



Executive Summary:

The CFPB Can Improve Its Examination Workpaper Documentation Practices

2017-SR-C-016

September 27, 2017

Purpose

The Office of Inspector General conducted this evaluation to assess the Consumer Financial Protection Bureau's (CFPB) guidance and practices, including training and quality reviews, to promote effective and consistent examination workpaper documentation. Specifically, we reviewed workpaper documentation in each of the CFPB's four regions for compliance with the *CFPB Supervision and Examination Manual* and other policies that govern examination work.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act established the CFPB to regulate the offering and provision of consumer financial products and services under federal consumer financial laws. As such, the CFPB is responsible for implementing, examining for compliance with, and enforcing federal consumer financial laws.

The CFPB's Division of Supervision, Enforcement, and Fair Lending (SEFL) conducts the agency's supervision activities.

Findings

We identified opportunities for SEFL to improve its workpaper documentation practices. We conducted our fieldwork for this evaluation in two phases, with phase 1 including examinations completed from 2013 through 2014, and phase 2 including examinations completed in 2016. Our testing in phase 1 included assessing compliance with certain expectations outlined in the *CFPB Supervision and Examination Manual* and assessing access rights to examination workpapers and supporting documentation. In phase 2, we assessed access rights to examination workpapers for compliance with recent policy and guidance expectations for safeguarding information.

We found that, subject to certain conditions being met, SEFL's approach was to grant examination employees within each region open access to all examination workpaper documentation and supporting materials in the initial system of record and on the current shared drive for examinations conducted in that region. One region used a similar open-access approach for the prior shared drive. That open-access-within-each-region approach resulted in certain SEFL employees having access to materials with confidential supervisory information and personally identifiable information when they did not appear to have a business need to know that information.

In addition, we found that file size limitations in the initial system of record led examiners to store workpapers in multiple locations. We also found opportunities to reinforce the need to store workpapers in the appropriate location and to document supervisory reviews and sampling methods. Further, we recommend that SEFL develop workpaper training and an ongoing quality review process.

We acknowledge the actions that SEFL management has taken to address some of the issues discussed in this report. Specifically, we understand that SEFL recently began using a new system of record for examination materials, which is intended to address SEFL's storage capacity needs and better protect personally identifiable information. In addition, SEFL implemented a new process to periodically review and restrict access rights to the new system of record and to the shared drive folders once an examination has been completed. SEFL has also taken steps to develop training for employees on examination workpapers and quality control. We have not performed testing to determine whether these actions fully address our recommendations.

Recommendations

Our report contains recommendations designed to improve SEFL's approach to documenting examination results and protecting sensitive information. In its response to our draft report, the CFPB concurs with our recommendations. The agency describes actions and planned activities to improve SEFL's practices related to examination workpapers. We will follow up to ensure that the recommendations are fully addressed.