

Financial/Audit

Examinations of the Reserve Bank

The Reserve Banks and the consolidated limited liability company (LLC) entities are subject to several levels of audit and review. The combined financial statements of the Reserve Banks as well as the annual financial statements of each of the 12 Banks and the consolidated LLC entities are audited annually by an independent auditing firm retained by the Board of Governors. In addition, the Reserve Banks, including the consolidated LLC entities, are subject to oversight by the Board of Governors, which performs its own reviews. The Reserve Banks use the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to assess their internal controls over financial reporting, including the safeguarding of assets. Within this framework, the management of each Reserve Bank annually provides an assertion letter to its board of directors that confirms adherence to COSO standards. In 2011, the Board of Governors engaged Deloitte & Touche LLP (D&T) to audit the combined and individual financial statements

of the Reserve Banks and those of the consolidated LLC entities.¹ In 2011, D&T also conducted audits of internal control over financial reporting for each of the Reserve Banks and the consolidated LLC entities. Fees for D&T's services totaled \$8 million, of which \$2 million was for the audits of the consolidated LLC entities. To ensure auditor independence, the Board of Governors requires that D&T be independent in all matters relating to the audits. Specifically, D&T may not perform services for the Reserve Banks or others that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In 2011, the Bank did not engage D&T for any nonaudit services. The Federal Reserve Bank of Dallas' financial statements as of and for the years ended December 31, 2011 and 2010 and the independent auditors' report can be found at the following link:
www.federalreserve.gov/monetarypolicy/files/BSTDallasfinstmt2011.pdf

¹Each LLC will reimburse the Board of Governors for the fees related to the audit of its financial statements from the entity's available net assets.