



Audit Report



OIG-20-006

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, 2019 and 2018

October 31, 2019

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

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, 2019 and 2018, we found:

- the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2019, and 2018, 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 2019 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

We have audited the accompanying Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2019 and 2018 and the related notes (Schedules). We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Management's Responsibility

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 the audited Schedules and auditor's report, and ensuring the consistency of that information with the audited Schedules; and (3) maintaining effective internal control over financial reporting, including 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. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit of the Schedules 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 auditor's 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 of the Schedules 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. Our audits also included performing other procedures as we considered necessary in the circumstances.

Opinion on Schedules

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, 2019 and 2018, in accordance with U.S. generally accepted accounting principles.

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 related to the Schedules, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Department's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

The Department management is responsible for maintaining effective internal control over financial reporting, including 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

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 over financial reporting related to the Schedules as a basis for designing 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 Department's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies² 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.

²A 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.

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 regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an 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 may exist that have not been identified.

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 responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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 perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department.

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 2019 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.

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.

* * * * *

We appreciate the courtesy and cooperation extended to our staff during this audit. Major contributors to this report are listed in appendix 1. A distribution list for this report is provided as appendix 2. If you have any questions, you may contact me at (202) 927-0009, or a member of your staff may contact Ade Bankole, Audit Manager, at (202) 927-5329.



James Hodge
Director, Financial Audit

Washington, D.C.
October 31, 2019

SECTION II -

THE DEPARTMENT OF THE TREASURY'S SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE BANKS AS OF SEPTEMBER 30, 2019 AND 2018

**DEPARTMENT OF THE TREASURY
SCHEDULES OF UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE BANKS
AS OF SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</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, 2019 AND 2018

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, 2019 AND 2018

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

At September 30, 2019 and 2018, the market values of gold per the London Gold Fixing (PM) were \$1,485.30 and \$1,187.25 per FTO, respectively. United States gold reserves held by Federal Reserve Banks consisted of the following at September 30:

2019

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$19,871,800,527
Gold Coins	73,829.500	\$ 3,117,244	\$ 109,658,957
Total	13,452,810.532	\$568,007,257	\$19,981,459,484

2018

	FTO	Statutory Value	Market Value
Gold Bars	13,378,981.032	\$564,890,013	\$15,884,195,230
Gold Coins	73,829.500	\$ 3,117,244	\$ 87,654,074
Total	13,452,810.532	\$568,007,257	\$15,971,849,304

Appendices

Financial Audit Directorate

Ade Bankole, Manager
R. Nikki Akinyeye, Auditor-in-Charge
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

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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