

105TH CONGRESS
1ST SESSION

H. R. 1160

To promote accountability and the public interest in the operation of the
Federal Reserve System, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 1997

Mr. GONZALEZ introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on Government Reform and Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To promote accountability and the public interest in the
operation of the Federal Reserve System, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Reserve Audit
5 and Accountability Act”.

1 **SEC. 2. APPOINTMENT OF FEDERAL RESERVE BANK PRESI-**
2 **DENTS BY THE PRESIDENT BY AND WITH THE**
3 **CONSENT OF THE SENATE.**

4 (a) IN GENERAL.—Section 4 of the Federal Reserve
5 Act is amended by inserting after the 4th undesignated
6 paragraph (12 U.S.C. 341; relating to general corporate
7 powers) the following new subsection:

8 “(e) BANK PRESIDENTS AND 1ST VICE PRESI-
9 DENTS.—

10 “(1) APPOINTMENT OF PRESIDENT.—The
11 President shall appoint, by and with the consent of
12 the Senate, a president for each Federal reserve
13 bank.

14 “(2) APPOINTMENT OF 1ST VICE PRESIDENT.—
15 The president of each Federal reserve bank shall ap-
16 point a first vice president for the bank.

17 “(3) TERMS.—The president and first vice
18 president shall be appointed for terms of 5 years.

19 “(4) DUTY OF PRESIDENT.—The president of a
20 Federal reserve bank shall be the chief executive of-
21 ficer of the bank.

22 “(5) DUTY OF 1ST VICE PRESIDENT.—In addi-
23 tion to any other duties of the first vice president of
24 a Federal reserve bank, the first vice president shall,
25 in the absence or disability of the president or dur-

1 ing a vacancy in the office of president, serve as
2 chief executive officer of the bank.

3 “(6) VACANCY.—Whenever a vacancy shall
4 occur in the office of the president or the first vice
5 president, it shall be filled in the manner provided
6 for the original appointment and the person so ap-
7 pointed shall hold office until the expiration of the
8 term to which such person’s predecessor was ap-
9 pointed.”.

10 (b) TRANSITION.—

11 (1) PRESIDENT.—The first appointment of the
12 president for each Federal reserve bank which is
13 made in accordance with the amendment made by
14 subsection (a) shall take place upon the earlier of—

15 (A) the expiration of the term of the presi-
16 dent of the bank who is serving in such office
17 on the date of the enactment of this Act; or

18 (B) the occurrence of the first vacancy in
19 the office of president of the bank after the
20 date of the enactment of this Act.

21 (2) 1ST VICE PRESIDENT.—Notwithstanding
22 any provision of the Federal Reserve Act, the term
23 of the first vice president of any Federal reserve
24 bank who was appointed to such position before the
25 date of the enactment of this Act shall end as of the

1 date on which the president of the bank is first ap-
2 pointed in accordance with the amendment made by
3 subsection (a) and a first vice president shall be ap-
4 pointed in the manner provided by such amendment.

5 (c) TECHNICAL AND CONFORMING AMENDMENT.—
6 The subdivision designated “Fifth.” of the 4th undesig-
7 nated paragraph of section 4 of the Federal Reserve Act
8 (12 U.S.C. 341) is amended—

9 (1) in the 1st sentence, by striking “a presi-
10 dent, vice presidents, and”; and

11 (2) by striking the 2d, 3d, and 4th sentences
12 and inserting the following new sentence: “All execu-
13 tive officers and all employees of the bank shall be
14 directly responsible to the president of the bank.”.

15 **SEC. 3. GAO AUDITS OF FEDERAL RESERVE BOARD AND**
16 **FEDERAL RESERVE BANKS REQUIRED; ITEM-**
17 **IZED BUDGETS.**

18 (a) REMOVAL OF LIMITATION ON GAO AUDITS.—
19 Section 714(b) of title 31, United States Code, is amended
20 by striking the 2d sentence and inserting the following
21 new sentence: “In the case of any audit of the Board of
22 Governors of the Federal Reserve System or any Federal
23 reserve bank pursuant to the preceding sentence, the audit
24 may not include transactions for or with a foreign central
25 bank, government of a foreign country, or nonprivate

1 international financing organization or any part of any
2 discussion or communication among or between members
3 of the Board of Governors of the Federal Reserve System
4 or officers or employees of such Board which is related
5 to any such transaction.”.

6 (b) GAO AUDIT OF CASH VAULTS.—Section 714 of
7 title 31, United States Code, is amended by adding at the
8 end the following new subsection:

9 “(e) AUDIT OF FEDERAL RESERVE SYSTEM VAULT
10 FACILITIES.—

11 “(1) IN GENERAL.—The Comptroller General of
12 the United States shall audit the vault facilities of
13 the Board of Governors of the Federal Reserve Sys-
14 tem and each Federal reserve bank at least once
15 every 3 years to determine if a system of proper in-
16 ternal controls is being maintained with respect to
17 each such facility.

18 “(2) EXAMINATION OF REPORTS OF INDEPEND-
19 ENT AUDITORS.—The Comptroller General shall reg-
20 ularly examine the reports of independent auditors
21 who examine any vault facility referred to in para-
22 graph (1) to determine if such audits have been
23 properly performed.

24 “(3) REPORT OF SIGNIFICANT PROBLEMS.—
25 The Comptroller General shall report any significant

1 problem discovered with regard to any vault facility
2 referred to in paragraph (1) or any audit described
3 in paragraph (2) to—

4 “(A) the Board of Governors of the Fed-
5 eral Reserve System;

6 “(B) the Inspector General of the Federal
7 Reserve System; and

8 “(C) the chairperson and the ranking mi-
9 nority member of the Committee on Banking
10 and Financial Services of the House of Rep-
11 resentatives and the Committee on Banking,
12 Housing, and Urban Affairs of the Senate.”.

13 (c) ITEMIZED BUDGETS.—The Federal Reserve Act
14 (12 U.S.C. 221 et seq.) is amended by inserting after sec-
15 tion 11A the following new section:

16 **“SEC. 11B. ITEMIZED BUDGETS.**

17 “(a) IN GENERAL.—During the first 15 days of each
18 regular session of Congress, the estimated receipts and
19 proposed expenditures of the Board of Governors of the
20 Federal Reserve System and all Federal Reserve Banks
21 for the following fiscal year and the 2 succeeding fiscal
22 years shall be transmitted to the Congress.

23 “(b) FORM OF BUDGET.—The budget submitted pur-
24 suant to subsection (a) shall be transmitted in the same
25 form and shall meet the same requirements, other than

1 the requirement relating to the budget message, as the
2 budget of the United States Government transmitted in
3 accordance with section 1105 of title 31, United States
4 Code.”.

5 **SEC. 4. PROMPT PUBLIC DISCLOSURE OF OPEN MARKET**
6 **COMMITTEE MEETINGS.**

7 Section 12A of the Federal Reserve Act (12 U.S.C.
8 263) is amended by adding at the end the following new
9 subsection:

10 “(d) PROMPT PUBLIC DISCLOSURES OF MEET-
11 INGS.—

12 “(1) TRANSCRIPTION OF EACH MEETING.—

13 Subject to paragraph (3), a written verbatim tran-
14 script of the discussion at each meeting of the Fed-
15 eral Open Market Committee shall be maintained by
16 the Board and made available to the public before
17 the end of the 1-year period beginning on the date
18 of the meeting and shall be treated as a Government
19 publication for purposes of making such material
20 available to depository libraries through the facilities
21 of the Superintendent of Documents in accordance
22 with chapter 19 of title 41, United States Code.

23 “(2) PROMPT DISCLOSURE OF POLICY AC-
24 TIONS.—An explicit, written description of any de-
25 termination, decision, directive, or other conclusion

1 made by the Federal Open Market Committee at
2 any meeting of the committee, including any direc-
3 tive or instruction sent to any Federal reserve bank
4 or Federal reserve agent in connection with any
5 open market operation, shall be made available to
6 the public by the end of the 1-hour period beginning
7 at the time the Board or any such bank or agent be-
8 gins to implement any such determination, decision,
9 directive, conclusion, directive, or instruction.

10 “(3) LIMITED REDACTION AUTHORITY.—

11 “(A) IN GENERAL.—No verbatim tran-
12 script made available to the public pursuant to
13 paragraph (1) may be redacted in any way
14 other than to redact a specific reference to a
15 foreign central bank.

16 “(B) COMPLIANCE AUDIT.—The Comptrol-
17 ler General of the United States shall periodi-
18 cally audit compliance by the Board with the
19 requirements of subparagraph (A).

20 “(4) RELEASE OF PRIOR TRANSCRIPTS.—All
21 transcripts maintained by the Board of any meeting
22 of the Federal Open Market Committee which was
23 held more than 1 year before the date of the enact-
24 ment of the Federal Reserve Audit and Accountabil-
25 ity Act shall be made available to the public in the

1 manner provided under paragraph (1) no later than
2 December 31, 1997.

3 “(5) MEETING INCLUDES EXECUTIVE SES-
4 SION.—For purposes of this subsection, the term
5 ‘meeting’ includes any executive session of the Fed-
6 eral Open Market Committee or any informal meet-
7 ing, teleconference call, or other occasion at which a
8 quorum of the members of the committee are par-
9 ticipating.”.

10 **SEC. 23. PRESIDENTIALLY APPOINTED INSPECTOR GEN-**
11 **ERAL FOR FEDERAL RESERVE SYSTEM.**

12 (a) AMENDMENTS TO THE INSPECTOR GENERAL ACT
13 OF 1978.—The Inspector General Act of 1978 (5 U.S.C.
14 App.) is amended—

15 (1) in section 11—

16 (A) in paragraph (1), by inserting “the
17 Chairman of the Board of Governors of the
18 Federal Reserve System;” after “the Chair-
19 person of the Federal Deposit Insurance Cor-
20 poration;”; and

21 (B) in paragraph (2), by inserting “the
22 Board of Governors of the Federal Reserve Sys-
23 tem,” after “the Federal Deposit Insurance
24 Corporation,”;

1 (2) by redesignating section 8H as 8I and in-
2 serting after section 8G the following new section:

3 **“SEC. 8H. SPECIAL PROVISIONS CONCERNING THE FED-**
4 **ERAL RESERVE BOARD.**

5 “(a) DELEGATION.—The Chairman of the Board of
6 Governors of the Federal Reserve System may delegate
7 the authority specified in the second sentence of section
8 3(a) to the Vice Chairman of the Board of Governors of
9 the Federal Reserve System, but may not delegate such
10 authority to any other officer or employee of the Board
11 or any Federal reserve bank.

12 “(b) PERSONNEL.—Notwithstanding paragraphs (7)
13 and (8) of section 6(a), the Inspector General of the Board
14 of Governors of the Federal Reserve System may select,
15 appoint, and employ such officers and employees as may
16 be necessary for carrying out the functions, powers, and
17 duties of the Office of Inspector General and to obtain
18 the temporary or intermittent services of experts or con-
19 sultants or an organization of experts or consultants, sub-
20 ject to the applicable laws and regulations that govern
21 such selections, appointments, and employment, and the
22 obtaining of such services, with the Federal Reserve Sys-
23 tem.

24 “(c) CLARIFICATION OF AUTHORITY.—The authority
25 of the Inspector General of the Board of Governors of the

1 Federal Reserve System extends to the conditions, oper-
2 ations, and all facilities of the Federal reserve banks.”;

3 (3) in section 8I, as so redesignated, by striking
4 “or 8E” and inserting “8E, or 8H”; and

5 (4) in section 8G(a)(2), by striking “the Board
6 of Governors of the Federal Reserve System,”.

7 (b) POSITION AT LEVEL IV OF THE EXECUTIVE
8 SCHEDULE.—Section 5315 of title 5, United States Code,
9 is amended by inserting after “Inspector General, Federal
10 Deposit Insurance Corporation.” the following:

11 “Inspector General, Board of Governors of the
12 Federal Reserve System.”.

13 (c) TRANSITION PERIOD.—

14 (1) CURRENT SERVICE.—Except as otherwise
15 provided by law, the individual serving as the In-
16 spector General of the Board of Governors of the
17 Federal Reserve System before the date of enact-
18 ment of this Act may continue to serve in such posi-
19 tion until the earlier of—

20 (A) the date on which the President ap-
21 points a successor under section 3(a) of the In-
22 spector General Act of 1978; or

23 (B) the date which is 6 months after the
24 date of enactment of this Act.

1 (2) DEFINITION.—For purposes of paragraph
2 (1), the term “successor” may include the individual
3 holding the position of Inspector General of the
4 Board of Governors of the Federal Reserve System
5 on or after the date of enactment of this Act.

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