

December 2001

CHECK RELAY

Controls in Place Comply With Federal Reserve Guidelines





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Highlights of GAO-02-19, a report to the Ranking Minority Member, Subcommittee on Domestic Monetary Policy, Technology and Economic Growth, Committee on Financial Services, House of Representatives.

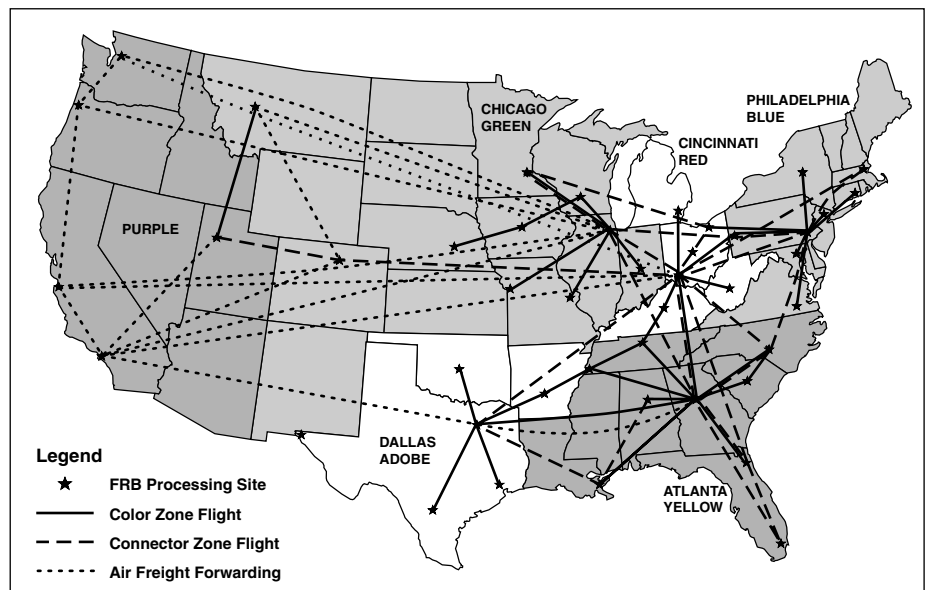
Why GAO Did This Study

Efficiently transporting checks to the banks on which they are drawn is a critical step in maintaining the liquidity of the nation's financial system. The Federal Reserve System is a major provider of check collection services, contracting with air carriers to move checks among Federal Reserve check processing offices. In 1996, a report by the Democratic staff of the House Committee on Banking and Financial Services concluded that the Federal Reserve's check transportation operation was subject to a variety of abuses, including irregularities in contract bidding and payment procedures. In 1998, the Federal Reserve transferred responsibility for managing the network from the Federal Reserve Bank of Boston to the Federal Reserve Bank of Atlanta, along with other retail payment functions. GAO was asked to determine whether controls over the Federal Reserve's check transportation operation are sufficient.

What GAO Found

GAO uncovered no evidence to suggest that the Federal Reserve does not have sufficient controls in place to prevent the types of abuses described in the House staff report. Check Relay, as the transportation network is known, operates under an array of internal controls designed to ensure compliance with Federal Reserve rules for awarding and administering contracts as well as for tracking payments to its vendors. Since the Federal Reserve Bank of Atlanta assumed responsibility for this network in 1998, internal auditors have conducted two, full-scope internal audits of the operation. The internal audits covered the areas in which the types of abuse identified by the House staff report are most likely to occur. These areas include contracting procedures, management of the fuel used by vendors, and payments to vendors. The staff of the Board of Governors of the Federal Reserve System has also audited Check Relay's management and operations. These internal audits have not identified any major problems of the type described in the House staff report.

GAO reviewed selected aspects of the last major audit and conducted independent tests of some transactions. GAO found nothing to question the internal auditors' conclusion that Check Relay is in compliance with the procurement and contract management guidelines of either the Federal Reserve System or the Atlanta Reserve Bank and that their controls are adequate.



This map shows the areas covered by the Federal Reserve's Check Relay air transportation network.

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Abbreviations

FBO	fixed base operators
FRB	Federal Reserve Bank
ITS	Interdistrict Transportation System
RFP	Request for Proposal
RPO	Retail Payments Office



United States General Accounting Office
Washington, DC 20548

December 12, 2001

The Honorable Carolyn B. Maloney
Ranking Minority Member
Subcommittee on Domestic Monetary Policy,
Technology and Economic Growth
Committee on Financial Services
House of Representatives

Dear Ms. Maloney:

Efficiently transporting checks to the paying bank¹ is critical to ensuring the prompt movement of funds throughout the United States and is a crucial step in the nation's payment system. This report discusses the management of the air transportation network used by the Federal Reserve System to transport checks from one Federal Reserve office to another. The Federal Reserve System, a major provider of check collection services² for banks, uses this network to provide check-clearing services. These services entail collecting checks and returning dishonored checks. This must be done promptly to minimize (1) banks' exposure to losses between the time that deposited funds must be made available for withdrawal under the Expedited Funds Availability Act³ and the time that banks receive notice that a check is being returned unpaid and (2) the amount of "float" in the system.⁴

A 1996 Democratic staff report by the House Committee on Banking and Financial Services raised questions about managerial problems with this network, then called the Interdistrict Transportation System (ITS) and run

¹ A paying bank is the bank at which a check is payable and to which it is sent for payment or collection.

² Check collection refers to the process of sorting checks according to the bank on which they are written and presenting the checks to those banks for payment.

³ Pub. L. No. 100-86, Title VI (1987). The Federal Reserve's Regulation CC implements the Expedited Funds Availability Act.

⁴ Float occurs in the banking system when money appears simultaneously in the accounts of two depository institutions during the time between the writing of the check and the receipt of credit.

by the Federal Reserve Bank of Boston (FRB Boston).⁵ These questions included the propriety of contract bidding, awarding, and monitoring practices and the adequacy of controls to monitor fuel and other payments to contracted vendors.⁶ In September 1998, ITS was moved to the Federal Reserve Bank of Atlanta (FRB Atlanta), along with other retail payment functions, and renamed Check Relay.

You asked us to determine if the problems alleged in the 1996 staff report exist today. As you requested, we (1) reviewed Check Relay's internal controls on the bidding and awarding of vendor contracts and payments to vendors for fuel use and air transportation of checks, (2) examined how FRB Atlanta and the Board of Governors of the Federal Reserve System (Board) monitor the internal controls on Check Relay's operations, and (3) examined available evidence to determine whether Check Relay's internal controls are consistent with FRB Atlanta and Board policies.

We focused our review on Check Relay's controls that are designed to prevent the types of activities related to vendor contracts and payments that were alleged to have occurred at ITS. These controls are based on FRB Atlanta and Board policies and are implemented by FRB Atlanta and the Board. We interviewed Check Relay and other FRB Atlanta staff, including internal auditors, and reviewed a sample of workpapers from an April 2001 full-scope internal audit of Check Relay's operations. This was the most recent of three reviews of Check Relay completed in the last 3 years. Appendix I more fully describes our scope and methodology.

We conducted our work in Washington, D.C., and Atlanta, GA, between April and November 2001, in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Board. The Board's comments are discussed near the end of this letter and are reprinted in appendix II. We incorporated the Board's technical comments where appropriate.

⁵ *Waste and Abuse in the Federal Reserve's Payment System*, Democratic staff of the House Committee on Banking and Financial Services, January 5, 1996.

⁶ The 1996 staff report also alleged that ITS' accounting practices to recover costs associated with check transportation were inconsistent with the Monetary Control Act of 1980 (Pub. L. No. 96-221, Title I, §107 (1980); 12 USC § 248a). We addressed this in our report entitled *Federal Reserve System: Mandated Report on Potential Conflicts of Interest* (GAO-01-160, Nov. 13, 2000).

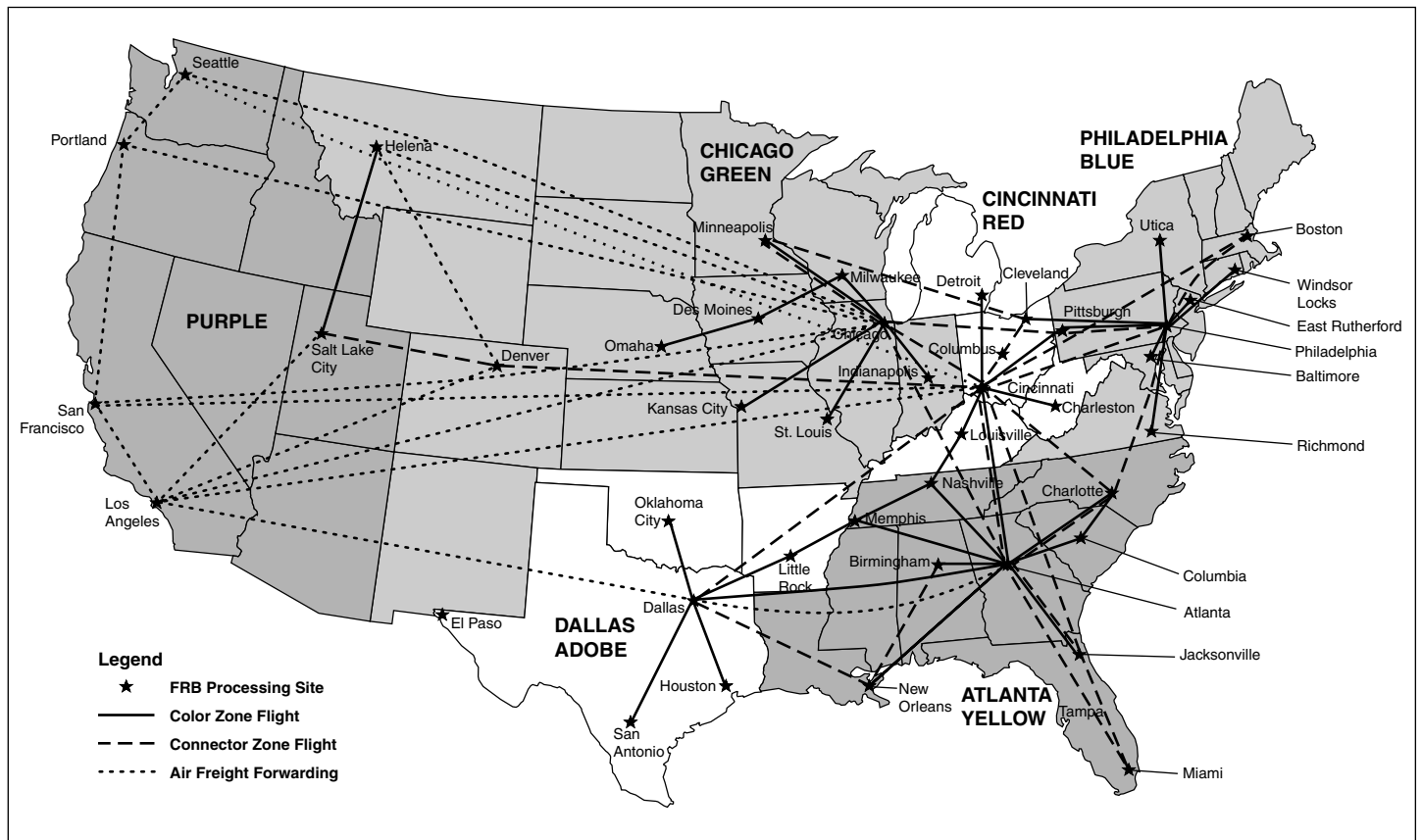
Background

When a check is written, it is presented to the bank upon which it is written—that is, the paying bank. Federal Reserve officials have said that they contract with private air carriers to form a dedicated network to provide air transportation of checks because it is the best way to ensure that the air transportation required to meet their deadlines is available when they need it. The Federal Reserve could use nondedicated, private-sector air carriers to transport their checks. However, Board officials explained that such nondedicated carriers can decline to provide service to any route on short notice if they deem the route to be unprofitable or undesirable for some other reason, and such carriers have done so in the past.

Check Relay provides most of the air transportation services needed to deliver checks, tapes of images of government checks, and miscellaneous noncheck mail among Federal Reserve offices across the country. As seen in figure 1, the network connects 45 endpoints in a hub-and-spoke configuration. Five hubs—in Philadelphia, Cincinnati, Chicago, Atlanta, and Dallas—link the remaining Federal Reserve check-processing site locations throughout the country.⁷

⁷ Because FRB San Francisco uses common carriers to connect with the various zone centers in the network, it does not participate in the network to the same extent as the remaining 11 districts.

Figure 1: Map of the Check Relay Air Transportation Network



Checks may be routed through several banks before reaching their final destination. In many cases, banks of first deposit present checks to paying banks through an intermediary, such as the Federal Reserve. To transport checks deposited at a Federal Reserve office located in one district and drawn on paying banks located in another Federal Reserve district, Check Relay contracts with private air carriers to form a dedicated network that links the System’s check-processing locations. They also contract for ground services at airports, which include fueling and other support services, with providers of these services called fixed base operators (FBO). These carriers and providers form the Check Relay network.

Check Relay staff manage the day-to-day operations of the network, in part by administering (1) contracts with private vendors that provide air and ground transportation and support services, (2) vendor payments, and

(3) fuel inventory and purchasing. Check Relay's management function also involves establishing flight schedules and routes, transferring cargo from plane to plane at the hubs, tracking the cargo, and performing periodic reviews. Four nights a week, Monday through Thursday, contracted vendors provide 192 flights to these 45 endpoints as well as ground transportation between the airport and the local Federal Reserve offices in spoke cities. On an average weeknight, the network transports about 23 tons of checks with a face value of about \$13 billion.⁸ Check Relay officials estimate that 20 percent of the checks that the Federal Reserve handles require Federal Reserve air transportation.

As previously mentioned, the staff of FRB Boston managed the Federal Reserve's check transportation network, then called ITS, until the late 1990s. In 1996, the Democratic staff of the House Committee on Banking and Financial Services, released its report that described a number of managerial problems with ITS, including improper accounting, contracting, and payment practices and insufficient controls on fuel provided to contracted air carriers. These problems were further explored in hearings⁹ held in 1997 before that same committee's Subcommittee on Domestic and International Monetary Policy.

In September 1998, the Federal Reserve Banks' retail payments management function, which included ITS, was moved to FRB Atlanta, and ITS was renamed Check Relay. This function is run by the Retail Payments Office (RPO), which is responsible for overseeing the Federal Reserve System's retail payments services nationwide and for working with the financial services industry to improve the long-run efficiency and effectiveness of the retail payments system. Board officials explained that such transfers occur periodically.

⁸ During the weekend, a scaled down version of the nightly operations is handled by less expensive airfreight forwarding, which involves using common carriers and long-distance ground transport.

⁹ Hearings before the Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, September 16, 1997.

Controls Are Designed to Ensure Competitive Bidding and Reviews by Senior Officials Before Contracts Are Awarded

Check Relay's internal controls are designed to ensure that each step of the contract evaluation and approval process conforms to FRB Atlanta and Federal Reserve System policies, and that the appropriate senior officials review and approve contract terms. Check Relay also has controls on payments to vendors for services that are designed to ensure that all payments conform to contract terms. An additional set of controls is designed to verify that the amount of fuel used by Check Relay's vendors is consistent with expected levels, and that fuel is provided only to the appropriate recipients.

Federal Reserve System and FRB Atlanta Policies Establish Controls on Check Relay's Contracting Practices

In accordance with Federal Reserve System and FRB Atlanta policies, Check Relay initiates most contracts with vendors through a competitive bidding process. Check Relay solicits bids for contracts with air carriers and fuel providers by issuing Requests for Proposals. Federal Reserve Banks' and FRB Atlanta's procurement guidelines generally call for contracts of 3 years, with the option to extend. However, Check Relay generally awards 4-year contracts. Check Relay officials explained that 4-year contracts are necessary to attract bids from vendors capable of satisfying Check Relay's needs, and the decision to initiate 4-year contracts was approved by senior FRB Atlanta officials as being in the best interests of the Reserve Bank.

Check Relay officials noted that although a primary goal of the contracting process is to obtain as many contract bids as possible, the network's strict delivery deadlines often limit the number of vendors that submit bids for contracts. When only one vendor is available to provide a particular service, FRB Atlanta guidance generally permits authorized officials to procure services through an alternative method called "sole source" acquisitions.¹⁰ Check Relay officials stated that there are currently contracts with seven vendors acquired through competitive bidding and three sole source contracts.

FRB Atlanta policies generally require that contract awards receive approvals from the appropriate senior officials. Check Relay, RPO, and other FRB Atlanta officials review each contract bid before Check Relay

¹⁰ According to Federal Reserve System guidance, a sole source acquisition involves no competition, and therefore no Request for Proposal, and should be used only when justified and necessary to serve the needs of the Reserve Bank.

awards the contract. Check Relay officials review all contract bids using a detailed “checklist,” that is based on Federal Reserve System and FRB Atlanta guidance. The checklist is designed to ensure that the appropriate senior officials review and approve contract bids before making any contract awards. FRB Atlanta’s Management Committee¹¹ also reviews all contract bids from the perspective of maintaining effective internal controls over the bank’s financial reporting and assets. Officials from FRB Atlanta’s Legal Department review the bids and any changes made to them before Check Relay makes any contract awards.

Tracking of Invoice Information and Separation of Duties Are Designed to Ensure That Payments to Vendors Are Correct

Check Relay policies have established internal controls designed to verify that invoice amounts sent in by vendors are appropriate. Air carriers, FBOs, and fuel providers regularly invoice Check Relay for services rendered. Check Relay staff track this information in an internal database, in part to monitor vendor performance. According to Check Relay officials, tracking this information helps them analyze how often invoice amounts differ from expected amounts established in vendor contracts and the reasons for these differences. Check Relay staff also enter invoice information into FRB Atlanta’s payment system to initiate the payment process.

Check Relay staff verify that invoice amounts match the expected amounts and enter that information into the bank’s payment system. When there is no discrepancy between the amounts, Check Relay staff obtain approval for the payment request and forward the relevant documentation to the accounting department. A senior Check Relay official indicated that he or more senior officials approve all requests for payments to vendors before they are given to the appropriate FRB Atlanta staff for subsequent review and processing.

Check Relay officials indicated, however, that invoice amounts sometimes differ from the expected amounts. For example, they noted that air carriers sometimes use more fuel than usual to fly around unusually bad weather. When these amounts differ, Check Relay officials first verify with hub staff and other relevant parties that the discrepancy is justified. The officials then provide documentation supporting the differing payment amount to staff in a separate office of FRB Atlanta who are authorized to

¹¹ Consisting of officials from other areas of the bank, including the auditing department, RPO, and the Financial Services Division.

amend this information in the bank's payment system. Once the invoice amount and expected amount in the bank's system reconcile, Check Relay officials approve the payment request and forward it to the accounting department. FRB Atlanta accounting staff said that their reviews of payment requests, done for the purpose of entering payments into FRB Atlanta's accounting system and preparing electronic payment instructions, constitute additional checks for accuracy before disbursing the funds to vendors.

Check Relay also has staff whose primary duties involve performing internal management reviews of specific transactions with vendors. Check Relay officials indicated that in response to FRB Atlanta's audit findings noting that Check Relay lacked staff with accounting expertise, Check Relay added qualified staff who conduct internal reviews for management purposes, including reviews of payments to air carriers, FBOs, and other vendors.

Controls on Fuel Usage and Inventory Are Designed to Prevent Overcharges and Inappropriate Fuel Use

Check Relay's controls are designed to track air carriers' fuel use and investigate deviations from expected usage levels. Check Relay staff monitor vendors' fuel usage at hub and spoke locations where Check Relay has contracts with FBOs. Because most contracts with air carriers stipulate that Check Relay will provide the necessary fuel, Check Relay purchases fuel from FBOs or reimburses vendors in locations where fuel purchase and storage agreements could not be made. To determine the appropriateness of air carriers' fuel usage, Check Relay staff conduct a fuel burn analysis of each carrier's reported fuel usage in relation to its route and plane specifications. Check Relay staff also review detailed fuel distribution information from FBOs, including aircraft identification, date of fuel pumped, and pump meter readings. To monitor fuel levels at FBOs, Check Relay conducts a monthly analysis of fuel inventories.

FRB Atlanta, RPO, and the Board Each Have Oversight Responsibility Over Check Relay

Various units of the Federal Reserve System have oversight responsibility over Check Relay. Check Relay is managed as a unit of RPO, which is managed out of FRB Atlanta. A Check Relay official explained that because Check Relay is a key component of the Federal Reserve's check-processing efforts, it must be managed as an integrated part of RPO so that its efforts are consistent with RPO initiatives, which can, in turn, greatly affect Check Relay.

As previously discussed, FRB Atlanta's Management Committee reviews Check Relay's business decisions, including contract awards and decisions

on contract extensions and the use of sole source contracts. FRB Atlanta's Management Committee includes senior FRB Atlanta and RPO management officials. In addition, FRB Atlanta's Auditing Department (Atlanta Audit) regularly conducts internal audits of Check Relay and submits reports of internal audit findings to FRB Atlanta management. Atlanta Audit officials stated that Check Relay's operations pose a "moderate risk" to FRB Atlanta, on the basis of Federal Reserve System risk methodology, and thus perform internal audits of Check Relay every 2 to 3 years. Atlanta Audit has conducted two, full-scope internal audits of Check Relay since its move to Atlanta in 1998. Atlanta Audit conducted its most recent audit of Check Relay in 2001.¹² Atlanta Audit also conducts follow-up reviews that are based on findings from reviews performed by the Board.

FRB Atlanta's Legal Department also reviews Check Relay's decisions. Contract awards and extensions, along with most other major business decisions, are reviewed by FRB Atlanta's Legal Department. According to a Check Relay official, these reviews represent another control on Check Relay.

The Board's Division of Reserve Bank Operations and Payment Systems (the Division) also has oversight responsibility over Check Relay, consistent with the Board's oversight authority with regard to Federal Reserve Banks. In 1999, the Board conducted a financial examination of RPO that included Check Relay. The Division also reviews Check Relay directly. In 1999, the Division conducted a review of Check Relay's operations.

Our Review Supports Atlanta Audit's Findings That Check Relay's Internal Controls Are Satisfactory

Our review of Atlanta Audit's audit findings for Check Relay indicated no evidence to question their conclusions that Check Relay's internal controls are effectively designed and implemented, with fewer problems noted in successive audits. Since 1998, Check Relay has undergone two internal audits by Atlanta Audit and one review by the Board. Each of these reviews generally covered the areas that were alleged to have problems in ITS.

As previously discussed, Atlanta Audit staff use a risk-based methodology to determine the frequency with which they audit Check Relay and the scope of the audits. Atlanta Audit officials stated that because Check Relay

¹² The April 2001 audit concluded in May 2001.

is rated as a “moderate business risk,” they generally audit Check Relay every 2 to 3 years. Since 1998, Atlanta Audit has conducted two, full-scope internal audits of Check Relay covering all phases of Check Relay’s network, such as the procurement and monitoring of services and financial transactions, including payments to vendors, among other areas.

The scope of the internal audit also depends on an assessment of the risk posed by different activities. Atlanta Audit officials said that they have an established audit program for Check Relay that they tailor for specific audits. They indicated that when tailoring the audit program, Atlanta Audit staff assess changes in Check Relay’s business activities since their last internal audit and generally focus audits on those areas. These officials also said that they based their strategy for sampling transactions to test during the internal audit on the risk posed by different types of transactions, focusing their attention on those transactions that are most likely to pose problems. They also consider past internal audit findings, paying particular attention to areas in which problems have been found.

A 1999 Division review of Check Relay did not disclose any significant exceptions. Although Check Relay’s controls were determined to be generally adequate, the review recommended that Check Relay better document some of their processes and that they more effectively use fuel usage data they routinely collected. Similarly, Atlanta Audit’s 1999 internal audit of Check Relay did not disclose issues that would warrant the immediate attention of FRB Atlanta management. Internal audit results indicated that Check Relay’s controls over the contract bidding process, as well as fuel-related and other payments to vendors, were adequate. Exceptions to the overall internal audit conclusion in part dealt with the need to improve contract-to-payment reconciliations. FRB Atlanta internal auditors expressed concern with these issues but indicated that these issues were mitigated, in part, by the overall strength of Check Relay’s management team.

At the conclusion of its April 2001 internal audit of Check Relay, FRB Atlanta’s internal auditors noted specifically that controls over general ledger accounts, contract administration, vendor payments, and fuel usage monitoring had been strengthened. The exceptions noted were minor and involved, among other things, the continued access of a former employee to an information system.

The frequency of internal audits and the increasingly minor nature of the problems they identified indicate that Check Relay’s controls are satisfactory. Our review of workpapers from Atlanta Audit’s April 2001

audit of Check Relay resulted in conclusions similar to those of Atlanta Audit staff. We determined that the internal audit provides a reasonable basis for its conclusion that Check Relay is in compliance with Federal Reserve and FRB Atlanta procurement and contract management guidelines.

Agency Comments

We received written comments on a draft of this report from the Board of Governors of the Federal Reserve System. In these comments, the Director of the Division of Reserve Bank Operations and Payment Systems agreed with the information presented in this report; these comments are reprinted in appendix II. Board staff also provided technical comments and corrections that we incorporated as appropriate.

As agreed with your office, unless you publicly release its contents earlier, we plan no further distribution of this report until 7 days from its date. We are sending copies of this report to the Chairman and Ranking Minority Member of the House Committee on Financial Services, the Chairman of the House Subcommittee on Domestic Monetary Policy, Technology and Economic Growth; the Chairman of the Board of Governors of the Federal Reserve System; and the President of the Federal Reserve Bank of Atlanta. We will make copies available to others on request.

Please contact me or James McDermott, Assistant Director, at (202) 512-8678 if you or your staff have any questions concerning this report. Other key contributors to this report are Gary Chupka, Thomas Conahan, and Tonita W. Gillich.

Sincerely yours,



Thomas J. McCool
Managing Director, Financial Markets and
Community Investment

Appendix I: Objectives, Scope, and Methodology

To see if the problems alleged in the Federal Reserve System's check transportation system in 1996 exist today, we (1) reviewed Check Relay's internal controls on the bidding and awarding of vendor contracts and on payments to vendors for fuel use and air transportation of checks, (2) examined how the Federal Reserve Bank of Atlanta (FRB Atlanta) and the Board of Governors of the Federal Reserve System (Board) monitor the internal controls on Check Relay's operations, and (3) examined available evidence to determine whether Check Relay's internal controls are consistent with FRB Atlanta and Board policies.

To review the controls over bidding for and awarding vendor contracts, we interviewed Check Relay and FRB Atlanta's Legal Department staff to determine the levels of review contracts undergo before they are finalized. We reviewed documentation showing the approvals that are required and files on completed contract awards. We also reviewed a copy of Check Relay's most recent Request for Proposals (RFP), which Check Relay staff said was written in the same format as virtually all of the RFPs they have issued.

To review the process of paying vendors for fuel and air transportation of checks, we reviewed the documentation from six payments to air carriers or fuel providers. We also (1) walked through the payment process for one invoice from the time Check Relay received it until the time that it was sent out as part of an automated clearinghouse payment and (2) interviewed Check Relay and the accounting staff who handled the invoice. In addition, we reviewed Check Relay's records for fuel payments, which included spreadsheets and other tools that serve as controls for ensuring that the payments are accurate and that fuel is provided only to appropriate vendor aircraft.

To examine the methods that FRB Atlanta and the Board use to monitor Check Relay's internal controls, we interviewed staff from the Board, Check Relay, and FRB Atlanta's Auditing (Atlanta Audit) and Legal Departments as well as Retail Payments Office staff. We relied on our recent work done in response to the Gramm-Leach-Bliley Act as background for this work.¹³ We also reviewed audit reports prepared by FRB Atlanta and Board staff that reviewed Check Relay's controls.

¹³ *Federal Reserve System: Mandated Report on Potential Conflicts of Interest* (GAO-01-160, Nov. 13, 2000).

To determine whether Check Relay's procedures are consistent with internal controls that are based on FRB Atlanta and Board policies, and are working as intended, we reviewed audit reports on Check Relay prepared by Atlanta Audit and the Board since 1998. We reviewed random samples of the transactions and records reviewed during FRB Atlanta's most recent audit of Check Relay, dated April 2001. These included a RFP, contract awards, payments to vendors, and fuel-tracking procedures. The results from our samples are representative of all transactions tested by Atlanta Audit during the April 2001 audit. However, Atlanta Audit staff explained that they drew the samples for the April 2001 audit judgmentally to target payments and other items that would be more likely to present problems. Although such an approach is not based on random probability sampling that would allow projection to all Check Relay transactions, it seems reasonable.

We identified the sections of the audit for review by targeting areas in which problems might occur similar to those alleged to have occurred at the Interdistrict Transportation System in the 1996 report prepared by the Democratic staff of the House Committee on Banking and Financial Services. We looked at the following:

- two samples of contracts, one to test the RFP process and the other to test the accuracy of vendor payments and adherence to contract terms;
- fuel prepayments;
- vendor payments that were not covered by contracts;
- federal tax payments associated with fuel deliveries; and
- verification procedures for aircraft fueling.

For each sample, we recreated the audit steps Atlanta Audit had performed by following their description in the audit workpapers. We recorded our conclusions on data collection instruments that we developed for this purpose.

We requested comments on a draft of this report from the Board. The Board's comments are discussed near the end of the letter and are reprinted in appendix II, and its technical comments are incorporated where appropriate. We conducted our work in Washington, D.C., and Atlanta, GA, between April and November 2001 in accordance with generally accepted government auditing standards.

Appendix II: Comments From the Board of Governors of the Federal Reserve System



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

LOUISE L. ROSEMAN
DIRECTOR
DIVISION OF
RESERVE BANK OPERATIONS
AND PAYMENT SYSTEMS

October 12, 2001

Mr. Thomas J. McCool
Managing Director, Financial Markets and
Community Investment
United States General Accounting Office
Washington, DC 20548

Dear Mr. McCool:

Thank you for the opportunity to comment on the GAO's draft report entitled Federal Reserve System: Sufficient Controls in Place over Check Transportation Network. We are pleased that the GAO concluded that Reserve Bank management maintains sufficient controls over Check Relay and that oversight is appropriate. We agree with your assessment and have found the Check Relay operation to be efficient, effective, and well controlled.

Sincerely,

A handwritten signature in blue ink, appearing to read "Louise Roseman".

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