



Audit Report



OIG-13-031

Audit of the Department of the Treasury's Schedule of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2012

January 4, 2013

Office of
Inspector General
Department of the Treasury



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 4, 2013

MEMORANDUM FOR NANI A. COLORETTI
ASSISTANT SECRETARY FOR MANAGEMENT

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Audit of the Department of the Treasury's Schedule of
United States Gold Reserves Held by Federal Reserve Banks
as of September 30, 2012

The attached report presents the results of our audit of the Department of the Treasury's (Treasury) Schedule of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2012 (the Schedule). The Schedule is the responsibility of Treasury management. We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. This was our first audit of the Schedule.

We rendered an unqualified opinion on the Schedule as of September 30, 2012. We identified no material weaknesses in internal control over financial reporting and no instances of reportable noncompliance with laws and regulations.

We appreciate the courtesy and cooperation provided to our staff during the audit. Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Ade Bankole, Audit Manager, Financial Audits at (202) 927-5329.

Attachment

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SECTION I -

REPORT OF THE OFFICE OF INSPECTOR GENERAL



Report of the Office of Inspector General

*The Department of the Treasury
Office of Inspector General*

Independent Auditors' Report

To the Assistant Secretary for Management:

We have audited the accompanying Department of the Treasury's Schedule of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2012 (the Schedule). This report presents our unqualified opinion on this Schedule. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations.

Management's Responsibilities

The Department of the Treasury's (Treasury) management is responsible for: (1) preparing the Schedule in conformity with U.S. generally accepted accounting principles; (2) establishing and maintaining internal control; and (3) complying with laws and regulations applicable to the Schedule.

Scope of Audit

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. Our responsibility is to express an opinion on the Schedule based on our audit. We are also responsible for obtaining a sufficient understanding of internal control over financial reporting to plan the

audit, and to test certain provisions of laws and regulations that have a direct and material effect on the Schedule. We believe that our audit provides a reasonable basis for our opinion and our conclusions on internal control and compliance with laws and regulations.

In planning and performing our audit, we considered Treasury's internal control over financial reporting related to the Schedule as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of Treasury's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Treasury's internal control over financial reporting.

Because of limitations inherent 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. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of Treasury's compliance with certain provisions of laws and regulations, 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 we did not test compliance with all laws and regulations applicable to Treasury. We caution that noncompliance may occur and not be detected by those tests and that testing may not be sufficient for other purposes. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Results of Audit

Opinion on the Schedule

In our opinion, the accompanying Schedule presents fairly, in all material respects, the balance of the Department of the Treasury's United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2012, in conformity with U.S. generally accepted accounting principles.

Internal Control

Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance that the following objectives are achieved:

- Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Schedule in accordance with United States generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition;
- Effectiveness and efficiency of operations; and
- Compliance with applicable laws and regulations that could have a direct and material effect on the Schedule.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Scope of Audit section above and was not designed to identify all deficiencies in internal

control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting related to the Schedule that we consider to be material weaknesses, as defined above.

Compliance with Laws and Regulations

Our tests of Treasury's compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under *Government Auditing Standards*.

* * * * *

Should you or your staff have any questions about this report, you may contact me at (202) 927-5789, or Ade Bankole, Manager, Financial Audits at (202) 927-5329. We appreciate the cooperation and courtesy extended to our staff.

This report is intended solely for the information and use of the Department of the Treasury, the Office of Management and Budget, the Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available as a matter of public record.

/s/
Michael Fitzgerald
Director, Financial Audits

December 18, 2012

SECTION II -

**THE DEPARTMENT OF THE TREASURY'S SCHEDULE OF
UNITED STATES GOLD RESERVES HELD BY FEDERAL
RESERVE BANKS AS OF SEPTEMBER 30, 2012**

DEPARTMENT OF THE TREASURY
SCHEDULE OF UNITED STATES GOLD RESERVES HELD BY FEDERAL RESERVE BANKS
AS OF SEPTEMBER 30, 2012

	<u>2012</u>
United States gold reserves held by Federal Reserve Banks	<u>\$ 568,007,257</u>

The accompanying notes are an integral part of this Schedule.

DEPARTMENT OF THE TREASURY
NOTES TO THE SCHEDULE OF UNITED STATES GOLD RESERVES HELD BY FEDERAL
RESERVE BANKS
AS OF SEPTEMBER 30, 2012

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 U.S.C. § 5117.

B. Basis of Presentation

This schedule has 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 schedule 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 schedule is 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% of the United States-owned gold bars and coins held by FRBs are on display at the Federal Reserve Banks of Richmond, Atlanta, Kansas City, Minneapolis, San Francisco, New York and Dallas.

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

At September 30, 2012, the market value of gold per the London Gold Fixing (PM) was \$1,776.00 per FTO. United States gold reserves held by Federal Reserve Banks consisted of the following at September 30, 2012:

	<u>FTO</u>	<u>Statutory Value</u>	<u>Market Value</u>
Gold Bars	13,378,981.032	\$ 564,890,013	\$ 23,761,070,313
Gold Coins	73,829.500	3,117,244	131,121,192
Total	<u>13,452,810.532</u>	<u>\$ 568,007,257</u>	<u>\$ 23,892,191,505</u>

APPENDICES

Appendix 1
Major Contributors to this Report

Michael Fitzgerald, Director
Ade Bankole, Manager
Mark Levitt, Manager
Catherine Yi, Manager
Myung Han, Audit Manager
Rafael Cumba, Auditor-in-Charge
Rufus Etienne, Senior Auditor
Robert Hong, Auditor
Alicia Bruce, Referencer

Appendix 2
Report Distribution

The Department of the Treasury

Treasurer of the United States
Deputy Chief Financial Officer
Director, Financial Reporting and Policy

United States Mint

Acting Director
Chief Financial Officer