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2008–2009



# Government Performance and Results Act Biennial Performance Report

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## INTRODUCTION

### About This Biennial Performance Report

The Government Performance and Results Act (GPRA) of 1993 requires that federal agencies, in consultation with the Congress and outside stakeholders, prepare a strategic plan covering a multiyear period and submit an annual performance plan and performance report. Although the Board of Governors of the Federal Reserve System (Board) is not covered by GPRA, the Board of Governors voluntarily complies with the spirit of GPRA and, like federal agencies, prepares these regular plans and reports.

Consistent with the requirements of GPRA, this *Performance Report* is based on two earlier Board documents covering the same period—the *Government Performance and Results Act Strategic Planning Document, 2008–2011* and the *Government Performance and Results Act Biennial Performance Plan, 2008–2009*, both published in 2008.<sup>1</sup> This report covers two years rather than just one because the Board operates under a biennial budget.

Like the *Biennial Performance Plan 2008–2009*, this report focuses on four areas: the Board’s monetary policy function, its bank supervision and regulation function, its operations in overseeing Federal Reserve System (the System) activities, and its management activities to improve effectiveness and efficiency. Although a discussion of the Federal Reserve System and its structure is provided below to help explain the performance measures used by the Board, this performance report focuses solely on Board operations.

As required by GPRA, this report is issued independently of other Board documents submitted to the Congress. However, considering the report in conjunction with other Board documents gives a more detailed

understanding of Board planning, budgeting, operations, and performance. As required by the Federal Reserve Act, the Board annually submits a report to the Congress describing in detail the operations of the System for the previous year. Since 1985, the Board has also provided the Congress with a supplement, the *Annual Report: Budget Review*, which describes in detail the plans and resources discussed in the approved budgets of the Board and the Reserve Banks. The most recent versions of these two documents were provided to the Congress in 2010.<sup>2</sup>

### Overview of the Federal Reserve System

The Federal Reserve System is the central bank of the United States, established by the Congress to provide the nation with a safer, more flexible, and more stable monetary and financial system. Over the years, its role in banking and the economy has expanded, and today the Federal Reserve’s duties fall into five general areas:

1. conducting the nation’s monetary policy by influencing money and credit conditions in the economy in pursuit of maximum employment and stable prices
2. supervising and regulating banking institutions to ensure the safety and soundness of the nation’s banking system, maintaining the stability of the financial system, and containing systemic risk that may arise in financial markets
3. protecting the credit rights of consumers and encouraging banks to meet the credit needs of consumers, including those in low- and moderate-income neighborhoods
4. playing a major role in operating the nation’s payment systems

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1. These documents are available on the Board’s website, respectively, at [www.federalreserve.gov/boarddocs/RptCongress/gpra/gpra2008-2011.pdf](http://www.federalreserve.gov/boarddocs/RptCongress/gpra/gpra2008-2011.pdf) and [www.federalreserve.gov/BoardDocs/RptCongress/gpra/gpra2008-2009biennial.pdf](http://www.federalreserve.gov/BoardDocs/RptCongress/gpra/gpra2008-2009biennial.pdf).

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2. Refer to the Board’s *96th Annual Report, 2009* at [www.federalreserve.gov/boarddocs/rptcongress/annual09/default.htm](http://www.federalreserve.gov/boarddocs/rptcongress/annual09/default.htm) and the *Annual Report: Budget Review* for 2010 at [www.federalreserve.gov/boarddocs/rptcongress/budgetrev/br10.pdf](http://www.federalreserve.gov/boarddocs/rptcongress/budgetrev/br10.pdf).

5. providing certain financial services to the U.S. government, the public, financial institutions, and foreign official institutions

The System was created by passage of the Federal Reserve Act (the act), which President Woodrow Wilson signed into law on December 23, 1913. The act stated that the System was created “to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.”

Soon after the creation of the Federal Reserve, it became clear that the act had broader implications for national economic and financial policy. As time has passed, further legislation has clarified and supplemented the System’s original purposes. Key laws affecting the Federal Reserve include the Bank Holding Company Act of 1956 and its amendments; the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; the Federal Deposit Insurance Corporation Improvement Act of 1991; the Gramm-Leach-Bliley Act (GLBA) of 1999; and the Check Clearing for the 21st Century Act of 2004. In a 1977 amendment to the Federal Reserve Act, the Congress defined the primary objectives of national economic policy. These objectives include economic growth in line with the economy’s potential to expand; a high level of employment; stable prices (that is, stability in the purchasing power of the dollar); and moderate long-term interest rates. Major financial services reform legislation, incorporated in the GLBA, reflects changes in the nature of the industry and in the economy generally. GLBA and the changes it ushered in for the United States financial services industry continues to affect significantly the operations and workload of the Federal Reserve.

Since the late 1960s, several federal laws were created that were designed to protect consumers when securing credit or in making other financial transactions has grown. The Congress has assigned to the Federal Reserve the duty of implementing the provisions of these laws to ensure that consumers receive comprehensive information and fair treatment from financial institutions when they engage in these transactions. Consumer protection laws such as the 1968 Truth in Lending Act, the Community Reinvestment Act of 1977 (CRA), the Expedited Funds Availability Act of 1987, the Truth in Savings Act of 1991, and the Fair and Accurate Credit Transactions Act of 2003 have given the Federal Reserve rule-writing, compliance, and consumer education responsibilities. As a result of the recent financial crisis, the federal government is consid-

ering additional legislation designed to update the financial regulatory system and increase consumer protection. Although the outcome of current legislative efforts is still uncertain, several of the proposals could significantly impact the Board’s organization, operations, and resource requirements.

### *System Role in the Government*

The Federal Reserve System is considered to be an independent central bank because its decisions do not have to be ratified by the President or anyone else in the executive branch of government. The System is, however, subject to oversight by the U.S. Congress. The Federal Reserve must work within the framework of the overall objectives of economic and financial policy established by the government; therefore, the description of the System as “independent within the government” is more accurate.

### *Structure of the System*

Congress designed the structure of the Federal Reserve System to give it a broad perspective on the economy and on economic activity in all parts of the nation. It is a federal system, composed of a central, governmental agency—the Board of Governors—in Washington, D.C., and 12 regional Federal Reserve Banks. The Board and the Reserve Banks share responsibility for supervising and regulating certain financial institutions and activities, for providing banking services to depository institutions and the federal government, and for ensuring that consumers receive adequate information and fair treatment in their business with the banking system.

A major component of the System is the Federal Open Market Committee (FOMC), which is made up of the members of the Board of Governors, the president of the Federal Reserve Bank of New York, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC oversees open market operations, which is the main tool used by the Federal Reserve to influence overall monetary and credit conditions.

### *Board of Governors*

The Board of Governors of the Federal Reserve System is a federal government agency. The Board is composed of seven members, who are appointed by the President of the United States and confirmed by the U.S. Senate. The full term of a Board member is 14 years, and the appointments are staggered so that one

term expires on January 31 of each even-numbered year. After serving a full term, a Board member may not be reappointed. If a member leaves the Board before his or her term expires, however, the person appointed and confirmed to serve the remainder of the term may later be reappointed to a full term.

The Chairman and the Vice Chairman of the Board are also appointed by the President and confirmed by the Senate. The nominees to these posts must already be members of the Board or must be simultaneously appointed to the Board. The terms for these positions are four years.

## ***MISSION, VALUES, AND GOALS OF THE BOARD OF GOVERNORS***

### **Mission**

The mission of the Board is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

### **Values**

The following values of the Board guide its organizational decisions and its employees' actions.

- **Public interest.** In its actions and policies, the Board seeks to promote the public interest. It is accountable and responsive to the general public, the U.S. government, and the financial community.
- **Integrity.** The Board adheres to the highest standards of integrity in its dealings with the public, the financial community, and its employees.
- **Excellence.** The conduct of monetary policy, responsibility for bank supervision, and maintenance of the payment system demand high-quality analysis, high performance standards, and a secure, robust infrastructure. The pursuit of excellence drives the Board's policies concerning recruitment, selection, and retention for Board employees.
- **Efficiency and effectiveness.** In carrying out its functions, the Board is continually aware that its operations are supported primarily by public funds, and it recognizes its obligation to manage resources efficiently and effectively.
- **Independence of views.** The Board values the diversity of its employees; input from a variety of sources; and the independent professional judgment that is fostered by the System's highly valued regional structure. It relies on strong teamwork to mold independent viewpoints into coherent, effective policies.

### **Goals**

The Board has six primary goals with interrelated and mutually reinforcing elements:

1. conducting monetary policy that promotes the achievement of the statutory objectives of maximum sustainable longterm growth and the price stability that fosters that goal
2. promoting a safe, sound, competitive, and accessible banking system and stable financial markets
3. developing regulations, policies, and programs designed to inform and protect consumers, to enforce federal consumer protection laws, to strengthen market competition, and to promote access to banking services in historically underserved markets
4. providing high-quality professional oversight of the Reserve Banks
5. fostering the integrity, efficiency, and accessibility of U.S. payment and settlement systems
6. fostering the integrity, efficiency, and effectiveness of Board programs

### **Role of Strategic Planning**

Unlike most other government agencies, the Board's budget is not subject to the Congressional appropriations process or to review by the administration through the Office of Management and Budget. Rather, the Board establishes its own budget formulation procedures, conducts strategic planning to identify changes to its critical activities and the proper amount and allocation of resources to support its mission, and provides various reports and budget testimony to the Congress.

The Board, like the framers of the Federal Reserve Act, considers its budgetary independence directly relevant to independence in managing monetary policy. That said, the Board believes that to maintain budgetary independence, it must demonstrate effective and efficient use of its financial resources. Resource management begins with a clear mission statement, identification of goals, a review of factors that might affect the long-term attainment of these goals, and consideration of possible responses to those factors. By establishing objectives to attain its goals and by identifying the resources needed to accomplish them, the Board develops a budget necessary to implement its strategic plan.

Strategic planning is a critical factor in ensuring the long-term effectiveness of Board operations and in minimizing its costs. Effectiveness is improved through timely identification of threats and through efforts to improve operational efficiency. Efficiency is increased

by early identification of issues and timely responses. Major factors affecting the current strategic plan include the following:

1. The desire to develop better performance metrics for each division and major Board function, and provide comparative Boardwide management data to senior staff
2. Continuing advances in automation and telecommunication technologies that will
  - foster the efficiency associated with greater standardization of System supervision and regulation automation tools and databases, and help ensure better coordination of plans, strategies, actions, and information sharing with other domestic and foreign regulators;
  - reduce reaction time to address systemic issues;
  - require and make possible enhanced systems for identifying, measuring, and pricing risk;
  - improve the capabilities for gathering, analyzing, and sharing data; and
  - provide significant opportunities for improving communication with the public
3. The need for actions and policies that attract and retain a highly motivated, properly trained, and fairly compensated professional workforce
4. The need for contingency plans related to the safety of personnel, disaster recovery, and information
5. The current state of the U.S. and foreign economies

As technological and other changes evolve and accelerate, planning is essential to the effective and efficient conduct of Board operations. A continuing challenge to government agencies in this regard is identifying the appropriate measures of performance. The Board's strategic planning effort recognizes the key distinctions between government and private-sector strategic planning efforts and measurement of those efforts. Private-sector planning often relies on measures of cost and revenue derived from prices determined in competitive markets; the results of that planning are reflected in the ability of the private entity to prosper over time. The government does not have direct competition in certain areas, and has a monopoly in others (conducting monetary policy, for example); establishing a comparable metric to costs and prices is therefore extraordinarily difficult. Moreover, the results are judged relative to public policy objectives embodied in law, which often are not readily measurable. The Board seeks to accomplish its mission effectively while creating the efficiencies that come from strategic planning, recognizing that analogies to the private sector are just that. The Board's central planning objective is oriented toward achieving

effectiveness and efficiency specific to the functions it serves.

## *MONETARY POLICY FUNCTION*

### Goal

Conduct monetary policy that promotes the achievement of the statutory objectives of maximum sustainable long-term growth and the price stability that fosters that goal.

### Objectives

1. **Informed monetary policy:** Staying abreast of recent developments and prospects in the U.S. economy and financial markets, and in those abroad, so that monetary policy decisions will be well informed
2. **Understanding of macroeconomics and markets:** Enhancing our knowledge of the structural and behavioral relationships in the macroeconomic and financial markets, and improving the quality of data used to gauge economic performance, through developmental research activities
3. **Effective implementation of monetary policy:** Implementing monetary policy effectively in rapidly changing economic circumstances and in an evolving financial market structure
4. **Contribution to international efforts:** Contributing to the development of U.S. international policies and procedures in cooperation with the U.S. Department of the Treasury and other agencies
5. **Expanded public awareness of monetary policy:** Promoting understanding of Federal Reserve policy among other government policy officials and the general public

### Performance Measures

The effectiveness of the Board's monetary policy in relation to evolving economic and financial circumstances continues to be reviewed by the Congress in the context of the Board's semiannual monetary policy report and the accompanying testimony. It is recognized that monetary policy has only a partial and indirect influence on performance of the U.S. economy.

### Resources

The majority of the resources utilized to achieve this goal are reported in the Board's three research divisions, the Office of Board Members, the Office of the

Secretary, and the Office of the Staff Director for Management. The combined expenses for the 2008–09 biennium for these divisions and offices totaled approximately \$230 million.

## ***SUPERVISION AND REGULATION FUNCTION***

### **Goals**

**Safety and Soundness:** Promote a safe, sound, competitive, and accessible banking system and stable financial markets

**Consumer Protection:** Develop regulations, policies, and programs designed to inform and protect consumers, to enforce federal consumer protection laws, to strengthen market competition, and to promote access to banking services in historically underserved markets

### **Objectives**

1. **Financial stability and risk containment:** Promoting overall financial stability, managing and containing systemic risk, and identifying emerging financial problems early so that crises can be averted
2. **Accessibility of the banking system:** Providing a safe, sound, competitive, and accessible banking system through comprehensive and effective supervision of U.S. banks, bank and financial holding companies, foreign banking organizations, and related entities (at the same time, remaining sensitive to the burden on supervised institutions)

3. **Financial system efficiency:** Enhancing efficiency and effectiveness by addressing the supervision function's procedures, technology, resource allocation, and staffing issues
4. **Effective oversight of financial institutions:** Promoting the compliance by domestic and foreign banking organizations supervised by the Federal Reserve with applicable laws, rules, regulations, policies, and guidelines through a comprehensive and effective supervision program
5. **Consumer protection:** Serving as a leader in, and helping shape the national dialogue on, consumer protection in financial services
6. **Relationship building:** Promoting, developing, and strengthening effective communications and collaborations within the Board, the Federal Reserve Banks, and other agencies and organizations

### **Performance Measures**

See table below for the 11 metrics, targets, and results for the two-year period.

### **Resources**

The majority of the resources utilized to achieve this goal are reported in the divisions of Banking Supervision and Regulation and Consumer and Community Affairs, whose combined expenses for the 2008–09 biennium were approximately \$159 million.

Supervision and Regulation Function 2008–09 Performance Measures

Measure	Target	Results
Identify and resolve supervisory and financial problems in a timely manner, working alone or in cooperation with other authorities, to minimize disruptions to the financial and payment systems and the economy more generally	No specific target	The Federal Reserve is actively reviewing current prudential standards and supervisory approaches to incorporate the lessons learned from the recent financial crisis. On the supervisory front, the Federal Reserve is taking steps to strengthen oversight and enforcement, including augmenting traditional microprudential methods of oversight with a more macroprudential approach that should better anticipate and mitigate broader threats to financial stability.

## Supervision and Regulation—continued

Measure	Target	Results
Minimize net losses to the Deposit Insurance Fund (DIF) associated with state member banks (consistent with trend data associated with prevailing economic conditions)	DIF losses from state member banks not to exceed premiums paid into the DIF by state member banks. [The Federal Deposit Insurance Corporation (FDIC) assesses a premium against only those banks with a less-than-satisfactory rating or banks that are not well capitalized.]	<b>2008:</b> The DIF incurred no net loss.
		<b>2009:</b> The approximate net loss to the DIF was \$2.5 billion. Estimated losses of \$3.8 billion exceeded state member bank premiums of \$1.3 billion, resulting in a net loss to the DIF of \$2.5 billion.
Complete financial institution examinations as required by statute and as dictated by review of supervisory data, experience, and an assessment of current risks to the financial industry	98 percent of examinations conducted in accordance with 12- or 18-month statutory requirements; subsequent supervisory follow-up performed on institutions rated CAMELS <sup>1</sup> 3, 4, or 5, as required by Federal Reserve guidelines	<b>2008:</b> 99 percent of examinations were conducted in accordance with the requirements
		<b>2009:</b> 99 percent of examinations were conducted in accordance with the requirements
Complete reports of examinations within established time frames	Issue at least 90 percent of reports within 60 days of the examination-closeout meeting	<b>2008:</b> 98 percent of regulatory examination reports and 95 percent of consumer protection examination reports were issued within the established time frames
		<b>2009:</b> 94 percent of regulatory examination reports and 96 percent of consumer protection examination reports were issued within the established time frames
To the extent to which they are received by the Board, process applications within established time frames	Process at least 90 percent of applications within statutory or Board guidelines	<b>2008:</b> 91 percent of applications were processed within statutory or Board guidelines
		<b>2009:</b> 93 percent of applications were processed within statutory or Board guidelines
Conduct consumer compliance and CRA examinations in accordance with Board and statutory requirements	Complete 99 percent of compliance and CRA exams within Board-established time frames	<b>2008:</b> 100 percent of compliance and CRA exams were completed within Board-established time frames
		<b>2009:</b> 100 percent of compliance and CRA exams were completed within Board-established time frames
To the extent to which they are received by the Board, process consumer complaints in accordance with established time frames	Process 80 percent of consumer complaints within Board guidelines	<b>2008:</b> 93 percent of consumer complaints were processed within Board guidelines
		<b>2009:</b> 86 percent of consumer complaints were processed within Board guidelines



## Supervision and Regulation—continued

Measure	Target	Results
Review and update various consumer regulations for which the Board has rule-writing authority	Complete Regulation Z/Home Ownership & Equity Protection Act (HOEPA), Regulation Z/Open-End, and remaining Fair and Accurate Credit Reporting Act of 2003 (FACT) Act rulemaking	<p><b>2008:</b>  <i>Regulation Z</i>            Issued proposed and final rules for credit cards            Issued proposed rules for mortgage timing (MDIA) and risk-based pricing  <i>Regulation DD</i>            Issued proposed and final rules for overdrafts  <i>Unfair &amp; Deceptive Acts or Practices</i>            Issued proposed rules for credit cards and overdrafts  <i>Regulation E</i>            Proposed changes to cover overdrafts at point of sale and automated teller machines</p> <hr/> <p><b>2009:</b>  <i>Regulation Z</i>            Issued final rules for MDIA, student loans, risk-based pricing, and overdrafts            Issued proposed and interim final rules for credit cards            Issued proposed rules for open-end and closed-end mortgages, including yield spread premiums  <i>FACT Act</i>            Adopted final interagency “Furnisher” rules  <i>Regulation E</i>            Issued proposed gift card rules</p>
Improve the accessibility of consumer information on banking products and services available in the market	Begin work on a new marketing, outreach, and communication strategy	<p><b>2008:</b> Board representatives served on the Financial Literacy &amp; Education Commission (FLEC) and its subcommittee for the MyMoney.gov website. The Board also distributed consumer news stories through a contract with the North America Precis Syndicate (NAPS).</p> <hr/> <p><b>2009:</b> Continued use of NAPS for outreach; continued work with FLEC on the redesign of the MyMoney.gov website; and sponsored a series of advertisements on foreclosure scams and wise use of credit cards</p>
Provide advisory services; conduct outreach; sponsor conferences to promote community development in underserved areas; and provide technical assistance that supports an ongoing dialogue with financial institutions, government agencies, and communities to address barriers and challenges to credit and capital access	Conduct a research conference in 2009	Conducted a research conference focusing on innovative financial services for the underserved in April 2009
Improve understanding of effective practices in financial and consumer education through research into and development of consumer education materials	Collect data and conduct analysis for financial education research study	<p><b>2008:</b> Finalized data collection and conducted initial analysis for financial education research study</p> <hr/> <p><b>2009:</b> Based on data analysis, published research reports; evaluated programs; and updated and expanded consumer education resources</p>

1. The acronym CAMELS refers to the six components of a bank’s condition that are assessed: capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk.

## ***PAYMENT SYSTEM POLICY AND OVERSIGHT FUNCTION***

### **Goals**

**Oversight:** Provide high-quality professional oversight of Reserve Banks

**Policy:** Foster the integrity, efficiency, and accessibility of U.S. payment and settlement systems

### **Objectives**

1. **Effective System strategies, projects, and operations:** Producing high-quality assessments and oversight of Federal Reserve System strategies, projects, and operations, including adoption of technology to meet the business and operational needs of the Federal Reserve. The oversight process and related outputs should help Federal Reserve management foster and strengthen sound internal control systems, efficient and reliable operations, effective performance, and sound project management, and should assist the Board in the effective discharge of its oversight responsibilities.

2. **Efficient, accessible payment systems:** Developing sound, effective policies and regulations that foster payment system integrity, efficiency, and accessibility; supporting and assisting the Board in overseeing U.S. dollar payment and securities settlement systems by assessing risks and risk-management approaches against relevant policy objectives and standards
3. **Analysis of system dynamics and risks:** Conducting research and analysis that contributes to policy development and increases understanding of payment system dynamics and risk

### **Performance Measures**

See table below for the 10 metrics, targets, and results for the two-year period.

### **Resources**

The majority of the resources utilized to achieve this goal are reported in the Division of Reserve Bank Operations and Payment Systems, whose expenses for the 2008–09 biennium were approximately \$59 million.

Payment System Policy and Oversight Function 2008–09 Performance Measures

Measure	Target	Results
Complete all scheduled Reserve Bank on-site reviews and annual Reserve Bank examinations and oversee the external audit of Reserve Bank financial statements each year, as required by the Federal Reserve Act	Complete all scheduled reviews	All scheduled reviews were completed.
Effect positive change within the Reserve Banks by raising issues regarding Reserve Bank operations, internal audits, or proposed or ongoing initiatives	No specific target	The Reserve Banks addressed the majority of issues the Board raised, and they are addressing remaining open issues.
Monitor and ensure the full collateralization of Federal Reserve notes, as defined by the Federal Reserve Act	Ensure 100 percent collateralization	100 percent collateralization was achieved.
Inform the Board (through its oversight committees) of important developments and issues in a timely and effectively manner	No target	Board oversight committees were informed in a timely and effective manner.
Review thoroughly the proposed Reserve Bank budgets	Thoroughly review budgets proposed by the Reserve Banks	All budgets were reviewed thoroughly and timely.

## Payment System Policy and Oversight—continued

Measure	Target	Results
Assess the implications for the financial services, accounting, and related programs of specific monetary policy options and develop proposals for these programs that help to address issues raised by potential changes in policy	Identify and analyze key issues raised by payment of interest on reserves for the Reserve Banks' financial services and accounting function, and propose ways to address these issues	Implemented interest on reserves, which included changes to existing applications and new accounting procedures, within one week of congressional action to accelerate the effective date of the Federal Reserve's authority; the first payments were made in October 2008 <sup>1</sup>
Analyze comments received on proposed payments system risk policy changes	Analyze comments received	Based on an analysis of the comments received, the Board adopted a revised policy in December 2008.
Finalize regulations, jointly with the U.S. Department of the Treasury, on the implementation of the Unlawful Internet Gambling Enforcement Act (UIGEA) submitted to the Congress	Issue final rule to implement the UIGEA	The Board and the U.S. Department of the Treasury issued a joint final rule in November 2008.
Publish the analyses on the use of retail payments in a Federal Reserve Bulletin <i>article</i>	Publish analyses in a Federal Reserve Bulletin <i>article in 2008</i>	Published "Recent Payment Trends in the United States" in October 2008
Respond in a timely manner to requests for policy interpretations, deviations, and exception requests from the Reserve Banks	Respond in a timely manner to requests from the Reserve Banks	All requests were responded to in a timely manner.

1. Refer to the board's public website at [www.federalreserve.gov/pubs/bulletin/2008/pdf/payments08.pdf](http://www.federalreserve.gov/pubs/bulletin/2008/pdf/payments08.pdf).

## INTERNAL BOARD SUPPORT

### Goal

Foster the integrity, efficiency, and effectiveness of Board programs

### Objectives

1. **High-caliber staff:** Developing appropriate policies, oversight mechanisms, and measurement criteria to ensure that the recruiting, training, and retention of staff meet Board needs
2. **Fair, equal treatment of employees:** Establishing, encouraging, and enforcing a climate of fair and equitable treatment for all employees regardless of race, creed, color, national origin, age, or sex
3. **Effective planning and management:** Providing strategic planning and financial management support needed for sound business decisions
4. **Security of information:** Providing cost-effective and secure information resource management services to

Board divisions, supporting divisional distributed-processing requirements, and providing analysis on information technology issues to the Board, the Reserve Banks, other financial regulatory institutions, and other central banks

5. **Safe, secure work environment:** Efficiently providing safe, modern, secure facilities and necessary support for activities conducive to efficient and effective Board operations

### Performance Measures

See table below for the eight metrics, targets, and results for the two-year period.

### Resources

The majority of the resources utilized to achieve this goal are reported in the Information Technology, Legal, and Management divisions and in the Office of Inspector General, whose combined expenses for the 2006–07 biennium were approximately \$300 million.

## Internal Board Support 2008–09 Performance Measures

Measure	Target	Results
Continually review the Board's compensation program and implement any desired changes	Perform review, analyze results, communicate with staff, and make changes as needed	As a result of the compensation study conducted in 2007, the Board increased base and variable pay for certain job groups, insurance subsidies and stipends for subscribers, and thrift plan contribution and match for all employees in 2008 and 2009.
Develop qualified and diverse pools of internal and external candidates for all position postings	Increase the number of qualified and diverse candidates at the Board	Positions were filled with qualified and diverse candidates from varied candidate pools. Continuous efforts are underway to expand diversity recruitment strategies by increased use of niche career sites, participation with Federal Reserve Banks on Systemwide recruitment efforts at national career fairs, and attendance at college career fairs.
Enhance management accountability for EEO, diversity, and inclusion strategy execution	Enhance management accountability for EEO, diversity, and inclusion strategy execution	A workgroup was formed to research a methodology and tools appropriate for evaluation of results and effectiveness of diversity and inclusion initiatives and practices.
Provide appropriate feedback to division directors and oversight committees via periodic management reports	No specific target	Quarterly reports regarding financial performance and compliance status were submitted to the division directors and the Committee on Board Affairs.
Maintain budgetary independence	Maintain budgetary independence	Budgetary independence was maintained.
Receive an unqualified opinion for the Board's annual financial audit and the accompanying reviews of internal controls and compliance with laws and regulations	Receive an unqualified opinion each year on the Board's financial statements	<b>2008:</b> The Board received an unqualified opinion on its financial statements from the outside auditors.
		<b>2009:</b> The Board received an unqualified opinion on its financial statements and clean report on internal control over financial reporting from the outside auditors
Enhance Boardwide physical security to protect Board resources	Continue updating perimeter security to better control pedestrian/vehicle traffic on or around the facilities	Completed the installation of security barriers and kiosks, which control the ingress and egress of vehicles using the facilities, and replaced visitor-screening equipment with updated technology
	Strengthen the personnel security functions such that staffing, training, and processes comply with federal mandates and ensure sufficient vetting of Board employees by security staff	Conducted a review of internal processes and subsequently enhanced the system used to track employee background checks; developed additional procedures that further reduced turnaround time for clearances and ensured accuracy of employee information for case adjudication
Reduce the threat of disruption to operations, and improve our capacity for disaster recovery to reduce the time needed to resume normal operations	Complete implementation of minimum Contingency of Operations Program communication requirements (NCS Directive 3-10) and new Boardwide Test, Training & Exercise Program based on Federal Continuity Directive-1	The Federal Emergency Management Agency-mandated Test, Training & Exercise Database was created and populated with Board information in September 2009. Division test, training, and exercise participant information is now updated monthly.

Board of Governors of the  
Federal Reserve System  
[www.federalreserve.gov](http://www.federalreserve.gov)  
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