Generally Accepted Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by U.S. Generally Accepted Government Auditing Standards section is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in

considering the Department's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

Should you or your staff have any questions, you may contact me at (202) 927-0009, or a member of your staff may contact Ade Bankole, Manager, Financial Audit at (202) 927-5329. We appreciate the courtesy and cooperation extended to our staff.



James Hodge
Director, Financial Audit

Washington, D.C.
November 18, 2016

SECTION II -

**THE DEPARTMENT OF THE TREASURY'S SCHEDULES OF
UNITED STATES GOLD RESERVES HELD BY FEDERAL
RESERVE BANKS AS OF SEPTEMBER 30, 2016 AND 2015**

**DEPARTMENT OF THE TREASURY
SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE BANKS
AS OF SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</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, 2016 AND 2015

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, 2016 AND 2015

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

At September 30, 2016 and 2015, the market values of gold per the London Gold Fixing (PM) were \$1,322.50 and \$1,114.00 per FTO, respectively. United States gold reserves held by Federal Reserve Banks consisted of the following at September 30:

2016

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$17,693,702,415
Gold Coins	73,829.500	\$3,117,244	\$97,639,514
Total	13,452,810.532	\$568,007,257	\$17,791,341,929

2015

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$14,904,184,870
Gold Coins	73,829.500	\$3,117,244	\$82,246,063
Total	13,452,810.532	\$568,007,257	\$14,986,430,933

APPENDICES

Financial and Procurement Audit Division

Ade Bankole, Audit Manager
Rufus Etienne, Auditor-In-Charge
Rafael Cumba, Auditor
Kevin Guishard, Referencer

The Department of the Treasury

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

United States Mint

Principal Deputy Director
Deputy Director for Management
Associate Director/Chief Financial Officer

Federal Reserve Bank of New York

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



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