

[House Hearing, 112 Congress]
[From the U.S. Government Printing Office]

INVESTIGATING THE GOLD: H.R. 1495,
THE GOLD RESERVE TRANSPARENCY ACT
OF 2011 AND THE OVERSIGHT OF
UNITED STATES GOLD HOLDINGS

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HEARING
BEFORE THE
SUBCOMMITTEE ON
DOMESTIC MONETARY POLICY
AND TECHNOLOGY
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
FIRST SESSION

JUNE 23, 2011

Printed for the use of the Committee on Financial Services
Serial No. 112-41

U.S. GOVERNMENT PRINTING OFFICE
67-936 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing
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INVESTIGATING THE GOLD: H.R. 1495,
THE GOLD RESERVE TRANSPARENCY ACT
OF 2011 AND THE OVERSIGHT OF
UNITED STATES GOLD HOLDINGS

Thursday, June 23, 2011

U.S. House of Representatives,
Subcommittee on Domestic Monetary
Policy and Technology,
Committee on Financial Services,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:31 a.m., in room 2128, Rayburn House Office Building, Hon. Ron Paul [chairman of the subcommittee] presiding.

Members present: Representatives Paul, Jones, Luetkemeyer, Huizenga, Schweikert; Clay, Maloney, and Green.

Chairman Paul. This hearing will come to order. Without objection, all members' opening statements will be made a part of the record.

I will start with my opening statement and proceed to anybody else who is anxious to do the same.

For far too long, the United States Government has been less than transparent in releasing information relating to its gold holdings. Not surprisingly, this secrecy has given rise to a number of theories about the gold at Fort Knox and other depositories.

Some people speculate that the gold has been involved in gold swaps with foreign governments or bullion banks. Others believe that the gold has been secretly shipped out of Fort Knox and sold. And, still others believe that the bars at Fort Knox are actually gold-plated tungsten.

Historically, the Treasury and the Mint have dismissed these theories rather than addressing these concerns with substantive rebuttals. No one from Congress has been allowed to view the gold at Fort Knox in nearly 40 years. Recent

photographs of gold holdings seem to be hard to come by. And the Mint and the Inspector General's audit statements contain only the bare minimum of information.

Because the Government has for so long refused to provide substantive information on its gold holdings, it is not surprising that so much confusion abounds, both within and without the Government.

The difference between custody and ownership, questions about the responsibility for U.S. gold held at the New York Fed, and that issue of which division at Treasury is ultimately responsible for the gold reserves are just some of the questions that have come up during the research for this hearing. In a way, it seems as though someone decided to lock up the gold, put the key in a desk somewhere, and walk off without telling anyone anything.

Only during the preparation for this hearing was my office informed that the Mint has in fact conducted assays of statistically representative samples of gold bars, and we were provided with a sample assay report.

This type of information should be reported, or at least tabulated and published, so that the public knows exactly how many bars of gold exist, what their fineness is, and whether they are encumbered in any way through loans or swaps.

While the various agencies concerned have been very accommodating to my staff in attempting to shed some light on this issue, it should not require the introduction of legislation or a congressional hearing to gain access to this information. This information should be published and available to the American people.

This gold belongs to the people, especially since much of it was forcibly taken from them in the 1930s, and the Government owes it to the people to provide them with the details of these holdings.

We would greatly benefit from a full, accurate inventory audit and assay with detailed explanations of who owns the gold and who is responsible for ownership, custody, and auditing.

While the Mint and the Inspector General trust the accuracy of the audits performed between 1975 and 1986, this still means that at least two-thirds of the gold reserves were last audited over a quarter century ago. Surely, a full audit every 25 years is not too much to ask.

I look forward to the testimony of the witnesses regarding the conditions of the gold reserves, the accounting audits that are regularly performed, and the inventories and assays that have been conducted on some of this gold over the years.

I am also very interested to hear the comments on the Gold Reserve Transparency Act, so that we may put forward a measure that provides the public with accurate and complete information on their gold.

I yield back the remaining time of my 5 minutes, and yield to Mr. Clay for his 5 minutes.

Mr. Clay. Thank you, Mr. Chairman. And thank you for holding this hearing, entitled, "Investigating the Gold: H.R. 1495, the Gold Reserve Transparency Act of 2011 and the Oversight of United States Gold Holdings."

I, too, look forward to the witnesses' testimony.

And I also noted that in the Treasury Inspector General's written testimony, he wrote that the IG is required by law to perform an annual audit of the Mint public enterprise fund's financial statements. And those statements include the balance of custodial deep storage gold reserve held by the Mint.

It seems as though there is already an annual audit that both the IG and the GA believe is required of them.

However, Mr. Chairman, one other suggestion is perhaps we, as a subcommittee, may consider taking a tour of Fort Knox and the other place or places that house the gold and really witness for ourselves if it is going--I don't know if that would be enough to determine if the gold is authentic.

But, it may be something for the committee to consider. So I look forward to the witnesses' testimony. And, again, I thank

the chairman.

Chairman Paul. I thank the gentleman. I also thank the gentleman for his suggestion. I think it is a good idea to go and at least show our interest. But I personally would feel like I would have shortcomings on looking at a bar and knowing exactly what I was looking at. But there is no reason why we can't at least consider that as a starting point.

Would any other member like to make an opening statement?

Okay. I will proceed to the witnesses.

I would like introduce our two witnesses. Mr. Gary Engel is the Director of Financial Management and Assurance at the Government Accounting Office. He directs GAO's annual audit of the U.S. Government's consolidated financial statements, as well as audits of key financial statements at the Department of the Treasury.

And I want to welcome Mr. Engel, as well as the honorable Eric M. Thorson, who has been the Inspector General of the Department of the Treasury since 2008. He manages oversight of the Treasury through independent audits, investigations, and review.

And we will go ahead and proceed with the testimony of Mr. Thorson.

STATEMENT OF THE HONORABLE ERIC M. THORSON, INSPECTOR GENERAL,
U.S. DEPARTMENT OF THE TREASURY

Mr. Thorson. I thank you for the opportunity to appear before you this afternoon.

My testimony will cover the audits done by my office on the United States Mint's Schedule of Custodial Deep Storage Gold Reserves. Hereafter, I will mostly refer to them simply as the gold reserves.

Before I discuss the details of the audits that are the topic of this hearing, I want to make one point very clear: 100 percent of the U.S. Government's gold reserves in the custody of the Mint has been inventoried and audited. Furthermore, these audits found no exceptions of any consequence.

I also want to assure you that the physical security over the gold reserves is absolute. I can say that without any hesitation, because I have observed the gold and the security of the gold reserves myself.

Accordingly, the requirements of H.R. 1495, which calls for a full assay, inventory, and audit of gold reserves of the United States, together with an analysis of the sufficiency of the measures taken for the security of such reserves, is redundant of audit work already done.

Since 1993, my office has performed annual audits of the Government's deep storage gold reserves held by the Mint. In fact, our Fiscal Year 2011 audit of the gold reserves is currently under way.

My testimony today will briefly describe what the Mint gold reserves include, and the annual audits performed by my office since 1993.

The Mint maintains its storage gold reserves in three highly secure locations: Fort Knox, Kentucky; West Point, New York; and Denver, Colorado. While it would be inappropriate for me to discuss the details of the security arrangements in place at these facilities, I can tell you that they are multilayered and include substantial physical barriers, armed guards, cameras, and metal detectors.

In all, 42 compartments at these 3 hardened facilities hold 699,515 gold bars with a fineness or purity ranging from 0.47 to 0.9999, with an average fineness of 0.9006.

As of September 30, 2010, the audited quantity of the gold reserves held by the Mint was over 245 million fine troy ounces, weighing over 9,300 tons, with a market value of \$320.6 billion. I might add that each gold bar weighs about 27 pounds and has an average value of about \$0.5 million.

In June 1975, the Treasury Secretary authorized and directed a continuing audit of U.S. Government-owned gold for

which Treasury is accountable. Pursuant to that order, the Committee for Continuing Audit of the U.S. Government-owned Gold performed annual audits of Treasury's gold reserves from 1975 to 1986, placing all inventoried gold that it observed and tested under an official joint seal.

The committee was made up of staff from Treasury, the Mint, and the Federal Reserve Bank of New York. The annual audits by the committee ended in 1986 after 97 percent of the Government-owned gold held by the Mint had been audited and placed under official joint seal.

It should be noted that during the entire period of these audits and up to today, no discrepancies of any consequence have ever been found.

This is an example of the seal--and I have put pictures of these in my testimony. This is an actual seal that came off one of the compartments.

My office began conducting annual audits of the gold reserves in Fiscal Year 1993. Since 2005, these audits have supported the annual audits of the Treasury Department's consolidated financial statements, which incorporate the balances of the gold reserves held by the Mint.

The financial statement audit is performed by KPMG under contract with my office. KPMG has relied on our audits of the gold reserves when rendering its opinions on the Mint's and Treasury's financial statements. They have assured themselves as to the independence, reputation, and qualifications of my audit staff.

In addition, they have satisfied themselves with the adequacy of the audit procedures performed. The audit work performed by both my office and KPMG is done in accordance with Government auditing standards established by the GAO.

Since 1993, when we assumed responsibility for the audit, my office has continued to directly observe the inventory and test the gold. In fact, my auditors signed the official joint seals--such as the one I showed you--placed on those compartments, inventoried and tested in their presence.

At the end of Fiscal Year of 2008, all 42 compartments had been audited by either the GAO, the Committee for Continuing Audit of the U.S. Government-owned Gold, or my office, and placed under official joint seals. There has not been any movement of inventoried gold since that time.

Furthermore, in addition to observing the inventory of the gold for all of the audit periods, we selected and tested a statistically valid random sample of gold bars using a 95 percent confidence level. We found, without fail, that any differences between the fineness reported by the Mint and the fineness based on our independently obtained assay reports were immaterial and negligible.

For example, during our Fiscal Year 2008 audit, we sampled gold valued at \$75 million. Based on the independent assay of those samples, we projected the dollar value of the difference, based on the assay report and the Mint's inventory records, to be \$3,820, or 0.005 of 1 percent of the gold inventory.

As discussed earlier, by the end of Fiscal Year 2008, all of the gold reserves in the Mint's custody had been 100 percent inventoried and audited.

In closing, based on the work performed by my office and by my own personal observations, I can assure the subcommittee and, as you said, sir, the American people, that both the quantities and the value of the U.S. Government's deep storage gold reserves held and reported by the Mint are reliable and fully audited. I mentioned the American people because, as you said, sir, they own this gold.

The reason we go through all of the procedures that I just mentioned is to give the American people the absolute confidence that the gold reserves are as represented. Fort Knox, for instance, isn't just a huge stockpile of gold. It is also a symbol of the stability and financial soundness of their Government.

To create doubt about the value or the security or even the

very presence of the gold reserves without reason contributes to the distrust in Government that seems to be a growing trend today.

It is the obligation of every Inspector General to report to the Congress, and to the public, areas of concern that need to be fixed. But I believe it is also my obligation to report to you when something is being done right, and that is the case here today.

That concludes my statement.

[The prepared statement of Inspector General Thorson can be found on page 42 of the appendix.]

Chairman Paul. I thank the gentleman, and we will proceed with Mr. Engel.

STATEMENT OF GARY T. ENGEL, DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

Mr. Engel. Thank you, Mr. Chairman, Ranking Member Clay, and other members of the subcommittee. I am pleased to be here today to discuss H.R. 1495, the Gold Reserve Transparency Act of 2011.

As of September 30, 2010, about 95 percent of the reported U.S. gold reserves were in the custody of the Mint, of which nearly all is deep storage gold. The remaining U.S. gold reserves were in the custody of the Federal Reserve Bank of New York.

In 1974, in response to congressional interest and in conjunction with the Mint, GAO assisted in the planning and observed the inventory of U.S. gold reserves in the depository at Fort Knox. GAO selected and audited 3 of the 13 compartments at that depository.

As part of this audit, GAO recommended that a cyclical inventory of the gold in Mint custody be performed annually to ensure that the gold in all compartments would be inventoried over a specified period of years.

Acting on this recommendation, in 1975 Treasury established the Committee for Continuing Audit of the U.S. Government-owned Gold. Treasury OIG officials estimate that about 92 percent of the U.S. gold reserves have been audited by either GAO or the Committee for Continuing Audit as of September 30, 1986. Of this percent, GAO's audit in 1974 represented about 13 percent.

More recently, the U.S. gold reserves have been presented in various financial reports and have therefore been subject to various audit efforts. For example, since issuing its audit report covering the Mint's custodial schedule for Fiscal Year 1993, the Treasury OIG has annually audited the deep storage gold reserves in the custody of the Mint.

For each of the fiscal years under audit, the Treasury OIG has issued a clean opinion on the Mint's custodial schedules. Also, the Treasury OIG did not report any material weaknesses in internal control over financial reporting relating to these schedules for those fiscal years.

H.R. 1495 provides for the Secretary of the Treasury to conduct and complete a full assay, inventory, and audit of the U.S. gold reserves, and an analysis of the sufficiency of the measures taken for the security of such reserves. In considering the provisions of H.R. 1495, it will be important to consider the cost, benefit, and timing of actions needed to implement the proposed requirements.

H.R. 1495, if enacted, may result in duplication of certain past and current efforts. Nevertheless, GAO would be capable of reviewing the results of Treasury's actions as called for in the bill, should it be enacted. GAO's review would include visits to the facilities where the gold reserves are held to selectively observe the inventorying and the auditing of the gold. We would also examine various documentation supporting the required assay, inventory, and audit.

H.R. 1495 also provides for GAO to transmit to the Congress not later than 9 months after enactment of the Act a report of GAO's findings from such review and the results of Treasury's

efforts. According to Treasury officials, because of the enormous quantity of gold that would need to be inventoried and assayed, it is unclear whether Treasury can complete such actions within the 6-month period provided for in H.R. 1495.

If Treasury's efforts are not completed within this period, there would be limitations on the scope of GAO's work if GAO were still to be required to report out within the 9-month period.

GAO stands ready to work with the subcommittee on developing changes to the provisions of H.R. 1495 that would most efficiently utilize the results of past and current gold reserve assay, inventory, and audit efforts.

Mr. Chairman, and Ranking Member Clay, this concludes my prepared remarks. I would be pleased to answer any questions that you may have.

[The prepared statement of Mr. Engel can be found on page 30 of the appendix.]

Chairman Paul. I thank the gentleman.

I will start off with yielding 5 minutes to myself for questions. I wanted to ask both of you this question. It has to do with what is happening in New York, because that has been a little more difficult to understand.

There is a lot of uncertainty surrounding who has responsibility of the gold reserves held at the New York Fed. You did mention it in your testimony, but conversations with the Mint and the Office of the Inspector General, the main Treasury and the New York Fed, have all resulted in one or the other of these entities saying to check with the other, so we never got a full answer.

The OIG has stated that it does receive financial statements from the New York Fed attesting to the gold held in storage there for purposes of their financial statement audits. However, there seems to be no definite answer as to who has the responsibility for the New York Fed gold, and no one seems to know the last time it was assayed or inventoried.

A common rejoinder has been that it is just a small part of the gold reserves; it is only 5 percent. But when you look at the total amount of gold we have, 5 percent is pretty significant, because it is more than 13 million ounces of gold. And at \$1,500 an ounce, we are talking about \$20 billion that seems to be floating around out there and we just really can't pin it down. I know we are used to talking in trillions, but this just seems like poor governance.

Could either of you comment on the New York Fed-held gold, whether it has been assayed or inventoried, and whether it deserves to be thoroughly examined, as the legislation calls for?

Mr. Engel. My understanding is that the gold reserves in the Federal Reserve Bank of New York have not been assayed. That is just based upon my reading of reports, not from work that GAO has done. But it is also my understanding from reading a Treasury OIG report from back in 1987, that pretty much 99.9 percent of the gold reserves that were in the Federal Reserve Bank of New York at that time--and I think that the amounts of fine troy ounces, when I looked, has not really changed to what it is now--were being audited over periods of time by the Federal Reserve examiners, and that those inventories had been observed by members of the Committee for Continuing Audit that we spoke of earlier.

Because it had not been assayed and because it is not under the control of that committee, they have not considered that as audited. But, there have apparently been inventories of it, and there have been observations of that inventory. The last report that I saw that said that was from back in 1986. So, I don't know what has been done since then.

Chairman Paul. Thank you.

Mr. Thorson?

Mr. Thorson. You are correct that we don't audit that. It is done by a third-party confirmation, which is an accepted practice under audit. But it is the Treasury's gold--5 percent

of it is there and it is really at this point is immaterial to the statement and the total numbers.

Chairman Paul. It is immaterial?

Mr. Thorson. As an auditing term, I mean. It is not included in what we listed in the statements.

Chairman Paul. But it is a relevant amount of gold, obviously?

Mr. Thorson. Right.

Chairman Paul. Since this is held at the New York Fed, and the New York Fed is obviously very much involved in international arrangements during the financial crisis, essentially every single transaction to the tune of trillions of dollars that they transacted involved foreign central banks. And over the last decade or two, central banks have been very much involved in gold swaps and loaning gold and selling gold.

And to date, of course, we have no evidence that our Government has ever been involved. But it seems to me that if there was ever one place where they might have gotten involved, since the New York Fed is involved in international transactions with--you probably don't have the answer on whether or not they did or did not--but could it be conceivable that they could have done it without your knowledge?

Mr. Thorson. I don't believe so, no. And as far as any encumbrances other than the gold certificates that are held by the Fed, we did ask that question before coming here. What I was told was as far as encumbrances, ``Not one troy ounce is encumbered.''

Chairman Paul. Okay.

I yield back, and now I yield 5 minutes to Mr. Clay.

Mr. Clay. Again, thank you, Mr. Chairman, for conducting this hearing. And let me thank both witnesses for your testimony today.

According to the U.S. Mint, which is the custodian of nearly 95 percent of America's gold reserves, the time required to move, weigh, assay, and re-store the bars of gold averages 6 minutes per bar with a team of 19 people. Now, the Mint points out that extrapolating that to 700,000 bars, as the legislation requires, would require nearly 1.3 million manhours of incremental labor.

Therefore, to complete the inventory of just the gold bullion bars within 6 months, as this proposal specifies, would require approximately 1,280 individuals. And we know that since this is a domestic issue that, Mr. Chairman, your leadership would require an offset, so we would have to find the money to do this since this is a domestic issue, and we have to pay for all of those things.

Would either of the witnesses view this bill as a prudent use of taxpayer funds?

Mr. Thorson?

Mr. Thorson. The numbers that you quote are probably--just on my unscientific judgment having been there--pretty accurate. It is a remarkably small area. It is really surprisingly so when you are actually standing there with the compartments. You are going to be able to use very few people in that area. I think you gave the figure of about 1,200 people? That is almost laughable when you actually see the space.

So that means it is going to take a great deal longer than what you would normally think. And if you could put 1,200 people together, have them move the bars, it is going to take a very long time.

I, obviously, as I said in my statement, don't see the benefit at any cost really. It is what we do; it is what we do every year. As I said, it almost loses its effect to stand there and actually see it all, because there is so much of it. It is there.

Mr. Clay. Thank you for that response.

Mr. Engel, is this a good use of taxpayers' money, if this bill becomes law?

Mr. Engel. I think, as I said in our testimony, that we would be willing to work with the subcommittee on possibly

building off of the assays, the inventories and audits that have already been done to address concerns that there may be things within these vaults that are no longer there.

I agree that they have been through an audit process. Auditors have checked these seals. But if the subcommittee wanted to have something done there, I would think we would be talking, rather than a full assay, maybe some sort of sampling, if you wanted to just get a feel that nothing has happened over the years since those vaults were sealed. But outside of that, it seems quite a bit redundant with what has already been done.

Mr. Clay. All right.

I thank both witnesses for their responses.

And Mr. Chairman, I yield back.

Chairman Paul. I thank the gentleman.

I yield 5 minutes to Mr. Jones from North Carolina.

Mr. Jones. Mr. Chairman, thank you very much.

And Mr. Engel, it is nice to see you. I had a very pleasant business relationship with Mr. Thorson on a number of issues. And I thank you for always being there to be helpful.

I think the reason that I wanted to be here to listen to the witnesses, and certainly my colleagues on both sides, is that as a Member of Congress, one of my biggest concerns is not so much the gold, whether it is there or not there. But it is the Americans' distrust of all of us in Congress, quite frankly.

And I was reading--my staff got for me this--I will read it. It has nothing to do with this hearing, but it will lead to something in a moment:

``The Federal Reserve Bank of New York is refusing to tell U.S. Government investigators how much money it sent to Iraq during the first years of the American invasion. The Iraqi officials suggested the missing and possibly stolen funds from that era is more than \$18 billion.''

And there is Stuart Bowen--a wonderful Inspector General who has always exposed all the lost American money--going to the New York Fed, and they won't meet with him. And I think that is the reason that maybe this bill has been introduced, and maybe not. It is for other reasons as well.

But, if the American people could just regain a little bit of confidence in Washington, whether it be an agency or the Congress itself, it would really, I think, help the environment of America.

And I was wondering, I was thinking when Mr. Clay was suggesting, and Mr. Paul, the chairman, kind of agreed, does it make any sense for there to be a congressional delegation of five people, three people, six people, that every so often when you do the audit--I think you said once a year, or I might have missed that in the testimony, you may have to correct me--but is it already in the guidelines or the statute that there would be a couple of Representatives from the Senate and the House who would be able to accompany the inspectors when they go to--or the auditors, not the inspectors, the auditors?

To me, this is about--there is so much--if I could change one thing in America and Iraq, or I--if I could control one thing, it would be the Internet. There is more misinformation on the internet than there is accurate information. And all there has to be is some person who is challenged--I am going to be careful about this--who puts on the Internet that you cannot find the gold at Fort Knox. Then all of a sudden, thousands or millions of people are seeing that. They are not hearing what you are saying.

So I just wonder, if it makes any sense, if it is in your regulations, or if it needs to be in the statute, that there would be a team of two Senators or two Representatives who would have the option of accompanying your inspectors to one of the sites?

Mr. Thorson. Actually, that has happened under a situation very similar to this one in 1974.

In September of 1974, I believe it was Congressman Rousselot took a delegation which included, I believe, one

Senator, Senator Huddleston, and they went down with, I assume permission probably would have come from either the Secretary of the Treasury or the White House, and did tour the gold and there were pictures taken and there are video clips of that.

I think that is exactly what you are describing. And it was done in 1974. Obviously, I don't think either one of us have any authority to say anything about such a visit. But it certainly is something that the committee can make a request for, because there is a precedent for having done it.

Mr. Jones. I appreciate you sharing that. And I will close in just one second. But I think in the world we live in today, there is such distrust that it would be I think for at least during this deep recession that we are in, that if that could be accomplished, it would help, I think, with the public's trust.

Not so much that they should believe Members of Congress, but I think that if this was an announced group meeting and Members, then it gets some publicity, and maybe there could be a news conference after this.

I don't know. I think there is validity in why we are having this hearing today, and I just wanted to share those thoughts with the panel and you, Mr. Chairman, and my colleagues.

I yield back.

Chairman Paul. I thank the gentleman.

I now recognize Mr. Luetkemeyer from Missouri for 5 minutes.

Mr. Luetkemeyer. Thank you, Mr. Chairman.

In your testimony, I didn't hear any comments about the golds that we use to mint coins. Is that held separately, or is that not included in this report, or am I missing something?

Mr. Thorson. You said the Federal Reserve gold is separate?

Mr. Luetkemeyer. Okay, the Federal Reserve has a separate-- of gold they use to mint coins. Is that the same?

Mr. Thorson. Right. It is all part of Treasury's gold, but it is not reported on the Mint's financial statement. It is reported on the Treasury's consolidated financial statements.

Mr. Luetkemeyer. Okay, so they are the ones then that will mint the coins and they don't have anything to do with the gold that we are talking about here today?

Mr. Engel. No, there might be a misunderstanding. In the Mint locations, they have basically two types of gold. They have the deep storage gold, and then they have working-stock gold. I believe what you are talking about is the working-stock gold. Yes, there is working-stock gold that is kept in the different Mint locations. I think at the end of last year, it was about 3 million fine troy ounces. About 1 percent of the total is working-stock gold. And that is the kind that is used for minting coins, medallions, things like that.

Mr. Luetkemeyer. Okay, so is that audited as well, I assume, as part of--

Mr. Engel. Yes, that is part of the Mint's financial statements. That is not part of the custodial schedules, but it is part of the Mint's financial statements.

Mr. Luetkemeyer. Okay, so how do you replenish that stock then? Are you just using existing stock, or do you get new gold shipments in that you use up? Or how do you continue to be able to mint new gold coins?

Mr. Engel. I am not involved with it. But my understanding is that they replenish that by purchasing stock, you know purchasing from the outside--

Mr. Luetkemeyer. --just on the open market somewhere?

Mr. Engel. Yes.

Mr. Luetkemeyer. Okay. That is kind of interesting. I was listening to the discussion here of my colleagues with regards to the congressional review of the actual gold. And I think it might be a good idea to do that from the standpoint of also looking at the protection and procedures--all the stuff that goes into it from the standpoint of, again, some reassurance that there are adequate procedures in place for protection of

it. So it is kind of interesting to listen to that debate.

Along the same lines, with regard to the amount of gold that we have, according to testimony in the documents that I have been reading here, we are carrying it on our books at \$41, \$42.22, I believe. Is that correct?

Mr. Engel. That is the per fine troy ounce statutory value.

Mr. Luetkemeyer. Okay. And you evaluated a while ago at about \$320 billion, is that right?

Mr. Engel. At market.

Mr. Luetkemeyer. At the current value today?

Mr. Thorson. That was September 30th of last year. And yesterday, we pulled it up, it would be \$1,552 an ounce and \$300 and--roughly--let us see, we don't have the--roughly \$340 billion.

Mr. Luetkemeyer. Okay. Mr. Chairman a while ago asked the question with regards to using and swapping it out with regards to other things. It is not used as collateral for anything either right now, is it, other than the gold certificates? There is no--

Mr. Engel. I am not aware of anything--

Mr. Luetkemeyer. --in any other way--

Mr. Engel. --especially in financial statements, there is nothing--or in the Department-wide--there is nothing disclosed about--

Mr. Luetkemeyer. So, it is just sitting there right now, right?

Mr. Engel. Yes, it is a reserve.

Mr. Luetkemeyer. Right, the reserve.

Mr. Thorson. Right, it is--and I would back up his statement as far as we are not aware of anything like that.

Mr. Luetkemeyer. Okay, what would happen--there is some discussion about going back to the gold standard. I don't know if we have a will, or if it is a good idea, a bad idea. But if we would, how would that change your operation?

Mr. Engel. I cannot speak to the gold standard and how it would change--

Mr. Thorson. On the gold standard issue?

Mr. Luetkemeyer. Yes, if we went back to the gold standard, how it will it change the operation of what you do?

Mr. Thorson. I am not sure how--

Mr. Luetkemeyer. But we have to have some more--would it be some transactions going on with regards to how you take care of it? Would it be that we would have to raise and lower the amounts that we have all the time, or things like that? Or how would we do that?

Mr. Thorson. I would have to tell you, as far as any discussion regarding returning to the gold standard, that is--you are really getting into a much more a policy issue. We are--both of us, we are auditors, we will--

Mr. Luetkemeyer. Okay.

Mr. Thorson. We will certainly be able to look at any process or procedure or plan if that ever happened. But as far as commenting on that as a policy as to whether it is a good idea or a bad idea, that is really out of our realm.

Mr. Luetkemeyer. Okay.

Thank you, Mr. Chairman. I appreciate the opportunity.

Chairman Paul. I thank the gentleman, and we will go on and have a second round of questions, if you care to.

It seems that a portion of the Mint and the U.S. gold reserves were audited in an assay between 1993 and 2008, as you acknowledged. The Mint estimated that as much as one-third of the gold reserves were examined during this period. The other two-thirds, however, have not been inventoried--that is according to my understanding--or assayed since somewhere between 1975 and 1986. Do you think it would be worthwhile, at least, to inventory and assay this portion of the Mint-held gold?

Mr. Thorson. By--I forget which date it was, I believe by 1986, we--hold on just one second here, I got it.

It basically covered--by 1986, 97 percent of the

Government-owned gold held by the Mint had been audited and placed under joint seal. So once you have done that, and that seal remains unbroken, then I am not sure what other benefit there would be to going back into it at that point. But by 1986, you had 97 percent was audited--

Chairman Paul. But it just seems like, it is quite a bit different the way you described audits compared to, I think a general understanding of audits. They don't audit small portions over 20 and 30 years. An audit, I thought, was supposed to be audited as quickly as possible.

Mr. Thorson. I think it is a little different. Because what you have as opposed to, for instance, if I am auditing inventory of a company, product goes out, product comes in, it is replaced, etc., etc. In this case, there is no movement.

Those doors are not opened. There is nothing there that can happen, because once those doors are sealed--and I have given you a couple of show-and-tell examples here--it is very obvious if those seals are ever broken. And it is not like, and as I mentioned in a normal audit, where product is moved out and I replace it and I move on. That is not what happens here.

There is no movement. Those doors are not opened, if they are and a seal is broken, then those people who did--it is replaced, the seal is put in place.

So I guess, it is hard to imagine what benefit there would be, if in fact the seals that cover those doors are unbroken.

Chairman Paul. It just seems like it doesn't conform to my idea of what an audit is all about. But let me go on to another question dealing with the audits.

There has been a lot of speculation as to the condition of the gold reserves. As I mentioned in my opening statement, it was not until legislation was introduced and a hearing scheduled that information surrounding assays and inventories conducted by the Mint and the Office of the Inspector General was forthcoming. And your offices have been very accommodating in the process.

But it seems to me that all this information about the activities of the Mint and the IG have been engaged with respect to the gold reserves and the results of these activities should be gathered together in one place and made readily available, like it was mentioned on the Internet, maybe we could have it available to the public? That is what my bill proposes, assay and inventory the gold, evaluate whether it is encumbered in any transaction by the Treasury, have the Treasury issue a report.

The GAO independently verifies that report as Congress' investigative arm. Could you comment on the reporting element of the legislation, as well as the GAO's independent review?

Could you also comment on the extent to which the information already available could be published? Can we get the information a little easier instead of dragging it out?

If, for no other reason, for reassurance, because the questions have been building over the years. And when you say, "Well, but when was it fully audited?" My understanding, a full audit of the gold, most people give me the date 1953. So what about the facilitating of information to give the American people the absolute reassurance that they are asking for?

Mr. Thorson. I guess it would depend on what you wanted. We have published all of the audit reports on our Web site, they are public. You all asked for assay reports, which we certainly provided. We keep them for a while.

There is really no secret about it. There was one thing, I guess, on the press release for this hearing that kind of got my attention when you said we were less than forthcoming, I believe, was the term. I don't understand that, sir, to be honest with you. We don't publish our work papers on the Internet. I don't think any auditor does that.

But for the period which we have them, we keep them in the normal course of events. But this is an example of a public audit report on the gold. It is out there. And the assay reports, I believe your staff asked for, we provided them. The

work papers, like I said, we don't normally do that. But I don't think any auditor in America does that.

So whatever it is that we can do reasonably and under the proper rules of auditing, we are happy to do. Because I agree, transparency is our business. That is why we do what we do. If there are any suggestions, we are happy to listen to them.

Chairman Paul. What we were looking for was to get--we thought we would see a list of the bars or the assay details. There were gross numbers, but not a list of the bars and the precise assay results.

Mr. Thorson. Clearly, the results of them are published. I think in my statement which is there is nothing hidden were all in the statement. I mentioned the range of from the assay reports, I think it was 0.6 to 0.999, something like that. That is what the assay tells you and then we gave you an average.

So, those numbers are out there. I am not sure I understand why there is some confusion about that.

Chairman Paul. But I think it was incomplete and there weren't total numbers. I think we have a much smaller number in a single report. Anyway, we might be able to work that out and figure it out. But there is still some confusion there.

My 5 minutes is up, and I yield to Mr. Luetkemeyer for his 5 minutes

Mr. Luetkemeyer. Thank you, Mr. Chairman. I just have a couple of follow-up questions.

What is the annual cost to store and protect our U.S. holdings? Do you have an idea?

Mr. Thorson. The cost? I am sorry?

Mr. Luetkemeyer. The annual cost to protect and hold these holdings?

Mr. Thorson. What it would cost to follow through on this bill?

Mr. Luetkemeyer. No. Right now, we have the gold sitting in Fort Knox and Denver and--

Mr. Thorson. We don't really, because we do audits--we are doing many audits at the same time and that sort of thing, I don't think we have really ever broken down what it costs to do this particular--at least, what it costs my office to do this--

Mr. Luetkemeyer. Let me ask you what it costs--what is the cost to, I guess, the Government or the Mint or whomever pays the bill to protect the gold--

Mr. Thorson. Oh, the security.

Mr. Engel. I think that would probably be something that the Mint would be able to tell you--what that cost is. Neither of us I think would know that, but they would probably know what it costs for them to maintain the facilities and the depositories and things.

Mr. Luetkemeyer. That is not in your report? You don't go back and check the costs for the procedures of maintaining the--

Mr. Thorson. We are auditing the inventory of the gold, not the--that would be a separate job and it is something that if your committee or somebody asked us to do, we could certainly look at that.

Mr. Luetkemeyer. All right.

Mr. Thorson. But as you can see, that is really a different issue than how much gold is present at the locations.

Mr. Luetkemeyer. I would think protecting the gold would be pretty important, being able to count the gold. If you don't have it protected, you can't count what is not there if somebody takes it from you.

Mr. Thorson. Having gone there, I have never--I am former Air Force and been involved with everything from nuclear weapons--seen security like I saw in that vault.

Mr. Luetkemeyer. That is great and wonderful on that. But my question is, what does it cost us?

Okay, move on.

The IMF has the fourth largest gold reserves in the world. And my understanding is that the members who belong to the IMF have contributed gold to it. I guess my question is, is the

gold that we contributed, does IMF hold it, or do we maintain it here and just pledge it to the IMF? Or do you know?

Mr. Thorson. State the last part, please, sir.

Mr. Luetkemeyer. Okay. All of the people who are members of the IMF have contributed gold to their reserve. The United States is a member of the IMF.

Mr. Thorson. Right.

Mr. Luetkemeyer. When we pledged this gold, did we take it and physically move it to the IMF, or did we just have it pledged?

Mr. Thorson. There are no encumbrances on that; there is no reason to move it. We have been assured that there is not one troy ounce that is encumbered; therefore--

Mr. Luetkemeyer. Okay. So we have moved the gold to the IMF?

Mr. Thorson. The gold. The encumbrances that I am aware of, the only ones are to gold certificates held by the Fed. And if they were to go to the physical side of it, what you are talking about is, if they were to redeem those gold certificates, they would be paid in currency. They wouldn't be paid in gold. The gold is collateral. It wouldn't be redeemed that way.

Mr. Luetkemeyer. Okay. According to my resources here, it says there are 261 million ounces that are reported as U.S. Treasury-owned gold that are part of the IMF reserve. And so, we don't hold it ourselves. The IMF holds it in their reserve, wherever that is at? Do we count it as ours?

Mr. Thorson. Not that I know of.

Mr. Luetkemeyer. We don't count it as ours then? We count it as the IMF count it as theirs? Or we don't--it is just sort of an account. It is kind of like having a savings account with another bank?

Mr. Thorson. No.

Mr. Luetkemeyer. So, it is not our gold anymore? Is it IMF's, or is part of--is it ours as well?

Mr. Thorson. I think what you are talking about is the three purposes the gold can be used for, and the third one is what you are discussing, of which we are not aware of any use in that category at all. I believe it says the third one is consistent with the obligations of the Government and the IMF on orderly exchange agreements and a stable system of exchange rates, etc., made with the approval of the President, and may deal in gold. We are not aware of any case where that is occurring.

Mr. Luetkemeyer. You are saying we have never done this?

Mr. Thorson. It is what?

Mr. Luetkemeyer. You are saying that we have never done this?

Mr. Thorson. Not that--

Mr. Luetkemeyer. We have never transferred--

Mr. Thorson. I am not aware of any time we have done that and, at least, certainly not that it affects the amount or the type of gold in the reserves--no.

I think you were talking about physically moving them back and forth. That has not happened in recent history. Going back all the way to, at least, we cover the 70s and more. So, no, I don't believe it has.

Mr. Luetkemeyer. Okay. Perhaps after the hearing today, we can get together and find out the answer to the question, because I am kind of concerned now that we don't know whether we have lost 261 million ounces. Either we gave it to, and have now an account with, the IMF, or we still have it in our possession and it is encumbered.

Mr. Thorson. We know we still have it in our possession.

Mr. Luetkemeyer. Or we still have it in our possession, or we do not know where it is at, and it is encumbered. One or the other.

Mr. Thorson. I can say, there has been no physical removal of any of the gold during that time. I think what you are asking is, ``Is there any obligation or something that would

cause that?' In other words, 'Who owns that gold?' is really what you are saying, and to our understanding, that has not occurred. And we can certainly get you a more definitive answer.

Mr. Luetkemeyer. Okay. The information could be correct. But it is information that I would think would be correct. So it tells me that we would like a little more research to be done here. Thank you very much.

Mr. Thorson. I guess my answer, to be really clear, was that we do not believe that has occurred.

Mr. Luetkemeyer. Okay. Thank you.

Thank you, Mr. Chairman.

Chairman Paul. Thank you.

I want to follow up on that, because you may have given the answer, but I still don't think it is very clear.

Is it possible that the gold is counted twice--once in the IMF, and also on our balance sheet of the 261 ounces? Is the gold at the IMF part of the 261 ounces that we claim we own?

Mr. Thorson. I don't think it is possible that it could be counted.

Chairman Paul. So you don't--

Mr. Thorson. Do we count it twice, is it that it would affect the statement? Is that what you are asking?

Chairman Paul. We have pledged gold to the IMF. Every country has to put so much gold in the IMF. So, is it sitting over here in the IMF and we no longer own it, right?

Mr. Thorson. We do not audit--obviously, we do not audit the IMF so I can't make any comment on that.

Chairman Paul. Yes, but we are trying to figure out the accounting procedures on whether when you go and audit the gold, maybe you don't know that you audit and check the gold and look at these bars, but they really have been pledged to the IMF. Is that a possibility?

Mr. Thorson. No. I don't believe--no. I am not going to comment on IMF or what they are doing, because we don't audit the IMF. But the statements that I have made regarding the gold reserves in the Mint, our Mint, our Treasury Department Mint, that is pretty absolute.

And we know where it is. We know how much it is. And we know that it is there and none of it has been removed to, and nor do we believe there are any encumbrances it, other what I mentioned by gold certificates of the Fed.

Chairman Paul. We have the certificates, the Fed holds certificates that are called gold certificates. The Treasury holds the material in gold. What if a law was passed and we instructed Treasury to sell \$20 billion worth of gold?

Mr. Thorson. Right.

Chairman Paul. Can we do that, or do we have to get permission from the IMF? Maybe the encumbrance is to the Federal Reserve; maybe they are in charge and not Treasury. What can we do with that gold and who really owns it?

Mr. Thorson. I think you are trying to back into the same question there, which I think if you wanted to do that, that would be a question that would go to the Secretary of the Treasury with consultation, I am sure, by the President, who could do that. I don't think they're going to have to get permission from the IMF to do that, because there is no encumbrance on that gold, other than the gold certificates held by the Fed.

Chairman Paul. That would change the balance sheet of the Fed, because they count that. So, I don't know whether that would--the Fed is pretty secret, you know. Congress doesn't have much to say about what is going on over there. And they do a lot of hiding. So, I am not so sure the answer could be that helpful.

Mr. Thorson. I understand you are asking the question. I have tried my best to reassure you that isn't the case. But, on the other hand, remember, if somebody did try and redeem those gold certificates--let us say, they were pledged to somebody. They brought them forward and they wanted to redeem them. They

would be paid in currency at the statutory rate. They would not be paid in gold. The gold is collateral. It is not the method of payment.

So, they would receive whatever the value is of those certificates. The gold would remain in the custody of the United States and would no longer be collateral for those certificates that were redeemed.

Mr. Engel. I could maybe add something to that. As it relates to the gold certificates, the gold certificates do not represent that the Federal Reserve has ownership of that gold. There is a liability that is actually recorded in the financial statements for about \$11 billion that represents what Treasury owes the Federal Reserve for those gold certificates.

Now, if we were to go to sell some of that gold, my understanding is that Treasury would have to retire those gold certificates. And then I think, as Mr. Thorson was saying, there would be a reduction in the cash balance that Treasury has over at the Federal Reserve at \$42.22 per fine troy ounce for whatever amount of the gold certificates you were redeeming.

But there is an actual liability that is recorded currently and has been for years on the Government's financial statements for the amount that they owe the Federal Reserve for those gold certificates.

Mr. Thorson. Yes. And that is what I meant by the fact that if they were redeemed, obviously because it is a liability--if they presented those, there is an obligation to pay those. But it would not be paid in gold bars.

Chairman Paul. I want to go back to asking for suggesting that we have more thorough reports in our request from you on these reports. We did get one assay report, which was given as an example. There were 86 bars involved and you showed the details on what you found. But, of course, there is a lot more.

Why can't we get this list of each compartment, how many bars, what percentage, whether it is 0.999 or 0.90, and have the entire gold reserves that we have audited in that manner? So we see this one report, but we are asking--since there is a claim that all this has been audited and checked, couldn't that be all into one report, since we only got one assay report?

Mr. Thorson. I think what you are describing is really what the Mint does as far as--remember, the Mint inventories and assays, we audit. And there is a difference there. What you are asking for, I believe, really you need to direct that to the Mint and they can probably satisfy you as to what kind of records you are really looking for there.

Mr. Engel. The Mint should have records by bar and what the fineness is of each of those bars. I would think they would have records as to what has been assayed of those bars as part of the inventorying and all of that process. But, I think they are the ones that would have that type of detail.

Chairman Paul. All right, okay.

I see Mr. Schweikert has come in.

Are you ready to ask a question at this time?

Okay. I will go back to Mr. Luetkemeyer, if he asked all of them.

Mr. Luetkemeyer. I just have one follow up here with regard to the last line of questioning. The more I think about it, the more concerned I am, because we need to know if the gold that the United States has contributed to the IMF is still counted as the U.S. gold reserve?

In other words, if it is, then it is an encumbered amount of gold that we have sitting there and should be reported as such. If it is not, it should be reported like a savings account for an individual on their financial statement, and should be reported then on our financial statement of our Government as an asset sitting in the IMF.

Mr. Thorson. I think what you are saying, clearly if it was encumbered or belonged to IMF or anyone else, that would need to be reflected on the statement, because we are representing that this is the Treasury's gold, and therefore, that would not

be an accurate statement if it were encumbered.

We have been assured that none of that is encumbered and, therefore, that is the total amount. And so I guess there are a number of theories you could put onboard as to how--

Mr. Luetkemeyer. As the auditors of our gold, you should know whether that gold, if it is sitting in the IMF, is reported on our balance sheet somewhere for the Government.

Mr. Thorson. And gold held by the IMF is--it would not be--like I said, we don't audit IMF, so I am not going to try and--

Mr. Luetkemeyer. Yes, but aren't you auditing the gold?

Mr. Thorson. --guess what is going on there. But if it were--what we do represent is the Treasury's gold, the U.S. gold reserves, which we know where they are and they are not held by IMF or controlled by IMF.

Mr. Luetkemeyer. Who owns what is in the IMF then?

Mr. Thorson. Who does?

Mr. Luetkemeyer. Yes, who owns the gold--that is the United States Government's gold--who owns that then if it is sitting in the IMF? Do we not own that?

Mr. Thorson. I want to make sure I give you an accurate answer, so I am going to defer until I can get you the proper answer that is absolutely accurate, because I can't give you an answer on that off the top of my head.

Mr. Luetkemeyer. Okay. We are supposed to have 17 percent of the IMF, and if we own 17 percent of the 90 million ounces, that is a whole lot of money. And we need to know where it is.

Mr. Thorson. Right.

Mr. Luetkemeyer. But I certainly appreciate your willingness to work with us to find out, number one, is it counted among our reserves and we are not aware of it. And if we are not--out there--and if it is not, where does it appear on our balance sheet as an asset to the United States Government.

Mr. Thorson. You asked a good question and that is why I said I don't want to give you an answer off the top of my head. I want a real answer.

Mr. Luetkemeyer. I want to work with you to find out and make sure where it is at.

Mr. Thorson. And I will get you one.

Mr. Luetkemeyer. I appreciate it.

I yield back. Thank you, Mr. Chairman.

Chairman Paul. I thank the gentleman.

Mrs. Maloney?

Mrs. Maloney. Welcome.

And thank you for this hearing, Mr. Chairman.

I would like to ask both of the witnesses whether you believe this is a good use of your resources and funds, especially if it is true, as you testified, that it is duplicative of what you already have to do with respect to gold reserves.

And I am mentioning basically Bill 1495. And in this the GAO wrote, ``Bill 1495, if enacted, may result in duplication of certain past and current efforts, especially with regard to inventorying and auditing the gold reserves of the United States.''

And the Treasury's IG wrote, ``I believe that the inventory and audit requirements proposed in The Gold Reserve Transparency Act of 2011 (H.R. 1495) to be redundant of the work that my office and the Mint currently perform.''

And basically, why should Congress pass legislation that both the IG and the GAO believe is not needed? That is my question.

It is good to see you both.

Mr. Thorson, would you begin first, and then Mr. Engel?

Mr. Thorson. In our statement, we did say we believe it is redundant, because the things that are called for in the Act are things we believe we are already doing, and that is a proper audit and assay. We do assay to a statistical sampling. We don't assay every bar of gold, but we do it to a 95 percent confidence level. So I am not sure what it is that you would

want us to do that we aren't already doing.

Mrs. Maloney. Mr. Engel?

Mr. Engel. The one area that we talked about a little bit earlier is that maybe if you wanted to have something looked at, it is the gold reserves that are over at the Federal Reserve Bank of New York.

Now, there has been some audit of work that was done years ago by the examiners of the Federal Reserve and apparently the Committee for Continuing Audit had observed some of that. But that has not been labeled as audited per se, as I understood it by the Committee for Continuing Audit.

So if you did want to have something done, I guess you could have some work done over on the Federal Reserve Bank of New York. In terms of some of the other, it would be very redundant of what has been already done.

Mrs. Maloney. Can each of you comment on what you believe would be the cost to taxpayers of implementing H.R. 1495, since we are being very cautious about our deficit at this point?

Mr. Thorson. I think both of us would agree. I think the Mint has worked up some numbers that are somewhere above \$60 million or more. It would be in that range, but I think that is a question you should probably direct to the Mint.

Mrs. Maloney. Mr. Engel, do you have a comment?

Mr. Engel. Yes. We do not know. We haven't heard from the Mint what the amounts are. It is our understanding they were working up what they would estimate it would cost.

In addition to the cost of actually doing the inventorying and moving all the bars, when you assay it, you are taking a drill and taking a part of the bar to be tested, and that is basically destroyed, whatever that piece is.

So there will be some loss of the gold from the bars through the assaying process if you do that for every single bar that is out there. So that would be a loss from that process as well.

Mrs. Maloney. I have no further questions, so I yield back to the chairman.

Thank you.

Chairman Paul. I would like to address the subject of the cost, because our first estimate--oh, okay.

I will yield 5 minutes to Mr. Schweikert from Arizona.

Mr. Schweikert. You are kind, Mr. Chairman.

And forgive me if this has already been discussed. I am curious, so please educate a freshman. The different places that U.S. gold assets are held, IMF, you were just saying with the New York Fed, the Treasury, any other places?

Mr. Thorson. Not that I can see. No.

Mr. Schweikert. So those three would cover it? Is any of that pledged to loan facilities that would be World Bank or anything else we also touched?

Mr. Thorson. No, and to go back to the IMF a little bit, like I said, I would like to find a direct answer for that one as well.

Mr. Schweikert. Okay. My understanding from listening for a moment, Mr. Chairman, was that it has been how long since both of the--was it the New York Fed which actually would handle a lot of international transactions so, therefore, they would not only hold our gold reserves for the United States, but a number of other member nations?

Mr. Engel. I believe they do hold gold for other nations in their vault.

Mr. Schweikert. Just for the fun of it, any guess what is there?

Mr. Engel. I don't know.

Mr. Schweikert. Any guess on the number of participating countries?

Mr. Engel. No.

Mr. Schweikert. Okay.

Mr. Engel. That would be something the Federal Reserve would obviously be able to answer, but I don't know.

Mr. Schweikert. Okay. So if we have functionally three

places, two that you are telling me we already have some audit history, Treasury, we have an audit history on gold supply? Yes? No?

Mr. Engel. Gold reserves, yes.

Mr. Schweikert. And we are still a little fuzzy was it on IMF?

Mr. Thorson. I am--like I said, I am still a little concerned about that particular question. So, but no, that is it.

Mr. Schweikert. And in a previous question just a moment ago, didn't we just tell the gentlewoman from New York it was how much to do the audit?

Mr. Thorson. To do the audit? The Mint's figure to do--the one that this bill would call for--was in the neighborhood of \$60 million, but that was--you need to--that is a Mint number and you need to ask them that.

And just to be clear, the ratio of money held by the Mint and held by the Fed is 95 and 5 percent, 5 percent is at the Fed. But as far as the cost of this bill to perform that, I believe your staff has already made an inquiry to the Mint on that. But that is really--we can certainly audit that as it plays out and that kind of thing. But it is their number.

Mr. Schweikert. Okay. It is just that it seems stunningly high, and it is always fun when you are having to audit the audits where we feel like we are in some of this very unusual circle. And it would be fun to find out how much of that is just counting, and how much of it is doing assay work.

And Mr. Chairman, I know you wanted to inquire more on that point, so I yield back my time.

Chairman Paul. I thank the gentleman.

I do have a few more short questions for you.

Do you have any idea what the current audits cost? You do partial audits each year. What kind of expense does that involve?

Mr. Thorson. No. As I mentioned, we use people on different audits at the same time and that kind of thing, so we have not really broken down per audit what this costs.

Chairman Paul. Okay. Where do you get the \$60 million?

Mr. Thorson. It was--we asked the same questions that you did as far as what would it be from the Mint when we were wondering what their statement might be. And that was a rough number that we were told that off the top of their head it would be in somewhere in that vicinity.

Chairman Paul. Of course, we have Treasury's statement that claimed that it would be \$15 million, so we would like to--if you can enlighten us more maybe in writing about really whether it is \$60 million or \$15 million. That is a big difference.

And to suggest that I might be participating in the not being careful with the taxpayers' money, I happen to be the most conservative Member of Congress when it comes to spending. But, we don't even need to appropriate money for this. The Mint could easily take care of this. When you have a monopoly, you tend to be able to make some money, and last year they made \$400 million.

So even if the high number was correct, we don't have a problem there. One of the few legitimate functions of Government is to check our ownership and be fiscally responsible to find out just what we own and whether it is really there. So I think the total amount is not, in comparison to other things, very much.

Also, back to this request that we get more details on the thing, and you said defer to the--maybe I should ask the Mint that. And, of course, the Mint is in transition now and we couldn't get anybody over here from the Mint. But I believe it was your staff who told my staff that you got the reports and not the Mint, that you get the detailed reports on all these audits.

Mr. Thorson. The assay reports, we do get the assay reports, sure. And I think we provided you some of those. The inventory of the bars, like you describe, as each one--that is

definitely up to the Mint. As I said, we audit the work that they do and the records that they keep, so that would be under them.

Chairman Paul. Of course, if you have an assay, but you don't know how many bars there are, you don't know where it applies to which. It seems like you have to have both, together and matched up.

But anyway, I believe we will follow up on that and ask for some more details. But if the gentleman from Arizona has no more questions, I will go ahead and adjourn the committee.

The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

[Whereupon, at 11:27 a.m., the hearing was adjourned.]

A P P E N D I X

June 23, 2011