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What's in your vault? Uncle Sam audits its stash of gold at the New York Fed

The gold audit is a first for the institution and includes drilling into several hundred ingots. It could put the conspiracy theories to rest.

August 02, 2012 | By Andrew Tangel, Los Angeles Times

NEW YORK — For decades, the U.S. government has stashed gold five stories beneath Manhattan in a vault under the Federal Reserve's fortress near Wall Street.

Or has it?

Some conspiracy theorists suspect that the billions of dollars' worth of bullion might have been looted in a dramatic heist, a la the movie "Die Hard: With a Vengeance." Others claim that the gold has been used in a shadowy government transaction, or swapped with gold-painted bars. It's even caught the attention of politicians like Rep. Ron Paul and members of Germany's Parliament.



Now all of us may finally get some answers.

The federal government has quietly been completing an audit of U.S. gold stored at the New York Fed. The effort included drilling small holes in the bars to test their purity.

The Treasury Department has refused to disclose what the audit has revealed so far, saying the results will be announced by year's end. But as one former top Fed official said recently, the testing may finally prove that "Goldfinger didn't sneak in at night" and take the gold.

"The calls for audits are saying, 'We don't trust the government for the last 200 years,'" said Ted Truman, a former assistant Treasury secretary and Fed official. He called perennial questions about the country's reserves "the gold bug equivalent of the birther movement."

The Treasury's auditing operation, including drilling, is a first for the New York Fed. The department's inspector general previously audited and tested only gold it keeps under heavy guard at Ft. Knox, West Point and the U.S. Mint in Denver. These three locations hold 95% of the country's bullion.

In New York, about \$21 billion in U.S. gold is locked inside the Fed's vault. It's stored alongside bullion from three dozen other countries and organizations such as the International Monetary Fund. All told, about 23% of the world's official gold reserves are stored in the central bank's vaults.

The audit, which began in January, took place 80 feet below the Fed's limestone and sandstone Italian

Renaissance building in Manhattan's financial district. Visitors to the vault make their way through a steel and concrete entrance where a 90-ton door rotates open.

Inside, a massive scale is ringed by 122 blue cages that hold about 530,000 gold bars — 34,021 of which belong to Uncle Sam. The auditing team counted the U.S. stash, selecting more than 350 bars from which to extract samples for assaying.

The process involved about half a dozen employees of the Mint, the Treasury inspector general's office and the New York Fed. It was monitored by employees of the Government Accountability Office, Congress' investigative arm.

The bars were first weighed on a small electronic scale, then transferred to a table mounted with a long, thin drill used to burrow into the gold, said a person familiar with the operation who was not authorized to speak publicly.

Workers were careful to collect any stray gold bits, the source said. Based on the market price of about \$1,600 per troy ounce, the Treasury removed more than \$110,000 worth of gold samples.

A Mint spokesman said about 1 to 1.5 grams of each sample is destroyed in the assaying process, with the remaining granules returned to the government.

The New York Fed refused to comment.

The final results still might not satisfy some. Paul, the Texas Republican and presidential contender, wants an independent audit of all U.S. gold.

In 1981, when Paul was on the Gold Commission — a panel set up by Congress to explore expanding gold's role in the U.S. monetary system — he argued for full gold audits every year. He has pitched legislation for an exhaustive examination of the country's gold that could cost as much as \$60 million.

"If the gold is there and everything is in order, they should welcome an audit," Paul said in an interview.

He said he doesn't suspect that anyone has replaced the gold bars with fakes. He's more interested in examining paperwork that would show whether the gold has been used in any transactions that were never disclosed to the public, such as loans to other governments.

He is not alone. In Germany, there have been calls by some politicians to "repatriate" the country's foreign gold reserves and return to a gold standard as the euro common currency faces an uncertain future.

Germany owns the world's second-largest reserve of gold, much of it stored in central banks in New York, London and Paris. The German government keeps close tabs on its domestic gold reserves, but some in Germany are questioning the security and safety of the bullion stored outside the country.

They've launched a campaign called Gold Action, supported by politicians, economists and other German citizens, with the goal of bringing the bars back home.

Philipp Missfelder, a prominent German legislator in the country's ruling Christian Democratic Union party, visited the New York Fed in February seeking to inspect his country's gold.

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Missfelder was not given access to Germany's gold bars, though it's unclear why, according to German magazine Der Spiegel. He declined to comment.

The New York Fed hasn't typically rolled out the red carpet to the central banks and international organizations wanting to audit their gold accounts, according to Ernest Patrikis. He's a former New York Fed official who had stints as the institution's general counsel and chief operating officer.

"They could come in and take a look," said Patrikis, now an attorney in private practice in New York. But if they wanted to count the gold, "you've got to take it away, count it and bring it back."

America's central bank began taking foreign gold deposits when it opened in 1924. Gold piled into the New York Fed's vault during World War II, as countries stored it there for safety. Foreign reserves quadrupled to \$4 billion worth of gold by the war's end, according to the Fed.

The gold vault swelled with bullion until 1971, when the U.S. stopped backing dollars with gold. Since then, the Fed role as keeper of the yellow metal now carries less significance.

These days the New York Fed focuses on more pressing roles: implementing the country's monetary policy by expanding or tightening the money supply. It played a central role in propping up the financial system in 2008.

Paul suggests that the government offload its gold reserves if they serve little purpose.

"I would just as soon they sell the gold," Paul said. "And then we would find out if they really had it."

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Times researcher Scott Wilson in Los Angeles contributed to this report.