Bureau of Consumer Financial Protection

The Bureau Can Improve Aspects of Its Quality Management Program for Supervision Activities

OIG

Office of Inspector General
Board of Governors of the Federal Reserve System
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Executive Summary, 2021-SR-C-016, November 1, 2021

The Bureau Can Improve Aspects of Its Quality Management Program for Supervision Activities

Findings

We found that the Bureau of Consumer Financial Protection's Division of Supervision, Enforcement and Fair Lending (SEFL) can improve the effectiveness of its Quality Management Program (QMP) for supervision activities. Specifically, we found that the Office of Supervision Examinations (OSE), the SEFL office responsible for administering the program, should finalize the updates to existing and draft QMP policies, procedures, and guidance and that SEFL leadership should consider increasing its involvement in formal program oversight. We acknowledge that OSE has begun updating and drafting new QMP policies, procedures, and guidance, including a staff handbook. However, as of early September 2021, OSE had not finalized these items.

Additionally, we found that OSE should enhance aspects of the QMP's quality control review processes, assess the program's current staffing level and structure, and formalize its training program. We also found that OSE should enhance the reporting and distribution of its quality assurance results.

Recommendations

Our report contains recommendations designed to enhance the effectiveness of SEFL's QMP for supervision activities. In its response to our draft report, the Bureau concurs with our recommendations and outlines actions that have been or will be taken to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the design and effectiveness of SEFL's QMP for supervision activities. We focused our review on QMP activities that occurred from January 2019 through May 2020.

Background

Within SEFL, OSE is responsible for supervising and examining institutions' compliance with federal consumer financial laws and executes its responsibilities through four regional offices. OSE's Oversight team is responsible for developing and supporting the supervision program and manages the QMP for supervision activities as part of its responsibilities.

In 2014, OSE implemented the QMP for supervision activities and issued the Supervision Quality Management Program Outline (referred to as the QMP's foundational document). According to the foundational document, the QMP's goals and objectives are (1) to ensure that its supervisory program adheres to the Bureau's quality standards and that OSE staff conduct supervisory activities in accordance with policies and procedures, (2) to promote accountability and a culture of continuous improvement within the supervision program, and (3) to ensure that OSE implements quality controls and identifies enhancement opportunities for those controls.

Office of Inspector General
Board of Governors of the Federal Reserve System
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Recommendations, 2021-SR-C-016, November 1, 2021

The Bureau Can Improve Aspects of Its Quality Management Program for Supervision Activities

Finding 1: OSE Should Finalize Updates to Existing and Draft QMP Policies, Procedures, and Guidance, and SEFL Leadership Should Consider Increasing Its Involvement in Formal Program Oversight

Number	Recommendation	Responsible office
1	Finalize updates to the existing policy and issue new QMP policies and procedures and a staff handbook. Ensure that these documents describe the process for selecting QMP activities; the criteria for selecting QMP regional representatives, including minimum skills requirements and baseline expectations for participating in the program; and the process for following up on QMP recommendations.	Division of Supervision, Enforcement and Fair Lending
2	Assess the current oversight structure of the QMP and consider implementing a formal oversight mechanism that includes SEFL leadership.	Division of Supervision, Enforcement and Fair Lending
3	Develop methods, including developing and distributing management reports and metrics on the program to SEFL leadership, to regularly monitor the program's alignment with its goals and objectives.	Division of Supervision, Enforcement and Fair Lending

Finding 2: OSE Should Enhance Certain Aspects of Its QMP QC Review Processes

Number	Recommendation	Responsible office
4	Develop and implement time frames for the expected time to complete the QC review process, including drafting and completing the QC report and obtaining regional management's response to the report.	Division of Supervision, Enforcement and Fair Lending
5	Assess the current process for communicating the results of QC reviews and consider establishing a communication strategy to promote transparency and raise awareness of the program, such as maintaining a website available to OSE regional staff.	Division of Supervision, Enforcement and Fair Lending
6	Implement a formal recommendation follow-up process for QC reviews that includes maintaining a list of open recommendations and describing the resolution status of those recommendations.	Division of Supervision, Enforcement and Fair Lending

Finding 3: OSE Should Assess the QMP's Current Staffing Level and Structure

Number	Recommendation	Responsible office
7	Assess the QMP's current staffing level and structure to determine whether additional or dedicated resources are needed or whether the current 25 percent time allotment for conducting QA reviews and the 2-week time allotment for QC reviews should be revised. Develop and implement plans to address the program's staffing needs based on the results of the assessment.	Division of Supervision, Enforcement and Fair Lending

Finding 4: OSE Should Formalize Its QMP Training Program

Number	Recommendation	Responsible office
8	Develop formalized training for the QMP. The training should clarify guidelines and expectations for conducting QMP activities, such as completing testing spreadsheets, templates, workpapers, and reports.	Division of Supervision, Enforcement and Fair Lending

Finding 5: The QMP's Process for Uploading Results to QA Dashboards Was Not Always Timely and OSE Should Evaluate the Need to Distribute Its QA Dashboards to Regional Staff

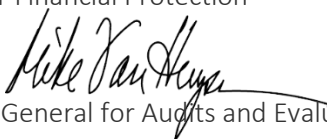| Number	Recommendation	Responsible office
9	Evaluate the current approach to distributing QA dashboards and determine whether sharing the dashboards more broadly with OSE regional staff may be warranted.	Division of Supervision, Enforcement and Fair Lending

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MEMORANDUM

DATE: November 1, 2021

TO: David Bleicken
               Acting Associate Director, Division of Supervision, Enforcement and Fair Lending
               Bureau of Consumer Financial Protection

FROM: Michael VanHuysen
               Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2021-SR-C-016: *The Bureau Can Improve Aspects of Its Quality Management Program for Supervision Activities*

We have completed our report on the subject evaluation. We conducted this evaluation to assess the design and effectiveness of the Division of Supervision, Enforcement and Fair Lending's Quality Management Program for supervision activities.

We provided the agency with a draft of our report for review and comment. In the agency's response, it concurs with our recommendations and outlines actions that have been or will be taken to address our recommendations. We have included the response as appendix B to our report.

We appreciate the cooperation that we received from the Division of Supervision, Enforcement and Fair Lending during our evaluation. Please contact me if you would like to discuss this report or any related issues.

cc: Dana James
       Tim Siwy
       Kerry Morse
       Lauren Hassouni
       Anya Veledar
       Carlos Villa

Contents

Introduction

Objective

Our objective for this evaluation was to assess the design and effectiveness of the Division of Supervision, Enforcement and Fair Lending's (SEFL) Quality Management Program (QMP) for supervision activities. Our scope covered QMP activities that occurred from January 2019 through May 2020. Appendix A describes our scope and methodology in greater detail.

Background

Within the Bureau of Consumer Financial Protection, SEFL is responsible for ensuring compliance with federal consumer financial laws by supervising market participants and initiating enforcement actions where appropriate. SEFL comprises three offices: the Office of Supervision Examinations (OSE), the Office of Supervision Policy, and the Office of Enforcement.[1] OSE is responsible for supervising and examining institutions' compliance with federal consumer financial laws and executes its responsibilities through four regional offices located in New York (Northeast), Chicago (Midwest), Atlanta (Southeast), and San Francisco (West). Regional OSE staff conduct examinations and monitoring activities for supervised institutions. Within OSE, the Oversight team is responsible for developing and supporting the supervision program. As part of its responsibilities, the Oversight team manages the QMP for supervision activities.

The QMP's Goals and Objectives

In 2014, OSE implemented the QMP for supervision activities and issued the *Supervision Quality Management Program Outline* (referred to as the QMP's foundational document). The foundational document indicates that the QMP's goals and objectives are (1) to ensure that its supervisory program adheres to the Bureau's quality standards and that OSE staff conduct supervisory activities in accordance with policies and procedures, (2) to promote accountability and a culture of continuous improvement within the supervision program, and (3) to ensure that OSE implements quality controls and identifies enhancement opportunities for those controls. OSE's April 2020 *Supervision Quality Management Program Overview Presentation* outlines an additional goal and objective of the QMP: to prioritize program activities using a risk-based and targeted approach.

The QMP's Framework and Approach

To accomplish its goals and objectives, the QMP uses an integrated framework with the following activity components: quality planning, quality assurance (QA), quality control (QC), and quality improvement.

- *Quality planning* refers to the QMP's approach for planning and identifying activities that the QMP team will conduct to ensure quality within OSE's supervision program. According to

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[1] The Office of Supervision Policy develops supervision strategy and provides subject-matter expertise on legal and policy issues to the Bureau's examination staff. The Office of Enforcement enforces federal consumer financial laws by investigating potential wrongdoing and taking legal action where appropriate.

interviewees, the quality planning component occurs through an annual meeting in which the QMP team discusses potential activities and conducts an informal risk assessment that informs future QMP activities. The QMP team documents the results of its risk assessment in a work plan for OSE management's review and approval.

- *QA reviews* focus on ensuring that examination staff comply with OSE's policies and procedures. The QMP team conducts these routine, ongoing reviews on a monthly or quarterly basis and documents the results in a dashboard.[2]

- *QC reviews* focus on identifying and addressing deficiencies in OSE work products. The QMP team conducts these point-in-time reviews on a quarterly basis and shares the results with the OSE senior leadership team (SLT) through reports outlining the identified corrective actions.[3]

- *Quality improvement reviews* assess the QMP's performance against its own standards and efforts to improve program performance.

The QMP's Staffing Structure

The QMP team structure includes dedicated staff from headquarters and rotational staff from each of the Bureau's four regions. As of January 2021, the QMP team was composed of nine team members: three at headquarters and six in the regions. Specifically, the team included the OSE oversight supervisory program manager, a QMP team lead, and a QMP analyst in headquarters. In the West region, there was a senior examination manager and a regional representative.[4] The Northeast and Midwest regions had one regional representative each, and the Southeast region had two.[5]

According to the April 2020 *Supervision Quality Management Program Overview Presentation*, QMP regional representatives are expected to spend 25 percent of their time performing routine QA reviews and to dedicate approximately 2 weeks per quarter to conducting QC reviews. The presentation notes that the QMP regional representatives conduct QA reviews within their respective regions but conduct QC reviews for regions other than their own.

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[2] Historically, the QMP team documented the results from QA activities using a data visualization application. In January 2021, the QMP team began to document the results from QA activities using a new application.

[3] The SLT includes OSE's assistant director, OSE's deputy assistant directors, and the four regional directors.

[4] The senior examination manager provides expertise on topics to be reviewed by the QMP team and serves as a liaison between the QMP team and regional management.

[5] Regions occasionally divide the responsibilities of their QMP regional representatives among two staff members in their region. When that occurs, one representative typically conducts QA reviews and the other conducts QC reviews.

The QMP Review Process

The QMP activity review process consists of four phases: planning, conducting reviews, reporting, and follow-up (table 1).

Table 1. QMP Process for QC, QA, and Quality Improvement Reviews

Review phase	Description
Phase 1, planning	The QMP team develops a plan for the review, including the objectives, anticipated results, and goals. The QMP team also determines the processes to accomplish the review and outlines the activities and responsibilities for the other phases.
Phase 2, conducting reviews	The QMP team executes the review based on the scope and methodology outlined in the plan.
Phase 3, reporting	The QMP team prepares a report describing the findings and observations identified during the review.
Phase 4, follow-up	The QMP team and the SLT use the report to identify and implement quality improvements. This phase also influences future planning.

Source: The Bureau's *Supervision Quality Management Program Outline*.

During our scope period of January 2019 through May 2020, the QMP team conducted the following QA and QC reviews:[6]

- monthly QA Supervision and Examination System (SES) data quality reviews that assessed the completeness of SES data[7]

- monthly QA workpaper reviews that assessed whether certain supervisory documents had been uploaded to SES

- monthly QA Matter Requiring Attention (MRA) subaction reviews that assessed whether Bureau staff conducted appropriate follow-up on open MRAs, documented responses from supervised institutions related to previously issued MRAs, and completed the appropriate fields in SES[8]

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[6] In addition to the completed QC reviews outlined, the QMP team had QC reviews of high-level violations and restitution in process as of May 2020.

[7] SES is the Bureau's system of record for examination activities.

[8] MRAs are nonpublic corrective actions that result from examination findings and require the attention of a supervised institution's board of directors or principals.

- quarterly QA periodic monitoring reviews that evaluated the completeness of periodic monitoring templates[9]

- quarterly QA prudential regulator report reviews that assessed, among other things, the Bureau's compliance with reporting requirements under the terms of an interagency memorandum of understanding

- a QC expedited report review that assessed how regions implemented consolidated comments received from Bureau headquarters regarding expedited-track examination reports and supervisory letters

- QC workpaper reviews that assessed the level of compliance with SEFL guidance on the requirements for developing, documenting, and uploading supervision workpapers to SES[10]

- a QC formal actions review that assessed the completeness and accuracy of documentation associated with follow-up work on enforcement actions, memorandums of understanding, and board resolutions in SES[11]

- a QC MRA and supervisory recommendations review that assessed the accuracy and completeness of the documentation associated with follow-up work on MRAs and supervisory recommendations in SES

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[9] Periodic monitoring allows the Bureau to maintain reasonably current information on the activities of an institution and to determine whether changes in risks to consumers or markets warrant changes to the Bureau's planned supervisory activities. OSE staff document the results of monitoring activities in periodic monitoring templates.

[10] During our scope period, the QMP team completed two QC reviews of workpapers and issued the reports in March 2019 and August 2019.

[11] Formal enforcement actions are the most severe type of corrective actions issued by the Bureau and are publicly reported. Memorandums of understanding and board resolutions are nonpublic corrective actions.

Finding 1: OSE Should Finalize Updates to Existing and Draft QMP Policies, Procedures, and Guidance, and SEFL Leadership Should Consider Increasing Its Involvement in Formal Program Oversight

We found that the QMP's 2014 foundational document defines the goals and objectives of the QMP, the components of the program, and the process for performing QMP activities, but it does not detail other key aspects of the program. Specifically, the foundational document does not describe the process for selecting QMP activities, the criteria for selecting QMP regional representatives, or the process for following up on QMP recommendations. Further, we found that opportunities exist to formalize and enhance SEFL leadership's oversight activities related to the QMP. A 2018 OSE presentation describes its Oversight team's roles and responsibilities, including developing and supporting an effective supervision program through strong policies and procedures and a robust QMP. We attribute the lack of formal, updated policies, procedures, and guidance addressing key aspects of the QMP to historical QMP team staffing constraints, and we attribute SEFL leadership's limited awareness of the program's activities to the program's current oversight structure and SEFL's emphasis on other supervision priorities. We acknowledge that the QMP team has begun revising its foundational document and drafting new policies, procedures, and guidance, including a QMP staff handbook. However, as of early September 2021, OSE had not yet finalized these documents. We believe that formalizing policies, procedures, and guidance may clarify expectations for program activities and enhance the effectiveness of the program. Further, increasing SEFL leadership's involvement in formal oversight of QMP activities will reinforce the program's importance and enhance accountability in ensuring it is meeting its goals and objectives.

OSE Does Not Have Formal, Updated Policies, Procedures, and Guidance for Key Aspects of the QMP

The QMP's foundational document outlines the program's goals, objectives, and components; however, as of early September 2021, OSE had not issued additional guidance or an updated version of the 2014 foundational document. Further, the foundational document does not address certain key aspects of the program. Specifically, the document does not describe a risk assessment process used to select future QMP activities, the criteria for selecting QMP regional representatives, or the follow-up process for QMP recommendations.[12] As a result, we found that the approaches for these processes have been informal.

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[12] OSE selects its QMP headquarters staff through the Bureau's recruitment process; however, regional management is responsible for choosing their respective QMP regional representative.

For example,

- Interviewees indicated that in the absence of a formal risk assessment process, the QMP team uses informal processes, such as brainstorming sessions and soliciting regional management feedback, to identify areas of high risk. In its March 2021 *QMP Projects and Initiatives Tracker*, the QMP team lists a potential OSE risk assessment project to map procedures across OSE for the QMP team to use for its planning. However, the tracker notes that this project was deferred in prior years and remains on hold.

- We did not identify any formal guidance or criteria for selecting QMP regional representatives, and we learned that management typically selects a mix of analysts and examiners to fill this role. One interviewee noted that their region selected an analyst for the QMP regional representative role because of their independence from examination activities, whereas another interviewee stated that their region intentionally selected experienced, commissioned examiners to the QMP regional representative role. Further, we learned of one instance in which a region had to assign an individual with no SES or previous examination or analyst experience to a QMP regional representative role because of staff turnover.

- We learned that the QMP team does not require a formal response from regional management to QC reports and conducts follow-up on open QC recommendations informally. An interviewee indicated that the QMP conducts ad hoc follow-up activities and does not currently document that process. Interviewees acknowledged that the program's recommendation follow-up process should be formalized. A SEFL official indicated that the QMP team should model its follow-up process after the Bureau's Corrective Action Plan (CAP) process for addressing recommendations from other oversight entities and should require regional management to provide formal responses to QMP recommendations.[13] An interviewee noted that they would like to see the QMP team document its findings using the CAP model and stated that the QMP's follow-up process should be consistent. This interviewee noted that the Bureau recognized the weaknesses of relying on the QMP regional representatives and regional directors to manage the changes resulting from QA or QC reviews and, therefore, the QMP team is in the process of developing a corrective action plan process.

For informational purposes, we sought to understand other federal financial regulatory agencies' quality management practices for supervision activities, including guidance pertaining to their programs. We found that one agency issued guidance that required its QA program to be supported by policies and procedures that address all aspects of the program. Additionally, we reviewed this agency's framework document that supports its QA program and found it provides detailed guidance, including steps for conducting risk assessments and criteria for developing an annual schedule of reviews, procedures for conducting QA reviews, procedures for follow-up activities, and a description of program staff's roles and responsibilities.

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[13] The Bureau's CAP process is the agency's approach for addressing audit findings, recommendations, opportunities for improvement, and deficiencies identified by other oversight entities. SEFL documents its CAP responses in a template that includes a description of the deficiency, the accountable officer, a summary of the progress to date, supporting documentation, and the signature of the certifying official.

We attribute OSE's lack of formal, updated QMP guidance to staffing constraints on the QMP team due to turnover and the Bureau's hiring freeze from 2017 through 2019. According to interviewees, the resulting staffing constraints hindered the QMP team's ability to update its existing policy and issue new policies, procedures, and guidance.

The QMP's Current Oversight Structure Does Not Involve SEFL Leadership

We found that opportunities exist to formalize and enhance SEFL leadership's oversight of the program and its activities. Two senior SEFL officials indicated that they do not receive metrics or reports on the QMP; the officials noted that they have limited familiarity with the program and its activities. We learned that OSE leadership is responsible for ensuring that the program achieves its goals and objectives and for approving certain aspects of the program. However, interviewees indicated that more attention should be focused on the program. For example, an interviewee noted concerns around the visibility of the QMP for the program to be effective. Another interviewee questioned whether the QMP is a priority for the agency and described the program as a "black box." Another interviewee stated they would benefit from knowing more about the QMP and that program transparency should be increased.

During an interview with staff from another federal financial regulatory agency, an interviewee stated that their QA program reports to a senior official who oversees that agency's supervision program. Additionally, this interviewee indicated that the QA program has an oversight committee that holds quarterly meetings and provides strategic direction for the program. The interviewee noted that during these meetings, the QA team and the oversight committee discuss recently conducted reviews, the status of open findings, metrics, review schedules, and scope memorandums. Further, during our review of this benchmark agency's quality management practices, we found that the agency's guidance outlines a communication strategy for its quality management function. The guidance states that to promote transparency and raise awareness of its program, the function maintains a website that is available to supervision staff. According to the guidance document, the website contains an overview of the program, its mission and objectives, review schedule, policies and procedures, final reports, and the status of open findings or recommendations.

We attribute these opportunities to formalize and enhance SEFL leadership's oversight activities for the QMP to the program's current oversight structure, wherein OSE retains the primary oversight responsibility, and to SEFL's emphasis on other supervision priorities. As previously noted, the QMP currently reports to the OSE SLT but does not provide any metrics or reporting to senior SEFL officials. During interviews with SEFL officials, they indicated that receiving metrics or reports on the program would be beneficial. We believe that a formal oversight mechanism that includes providing metrics to SEFL leadership will allow them to ensure the program is aligned with its goals and objectives.

Further, we learned that although the QMP is important as a means to ensure consistent supervision, SEFL is focused on other supervision priorities. Many interviewees described the importance of the QMP. For example, one interviewee indicated that OSE developed the QMP to mitigate risk and ensure consistency in the execution of supervisory activities. One official stated that the program was designed to be an internal control for the Bureau's supervisory program, and another official noted that the program served as an independent function that allowed OSE to verify the integrity of data and reports and described the QMP as an internal monitoring system. However, interviewees also noted that

supervisory activities are SEFL's priority and can sometimes affect the QMP. For example, an official stated that it is easy for more immediate priorities to take precedence over the QMP and that the importance of the program needs to be reinforced. Another interviewee noted that staff attrition elsewhere within OSE resulted in the reassignment of staff assigned to perform QMP activities to other duties. Another interviewee recognized and understood OSE's priority to complete examination work but noted concerns around whether the QMP would continue to be staffed and given the attention needed to achieve its goals.

Conclusion

We acknowledge that OSE filled the QMP's two vacant headquarters positions in April 2020 and August 2020 and that the QMP team has begun revising its foundational document and drafting new policies and procedures, including a QMP staff handbook that describes team members' roles and responsibilities, expected time commitments for performing QMP activities, and communication expectations for the regional and headquarters QMP team members. However, as of early September 2021, OSE has not finalized the draft policies, procedures, or staff handbook. We believe that formalizing these documents may clarify expectations for program activities and enhance the effectiveness of the program. Further, increasing SEFL leadership's involvement in formal oversight of QMP activities will reinforce the program's importance and enhance accountability in ensuring that the program is meeting its goals and objectives.

Recommendations

We recommend that the associate director of SEFL

1. Finalize updates to the existing policy and issue new QMP policies and procedures and a staff handbook. Ensure that these documents describe the process for selecting QMP activities; the criteria for selecting QMP regional representatives, including minimum skills requirements and baseline expectations for participating in the program; and the process for following up on QMP recommendations.

2. Assess the current oversight structure of the QMP and consider implementing a formal oversight mechanism that includes SEFL leadership.

3. Develop methods, including developing and distributing management reports and metrics on the program to SEFL leadership, to regularly monitor the program's alignment with its goals and objectives.

Management Response

In its response to our draft report, the Bureau concurs with our recommendations. The Bureau states that it is already in the process of making improvements and is committed to addressing the recommendations in the manner and time frames described in its management response.

Specifically, in response to recommendation 1, the Bureau states that the QMP team is in the process of revising the QMP's foundational document, creating a staff handbook, and drafting new policies and procedures. Further, the Bureau notes that by the end of the third quarter of 2022, the QMP team and

OSE leadership will finalize these documents and ensure that they include a formalized process for selecting QMP activities and a finalized process for following up on QMP recommendations. Additionally, the Bureau notes that OSE leadership will establish and document the criteria for selecting QMP regional representatives, including the minimum skill requirements and baseline expectations for participation in the program.

In response to recommendation 2, the Bureau notes that by the end of the first quarter of 2022, OSE and SEFL leadership will assess the current oversight structure of the QMP and consider implementing a formal oversight mechanism that includes SEFL leadership.

In response to recommendation 3, the Bureau notes that by the end of the first quarter of 2022, OSE and SEFL leadership will develop methods, including program reports and metrics, to regularly monitor the QMP's alignment with its goals and objectives.

OIG Comment

The planned actions described by the Bureau appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.

Finding 2: OSE Should Enhance Certain Aspects of Its QMP QC Review Processes

We found that QC reports—the reports resulting from the program's point-in-time reviews of OSE work products—are not always finalized and issued timely, QC results and recommendations are not communicated as fully as possible, and recommendation follow-up activities are informal. According to the QMP's foundational document, the program aims to promote accountability and foster a commitment to continual improvement in the supervision program. We attribute the challenges within the QC review processes to (1) the lack of formal time frames for completing and reviewing QC reports, (2) staffing constraints within the program, (3) the lack of a formal process for communicating the results and recommendations from QC reviews to OSE regional staff, and (4) the lack of a formal recommendation follow-up process. We believe that these challenges may affect the program's overall effectiveness and ability to bring about enhancements to SEFL's broader supervision program. Further, delays in QC reporting can hinder the regions' ability to take timely action to address identified deficiencies.

The QMP Lacks Formal Time Frames for Completing and Reviewing QC Reports and Has Faced Staffing Constraints

Interviewees indicated that QC reports are not always finalized and issued timely. For example, one interviewee noted that QC reports can sometimes take 5 to 6 months to finalize, including the time needed for the OSE SLT's review and input. We analyzed OSE's data on the QMP's five QC reviews completed during our scope period, January 2019 through May 2020, and found that the average time to finalize a QC report was about 6 months from the end of the QC review and that the time to finalize ranged from approximately 1 to 12 months.[14]

We attribute the QMP's challenges with completing its QC reports timely to its lack of formal time frames for completing and reviewing the reports. The QMP's foundational document does not include time frames for the expected time needed to complete and review QC reports. Interviewees indicated that other priorities may delay the completion of QC reports. For example, a SEFL official noted that the QMP activities may sometimes be deemphasized in light of more pressing issues and that management could do a better job reinforcing the program's importance.

Another factor that has affected the timeliness of QC reports is the QMP's staffing constraints. An interviewee indicated that staffing issues have affected the QMP team's timeliness in completing QC reviews and finalizing the reports; the interviewee added that taking several months to finalize QC reports is ineffective.

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[14] We defined the time to finalize a QC report as the number of months between the end date of the QC review and the date of the issued QC report.

An interviewee noted that lengthy delays can render the reports irrelevant, as the review subject may implement changes before the issuance of the report. During our analysis of OSE's data on the QC reviews completed during the scope of our evaluation, we found an instance in which OSE implemented a recommendation from a QC report 7 months before the report was issued.

During our review of other federal financial regulatory agencies' quality management practices, we found that one agency's guidance outlines formal time frames for certain phases of a review. Specifically, the guidance states that the scoping and execution phases of a review generally take 3 to 4 weeks each and the conclusion phase generally takes 4 to 5 weeks. An interviewee from that agency noted that the program aims to complete its reports within 3 months of initiating a review. The agency's guidance also states that management must provide a formal response within 30 days of issuing a report and that the response should include a description of management's plans to address the findings and the time frame and parties responsible for completing those actions.

We acknowledge that there are differences in the structures and quality management approaches among federal financial regulatory agencies. However, we believe that OSE stakeholders may benefit from establishing time frames for the expected time to complete QC reviews, including drafting and completing the report and obtaining regional management's response to the report.

The QMP Lacks a Formal Process for Communicating QC Results and Recommendations

We found that QC results and recommendations are not communicated as fully as possible. Interviewees indicated that the QMP team communicates the results and recommendations from QC reviews during OSE SLT meetings and also shares the draft QC reports with the OSE SLT. However, the QMP team does not communicate this information to OSE regional staff. During our review of the QMP's foundational document, we did not identify any expectations for communicating QC results and recommendations to OSE staff. One interviewee noted that the OSE SLT handles the communication of QC results and recommendations within their regions and that the QMP team does not communicate such information directly to OSE regional staff. The interviewee indicated that allowing the QMP team to have a more prominent role in communication could be a more effective approach.

During our review of other federal financial regulatory agencies' quality management practices, we found that one agency's guidance outlines a communication strategy for its quality management function. As previously noted, the guidance states that to promote transparency and raise awareness of its program, the function maintains a website that is available to supervision staff. According to the guidance document, the website contains an overview of the program, its mission and objectives, review schedule, policies and procedures, final reports, and the status of open findings or recommendations. Another federal financial regulatory agency outlined that it provides feedback to field staff on the results of quality program reviews and that the feedback mechanism can be in the form of training, a memorandum, or an email to examination staff, depending on the issue.

In December 2020, the QMP team developed a formal report for the OSE SLT that contains the status of QA and QC reviews. An interviewee noted that the QMP developed this monthly status report to improve communication, increase accountability, and provide visibility on activities conducted by the program. While we acknowledge that this new approach may enhance communication and visibility into the

program for the OSE SLT, we believe that OSE should assess additional opportunities for the QMP team to enhance its communication of QC results and recommendations, such as by sharing them more broadly with OSE regional staff. Fully communicating the results and recommendations from QC reviews may reinforce the QMP's importance in ensuring staff compliance with Bureau policies and procedures.

The QMP Lacks a Formal Recommendation Follow-Up Process

Based on our review of the QMP's foundational document and interviews with OSE regional and headquarters staff and officials, we determined that the QMP does not have a formal QC recommendation follow-up process. As described previously, an interviewee indicated that the QMP conducts ad hoc follow-up activities and does not currently document that process. This interviewee noted that the program would benefit from a formal process for documenting findings and recommendations that is similar to the CAP model, which the Bureau uses to address recommendations from other oversight entities.

Additionally, the QMP team did not provide us with any reports or dashboards related to QC recommendation follow-up that would track, for example, recommendation status or age. Interviewees indicated that the QMP team does not maintain a list of open recommendations or track the resolution status of those recommendations. Several interviewees noted that the process for following up on QC recommendations is unclear and that the QMP team members did not always have insight into the resolution status of QC recommendations. For example, an interviewee indicated that they do not know what happens to recommendations after the QMP team shares the results from QC reports with the OSE SLT. Further, a SEFL official expressed that the QMP should require regional management to provide formal responses to QMP recommendations. Another interviewee indicated that they frequently identify outstanding recommendations and were unsure as to why they were not resolved.

According to the QMP's foundational document, a goal of the QMP is to ensure that necessary quality mechanisms are in place and properly implemented. Another goal of the QMP is to promote accountability and foster commitment to continuous improvement in the supervision program.

In the absence of QC recommendation status reports, we sought to determine the status of recommendations made in QC reviews completed from January 2019 through May 2020 and the most recent date on which the QMP team followed up on those recommendations. Based on our analysis of the QMP team's responses to our request for this information, we found that as of March 2021, OSE had implemented 6 of 25 recommendations. The QMP team did not provide the date or time period of its last follow-up for 7 of the recommendations. The QMP team's responses indicated inconsistent follow-up frequencies for the remaining outstanding recommendations. Specifically, the QMP team indicated that it was following up on certain recommendations through its monthly QA reviews; however, the QMP team's last follow-up date on other outstanding recommendations ranged from 2018 to mid-2020.

During our review of other federal financial regulatory agencies' quality management follow-up processes, we found that the guidance for one agency's quality management structure states that follow-up activities should be conducted to ensure that all findings resulting from its reviews are effectively remediated in a timely manner. Additionally, this agency's guidance states that its program staff should develop a written status report on a quarterly basis that includes (1) all open findings, (2) the length of

time each finding has been open, (3) the corrective actions set forth in the action plan, (4) corrective actions taken thus far, (5) the results of any validation work, and (6) the date and actions to be taken for the next follow-up. This agency's guidance also states that program staff are responsible for monitoring quarterly updates received from remediation owners to ensure that they adhere to agreed-upon time frames for implementing corrective actions. Further, the guidance notes that program staff should escalate unreasonable deviations from planned time frames for implementing corrective actions.

We understand that the QMP team has drafted but not yet finalized its formal follow-up guidance. As previously noted, a SEFL official indicated that the QMP team should model its follow-up process after the Bureau's CAP process for addressing recommendations from other oversight entities. We learned that OSE recently hired an oversight analyst whose primary responsibility will be developing a corrective action plan process and related follow-up activities.[15] We believe that after finalizing the follow-up guidance, OSE should implement a formal recommendation follow-up process for QC reviews that includes maintaining a list of open recommendations and describing the resolution status of those recommendations.

Conclusion

We believe that QC reporting delays, a lack of direct communication to OSE regional staff of QC results and recommendations, and a lack of a formal follow-up on QC recommendations may reduce the program's overall effectiveness, the program's ability to bring about enhancements to SEFL's broader supervision program, and the regions' ability to take timely action to address identified deficiencies.

Recommendations

We recommend that the associate director of SEFL

4. Develop and implement time frames for the expected time to complete the QC review process, including drafting and completing the QC report and obtaining regional management's response to the report.

5. Assess the current process for communicating the results of QC reviews and consider establishing a communication strategy to promote transparency and raise awareness of the program, such as maintaining a website available to OSE regional staff.

6. Implement a formal recommendation follow-up process for QC reviews that includes maintaining a list of open recommendations and describing the resolution status of those recommendations.

Management Response

In its response to our draft report, the Bureau concurs with our recommendations. Specifically, in response to recommendation 4, the Bureau states that by the end of the second quarter of 2022, OSE will develop expected time frames for completing the QC review process, including time frames for drafting and completing QC reports and obtaining regional management's response.

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[15] The oversight analyst is not a member of the QMP team.

In response to recommendation 5, the Bureau states that by the end of the second quarter of 2022, OSE will assess the process used for communicating the results of QC reviews and consider establishing a communication strategy to promote transparency and raise awareness of the program. According to the Bureau, the finalized communication strategy may rely on a website or other communication channels to reach regional staff.

In response to recommendation 6, the Bureau states that by the end of the second quarter of 2022, OSE leadership will finalize and implement guidance that includes provisions for maintaining a list of open recommendations and their status.

OIG Comment

The planned actions described by the Bureau appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.

Finding 3: OSE Should Assess the QMP's Current Staffing Level and Structure

We found that the QMP's current staffing level and structure may not effectively support the goals and objectives of the program. Although OSE filled its headquarters' QMP team lead and analyst vacancies in 2020, many interviewees discussed the need for additional or dedicated QMP staff. According to a 2018 OSE presentation, OSE's Oversight team is responsible for developing and supporting an effective supervision program through a robust QMP. However, interviewees indicated that the QMP's staffing constraints led to delays in completing program activities and its staffing structure limited the number of QMP activities that the team could conduct. The QMP's staffing structure has been challenged by turnover; the 2017–2019 hiring freeze; and the various, competing responsibilities assigned to regional representatives. Addressing staffing issues may help reduce delays in completing QMP activities and better enable the program to achieve its goals.

The QMP Has Faced Staffing Constraints Due to Staff Turnover and the 2017–2019 Hiring Freeze

Since its inception in 2014, the QMP has had staffing challenges due to turnover and an agencywide hiring freeze from 2017 through 2019. QMP leadership indicated that the program experienced significant turnover and could not fill vacant positions at headquarters during the hiring freeze. We learned that during the hiring freeze, the program relied on headquarters and regional staff detailees to perform headquarters roles. One interviewee noted that the instability of the QMP's staffing inhibited the program's ability to fulfill its objectives and goals.

The QMP filled its vacant QMP team lead and analyst roles in April 2020 and August 2020, respectively. Multiple interviewees noted that prior to filling the QMP analyst role, the QMP team lead performed the responsibilities of three positions for approximately 7 months in 2020. Specifically, an interviewee noted that the QMP team lead continued to perform the responsibilities of their prior position along with those of the team lead and analyst positions. Another interviewee indicated that for a period of approximately 4 months, this QMP team lead was the only person on the team responsible for managing the QMP process but was not fully dedicated to the program and had other responsibilities within OSE.

Interviewees indicated that these ongoing staffing issues delayed the completion of QMP activities. For example, as previously noted, an interviewee indicated that staffing issues have affected the QMP team's time for completing a QC review and finalizing the report. This interviewee estimated that it currently takes 5 to 6 months on average to finalize reports following the completion of a QC review and stated that taking many months to complete reports is ineffective.

While OSE filled its headquarters' QMP team lead and QMP analyst vacancies in 2020, several interviewees expressed that additional or dedicated QMP staff are needed. For example, an interviewee acknowledged that hiring the QMP team lead was a good start for the program; however, the interviewee noted that additional staff would improve the program. Another interviewee indicated that the QMP team is unable to expand its activities with the current staffing. Further, several interviewees continued

to express concerns about the QMP regional staff and their ability to balance their regional and QMP responsibilities, noting the potential benefits of dedicated QMP staff.

QMP Regional Representatives Must Balance Their QMP Responsibilities With Their Other Regional Responsibilities

According to the QMP's foundational document, the program has dedicated staff and uses others on a rotational basis, including examiners, analysts, and other staff, as appropriate. OSE headquarters and regional leadership established an expectation that the regional QMP representatives spend 25 percent of their time conducting QA reviews and dedicate 2 weeks per quarter to conducting QC reviews. As such, QMP regional representatives must balance their QMP responsibilities with their other regional examiner and analyst responsibilities.

Several interviewees noted challenges with the current approach. For example, an interviewee stated that regional representatives sometimes face conflicting obligations when other regional priorities arise while they are engaged in QMP activities. Another interviewee indicated that regional QMP staff are overextended with their dual roles and that QMP staff activities, schedules, and workloads should be analyzed to determine whether the program is sufficiently staffed. Further, we learned that some QMP regional representatives often spend more than 25 percent of their time conducting QA reviews.

Additionally, interviewees indicated that the scoping period and the 2-week time allotment to conduct QC reviews was insufficient. An interviewee noted that QMP headquarters staff involves regional staff too late in the process to adequately scope and plan QC reviews. The same interviewee stated that the QMP team should allot additional time for planning and scoping QC reviews to ensure that the templates to be completed during the review are effective. Another interviewee noted that often, more time is needed to conduct QC reviews than is allotted.

Interviewees indicated that the QMP team would benefit from having dedicated staff to execute QMP activities. For example, an interviewee noted that the program would benefit from having a second QMP regional representative assigned to each region to afford better coverage of duties. The same interviewee stated that the QMP regional representatives may need to devote additional hours to QMP activities as the QMP team expands into additional program work.

Additionally, interviewees stated that having dedicated QMP staff would allow the QMP team to conduct more reviews. For example, one interviewee stated that the program did not have enough resources to perform more QC reviews; they added that they would like to see the program conduct more comprehensive QC reviews but that doing so would require expanding the team. The same interviewee noted that having a dedicated QMP team would allow team members to become subject-matter experts, which may lead to more meaningful feedback in QC reports. Further, another interviewee noted that the program would benefit from hiring individuals with the appropriate skills rather than moving individuals from different roles to work on the QMP.

According to a 2018 OSE presentation, OSE's Oversight team is responsible for developing and supporting an effective supervision program through a robust QMP. During our review of the design and staffing

structures of other federal financial regulatory agencies' quality management programs for supervision activities, we found that one agency's program consists of a team of full-time staff and its framework outlines that staff should possess the appropriate expertise, knowledge, and skills to perform reviews and other activities. The agency's guidance also states that to have required expertise, a staff member should possess relevant knowledge or experience on the subject matter of the review being performed. Additionally, the guidance defines the roles and responsibilities of program staff, the activities to be performed, and the approach to conducting those activities.

SEFL's Planned Supervision Technology Initiative May Alleviate Certain Manual QMP Activities

In March 2020, the Bureau director approved SEFL's Supervision Technology Initiative, which will focus on developing data automation, robotic processing, and machine learning. According to one SEFL official, the technology initiative will modernize and incorporate additional functionalities into SES and will reduce the need for QMP staff to perform certain manual QA activities. The same official noted that implementing the initiative may alleviate staffing constraints by reducing the QMP team's workload and will allow the team to focus more on updating policies and procedures, ensuring that OSE is following policies and procedures, and building the program. In December 2020, SEFL began the initial discovery phase of the initiative, which included documenting the current condition of SES and performing an analysis to identify gaps in the system and determine additional functionality requirements to meet business needs.

We acknowledge that this technology initiative may result in the eventual automation of certain activities that the QMP team currently performs manually; however, we believe that SEFL should assess the QMP's current staffing level and structure to determine whether the QMP needs additional or dedicated resources or whether the current 25 percent time allotment for QA reviews and the 2-week time allotment for QC reviews should be revised.

Conclusion

We believe that OSE should assess the QMP's current staffing level and structure. Addressing staffing issues may help reduce delays in completing QMP activities and better enable the program to achieve its goals.

Recommendation

We recommend that the associate director of SEFL

7. Assess the QMP's current staffing level and structure to determine whether additional or dedicated resources are needed or whether the current 25 percent time allotment for conducting QA reviews and the 2-week time allotment for QC reviews should be revised. Develop and implement plans to address the program's staffing needs based on the results of the assessment.

Management Response

In its response to our draft report, the Bureau concurs with our recommendation. The Bureau states that by the end of the third quarter of 2022, OSE leadership will assess the QMP's current staffing level and structure to determine whether additional or dedicated resources are needed or whether the current time allotment for OSE reviews should be revised. According to the Bureau, based on the assessment, OSE leadership will develop and implement plans to address the program's staffing needs.

OIG Comment

The planned actions described by the Bureau appear to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.

Finding 4: OSE Should Formalize Its QMP Training Program

We found that OSE has not established a formal QMP training program. We learned that interviewees believe they would benefit from training on QMP activity templates, spreadsheets, and report formats. We reviewed the QMP team's testing spreadsheets for QA activities and noted inconsistencies in the way some components of the spreadsheets were completed. We attribute the need for additional formal training to the program's reliance on an informal training approach. Establishing a formal training program may assist QMP staff in completing activities within the allotted time; would allow for smoother transitions in the event of staff turnover and regional representative rotations; and would promote consistency in completing QMP activity spreadsheets, templates, workpapers, and reports. We believe that these potential outcomes will improve the efficiency and effectiveness of the program.

OSE Has Not Formalized Training on Certain Aspects of the QMP

In our review of Bureau documentation, we did not identify any training materials for QMP headquarters and regional staff. In response to our request for QMP training materials, OSE provided agendas for the QMP annual planning meetings. We learned that the annual planning meetings include discussions and informal training on updates to SEFL policies, changes to SES, and examples of specific QC reviews to promote staff awareness of expectations and responsibilities. However, interviewees indicated the need for additional training and noted that training on QMP activity templates, spreadsheets, and report formats would be helpful.

We learned that the OSE SLT prefers to use regional analysts and examiners as QMP regional representatives because of their knowledge of SES and back-office operational processes. One interviewee noted that the QMP team sought individuals with knowledge of OSE operations and experience with SES and the ability to train themselves to conduct their work more efficiently. However, as noted in finding 1, we did not identify any formal guidance or criteria for selecting QMP regional representatives. Further, we learned that the regions make these selections on a discretionary basis. As a result, staff who do not have the requisite skills or training needed to perform in the role may be assigned to the QMP team. For example, we learned that one region experienced staff turnover and had to assign an individual with no SES or previous examination experience to a QMP regional representative role. We learned that this same region had five different individuals fill the QMP regional representative roles from March 2019 to November 2020 and another region had four different individuals fill the QMP regional representative roles from January 2019 to January 2021.

We analyzed the QMP's documentation for all QA and QC reviews completed from January 2019 through May 2020. As part of the analysis, we reviewed 184 QA testing spreadsheets completed by the QMP team for QA reviews and noted documentation inconsistencies in the scope review period and the start and end dates of the team's review. Specifically, we found that for 38 of the 184 QA testing spreadsheets, the QMP team did not enter dates in the review period field. For the start and end date fields, we noted

20 instances in which the QMP team did not enter the start dates and 25 instances in which the QMP team did not enter the end dates in the testing spreadsheets. We also noted other instances in which the QMP team entered the dates in these fields incorrectly. We acknowledge that in an effort to avoid errors, the QMP team has recently changed its practices regarding the review start and end dates; however, we believe these inconsistencies indicate a need for formal training on conducting QMP activities.[16]

We reviewed documentation of other federal financial regulatory agencies' quality management practices for supervision activities and conducted interviews with staff from one of those agencies. One interviewee indicated that their agency requires its quality management program staff to participate in training opportunities that address relevant supervision examination requirements and QA objectives. As previously noted, this agency's framework outlines that staff should possess the appropriate expertise, knowledge, and skills to perform reviews and other activities. This agency's guidance also states that to have required expertise, a staff member should possess relevant knowledge or experience on the subject matter of the review being performed. Additionally, the guidance defines the roles and responsibilities of program staff, the activities to be performed, and the approach to conducting those activities. Another agency outlined that it directs its quality management program staff to attend training provided to examiners.

We attribute the QMP's need for additional training to its reliance on an informal training approach. Many interviewees noted that they did not undergo any formal training when beginning their QMP roles but indicated that they have participated in informal training through the annual planning meetings and at the onset of QC reviews. For example, we learned that the QMP team lead provides guidance on the scope of a QC review as well as the template that the team will use to conduct the review. A SEFL official noted the QMP's need for a core group of people who are familiar with the program, who have expertise in SES and other systems, and who understand OSE policies and procedures; the official also indicated the importance of maintaining that ongoing institutional knowledge.

Conclusion

We believe that OSE should establish a formal QMP training program. Establishing such a program may assist QMP staff in completing activities within the allotted time; would allow for smoother transitions in the event of staff turnover and regional representative rotations; and would promote consistency in completing QMP activity spreadsheets, templates, workpapers, and reports. We believe that these potential outcomes will improve the efficiency and effectiveness of the program.

Recommendation

We recommend that the associate director of SEFL

8. Develop formalized training for the QMP. The training should clarify guidelines and expectations for conducting QMP activities, such as completing testing spreadsheets, templates, workpapers, and reports.

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[16] According to the QMP team, it now uses the date the testing spreadsheet was emailed to the QMP regional representative as the review start date and the date the QMP regional representative returns the testing results as the review end date.

Management Response

In its response to our draft report, the Bureau concurs with our recommendation. The Bureau states that by the end of the fourth quarter of 2022, OSE will develop formalized training for QMP members that includes program guidelines and expectations for conducting QMP activities.

OIG Comment

The planned action described by the Bureau appears to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.

Finding 5: The QMP's Process for Uploading Results to QA Dashboards Was Not Always Timely and OSE Should Evaluate the Need to Distribute Its QA Dashboards to Regional Staff

We found that the QMP team's process for uploading QA results—the results from routine, ongoing reviews that assess examination staff compliance with OSE's policies and procedures—to the QA dashboards was not always timely and that OSE did not distribute its QA dashboards to regional staff. As previously noted, QMP guidance states that one of the QMP's goals is to promote accountability and foster continuous improvement in the supervision program. QMP guidance also describes its goals as ensuring that the Bureau's supervisory program upholds high quality standards and excellence and that supervisory activities meet defined policies and procedures. We attribute the QMP's challenges with the timely uploading of QA review results to the dashboards to staffing constraints and a lack of established milestones. Additionally, we attribute the QMP team's limited distribution approach for QA dashboards to the OSE SLT's preference to handle the communication of QMP results. We believe that a more timely and broader distribution of QA dashboards will increase the transparency, efficiency, and overall effectiveness of the QMP. In addition, distributing the QA dashboards to OSE staff may reinforce the overall importance of the program.

The QMP Team Did Not Always Upload QA Results to the Dashboard in a Timely Manner

We learned that the QMP team did not always upload QA review results timely. While we did not identify any formal guidance outlining established milestones for uploading QA results, we understand that historically, the QMP team would upload the results from monthly QA reviews to dashboards on a monthly basis, where the OSE SLT could access them. However, we learned that as of October 2020, the QMP team had not updated the dashboards with the completed QA review results since March 2020.

We attribute the delays in the QMP team's reporting to staffing constraints and a lack of established milestones for documenting and distributing QA results. As previously noted, in August 2020, the QMP retained an analyst at headquarters to support the QMP team. However, prior to filling the QMP analyst position, the individual responsible for uploading QA review results to the dashboards assumed other responsibilities, which contributed to the delay in uploading QA review results to the dashboards. As of December 2020, we learned that the QMP team had begun to work through the backlog and had uploaded QA results through September 2020 into the dashboards.

In January 2021, the QMP changed its application for its QA dashboards and began using a different one. According to the March 2021 *QMP Projects and Initiatives Tracker*, the QMP team is producing its dashboards in the new application on a monthly and quarterly basis. The QMP team sends the

consolidated QA results in the new format to all regional directors and subsequently sends the individual region's results to the applicable regional director. An interviewee indicated that generating the dashboards using the prior application required additional work that prolonged the process of preparing the results for the SLT; therefore, the QMP team changed its approach to simplify how it gathered the data and to expedite the process. We acknowledge that the QMP has established milestones for producing the dashboards in the new application and believe that these timing expectations should help reduce delays in documenting and distributing QA review results.

The QMP Currently Does Not Distribute QA Dashboards to OSE Staff

We learned that the QMP team does not distribute the QA dashboards to OSE regional staff. Interviewees indicated that OSE staff did not have access to the dashboards in the prior application and were unable to view the results from QA activities. Interviewees also indicated that the QMP team does not provide feedback to regional staff on process changes resulting from QMP reviews. As previously noted, the QMP team now documents its QA results using another application; however, the QMP team only shares the dashboard with the OSE SLT. In addition, the QMP team recently developed a monthly status report to share the status of QC and QA reviews in the QMP team's queue with the OSE SLT; however, the QMP team does not share these reports with OSE staff.

During our review of other federal financial regulatory agencies' approaches to conducting QA activities, we found that one agency required its QA program to have a strategy to increase program awareness and transparency. The agency's guidance also states that follow-up activities should be conducted to ensure that all findings resulting from its reviews are effectively remediated in a timely manner. Another agency's guidance directs its regional management to share the results from QA reviews with staff.

We attribute the QMP team's limited distribution approach to the OSE SLT's preference to handle the communication of QMP results. An interviewee explained that the OSE SLT preferred to handle the communication of information within their regions to afford them the opportunity to be discreet about potential performance management issues.

While the QMP's newly implemented status reports may enhance communication between the QMP team and the OSE SLT and promote transparency, we believe it is also important to increase communication and transparency for all OSE staff. This will also reinforce the QMP's overall importance.

Conclusion

We believe that a more timely and broader distribution of QA dashboards will increase the transparency, efficiency, and effectiveness of the QMP. In addition, distributing QA dashboards to OSE staff may reinforce the overall importance of the program.

Recommendation

We recommend that the associate director of SEFL

9. Evaluate the current approach to distributing QA dashboards and determine whether sharing the dashboards more broadly with OSE regional staff may be warranted.

Management Response

In its response to our draft report, the Bureau concurs with our recommendation. The Bureau states that by the end of the second quarter of 2022, OSE will assess its current approach to distributing QA dashboards and determine whether sharing the dashboards more broadly with regional staff may be warranted.

OIG Comment

The planned action described by the Bureau appears to be responsive to our recommendation. We will follow up to ensure that the recommendation is fully addressed.

Appendix A: Scope and Methodology

We initiated this evaluation to assess the design and effectiveness of SEFL's QMP for supervision activities. The scope of our evaluation covered QMP activities that occurred from January 2019 through May 2020.

To accomplish our objective, we reviewed guidance pertaining to the QMP (such as its foundational document, relevant presentations, and draft policies and procedures); dashboard reports; and other relevant documentation (such as annual planning meeting agendas and work plans). We also reviewed data and documentation associated with all QC and QA reviews conducted during the scope of our review, which included 5 QC reports and their supporting workpapers and 184 QA testing spreadsheets. We gathered and analyzed data and supporting documentation on the status of QC recommendations and the QMP team's follow-up efforts as well as key dates associated with the completion of QA reviews. We obtained access to dashboards that the QMP team developed using its prior application and conducted a walkthrough of that application with QMP staff. In addition, we reviewed documentation pertaining to the quality management practices of a sample of other federal financial regulatory agencies and interviewed agency staff for informational purposes.

We conducted 24 interviews with SEFL staff and officials to gather their perspectives on SEFL's QMP for supervision activities. Specifically, we interviewed SEFL staff and officials from headquarters and the four regions who are involved with the QMP or have undergone QMP activities.

We conducted our evaluation from June 2020 through August 2021. We performed our evaluation in accordance with the *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General on Integrity and Efficiency in January 2012.

Appendix B: Management Response

Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

Consumer Financial
Protection Bureau

October 4, 2021

Michael VanHuysen
Associate Inspector General for Audits and Evaluations
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau
20th and Constitution Avenue, NW
Washington, DC 20551

RE: **Office of Inspector General's Report Concerning Quality Management Program for Supervision Activities**

Dear Mr. VanHuysen,

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report *The Bureau Can Improve Aspects of Its Quality Management Program for Supervision Activities.*

The Bureau appreciates the OIG's review and agrees with its recommendations for improving practices related to Supervision's quality management program. As noted in the report, the Bureau is already in the process of making a number of improvements. The Bureau is committed to addressing all of the recommendations in the manner and time frames described in Attachment A.

consumerfinance.gov

Thank you again for your review and the opportunity to provide comments on this report.

Sincerely,

David H. Bleicken Digitally signed by David H. Bleicken
Date: 2021.10.04 14:08:58 -04'00'

David Bleicken
Acting Associate Director
Supervision, Enforcement, and Fair Lending

Attachment A – Responses to Specific Recommendations

1. As indicated in the report, the QMP team is in the process of revising the QMP's foundational document, creating a staff handbook, and drafting new policies and procedures. The QMP team and OSE leadership will finalize these documents, while ensuring they include a formalized process for selecting QMP activities and a finalized process for following up on QMP recommendations. In addition, OSE leadership will establish and document the criteria for selecting QMP regional representatives, including minimum skill requirements and baseline expectations for participating in the program. Estimated year and quarter of completion: FY 2022 Q3

2. As recommended, OSE and SEFL leadership will assess the current oversight structure of the QMP and consider implementing a formal oversight mechanism that includes SEFL leadership. Estimated year and quarter of completion: FY 2022 Q1

3. OSE and SEFL leadership will develop methods for regularly monitoring the QMP's alignment with its goals and objectives, including program reports and metrics. Estimated year and quarter of completion: FY 2022 Q1

4. OSE will develop expected timeframes for completing the QC review process, including timeframes for drafting and completing quality control reports and obtaining regional management's response. Estimated year and quarter of completion: FY 2022 Q2

5. OSE will assess the process used for communicating the results of quality control reviews and consider establishing a communication strategy to promote transparency and raise awareness of the program. The finalized communication strategy may rely upon a website or other communication channels that reach regional staff. Estimated year and quarter of completion: FY 2022 Q2

6. As indicated in the report, OSE has drafted but not finalized formal guidance for addressing QMP recommendations. OSE leadership will finalize and implement guidance that includes provisions for maintaining a list of open recommendations and their statuses. Estimated year and quarter of completion: FY 2022 Q2

7. OSE leadership will assess the QMP's current staffing levels and structure to determine whether additional or dedicated resources are needed or whether the current time allotment of OSE reviews should be revised. Based upon the assessment, leadership will develop and implement plans to address the program's staffing needs. Estimated year and quarter of completion: FY 2022 Q3

8. OSE will develop formalized training for members of the QMP that includes the program guidelines and expectations for conducting QMP activities. Estimated year and quarter of completion: FY 2022 Q4

9. OSE will assess the current approach to distributing quality assurance dashboards and determine whether sharing the dashboards more broadly with regional staff may be warranted. Estimated year and quarter of completion: FY 2022 Q2

Abbreviations

CAP	Corrective Action Plan
MRA	Matter Requiring Attention
OSE	Office of Supervision Examinations
QA	quality assurance
QC	quality control
QMP	Quality Management Program
SEFL	Division of Supervision, Enforcement and Fair Lending
SES	Supervision and Examination System
SLT	senior leadership team

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