



September 2022

# BANK SUPERVISION

## Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions

Accessible Version

# GAO Highlights

Highlights of [GAO-22-104659](#), a report to congressional committees

## Why GAO Did This Study

Limitations on in-person meetings and travel because of the COVID-19 pandemic presented challenges to federal banking regulators conducting on-site examinations of depository institutions.

The CARES Act includes a provision for GAO to monitor and oversee the federal government’s response to COVID-19. This report examines how the federal banking regulators (1) identified and assessed risks and challenges the pandemic posed to their supervisory missions, (2) made changes to address these risks and challenges, and (3) assessed lessons learned from their pandemic responses.

GAO reviewed the five agencies’ policies and guidance, analyzed agencies’ reviews of their performance during the pandemic, and interviewed officials. GAO also conducted 20 small-group interviews with nongeneralizable samples of between two and five groups of examiners from each agency (total of 110 examiners across the five agencies).

## What GAO Recommends

GAO is making two recommendations, including that the Federal Reserve develop and document steps and timeframes to include pandemic-related risks to supervision in its ERM framework and that OCC review lessons learned from the pandemic to better prepare for future disruptions to examinations. The Federal Reserve neither agreed nor disagreed with GAO’s recommendation and OCC said it would complete a review by March 2023.

View [GAO-22-104659](#). For more information, contact Michael E. Clements at (202) 512-8678 or [ClementsM@gao.gov](mailto:ClementsM@gao.gov).

# BANK SUPERVISION

## Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions

### What GAO Found

To assess challenges that COVID-19 posed to their supervisory missions, the federal banking regulators convened working groups to assess risks related to conducting fully remote bank examinations, among other actions. The regulators are the Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System, National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC). Four regulators updated their enterprise risk management (ERM) frameworks to reflect pandemic-related risks. The Federal Reserve has been developing its ERM framework since 2017 and has not yet completed elements to capture risks to the agency’s supervisory mission, including those related to the pandemic. The Federal Reserve said it planned to complete these elements but had not documented planned steps or timeframes as of June 2022. Office of Management and Budget guidance highlights the importance of updating ERM elements to reflect changes in risks. Including pandemic-related risks to supervision in its ERM framework would better position the Federal Reserve to manage future disruptions to examinations.

To manage pandemic-related challenges to their supervisory missions, banking regulators deferred examination activities, expanded off-site monitoring of institutions, adjusted telework policies, and provided technology tools and internal guidance to examiners (see figure). In 16 of 20 small group interviews GAO conducted, examiner staff at the agencies said the transition to remote work was smooth. Some examiners noted challenges examining institutions that lacked imaged loan files or technology to allow remote access to bank systems.

**Federal Banking Regulators’ Actions to Address Pandemic-Related Challenges to Conducting Fully Remote Examinations**

Actions	Challenge being addressed			
	Pandemic impacts on supervised entities’ risks	Transition to full-time remote examination work	Staff and technology constraints at some supervised institutions	Limitations on examination staff resources
Deferral of examination activities				
Expanded off-site monitoring to reassess risks to institutions				
Expanded telework and new technology tools				
Issuance of guidance and communications to examiners				
Adjustments to examination staffing				

Source: GAO analysis. | GAO-22-104659

The Federal Reserve, FDIC, NCUA, and CFPB have taken or planned steps reflecting GAO-identified practices to identify and share lessons learned. Post-crisis assessments to identify lessons learned can help agencies develop strategies for future disruptions. As of June 2022, OCC had not yet undertaken or planned a review of lessons learned from its pandemic response. Taking additional steps to review lessons learned such as collecting, analyzing, and sharing information could help OCC better prepare for future disruptions.

---

# Contents

---

Letter		1
	Background	3
	Regulators Assessed Pandemic-Related Risks, but the Federal Reserve Has Not Completed an Enterprise-Wide Framework That Includes These Risks	6
	Banking Regulators Took Actions to Address Pandemic Examination Challenges	12
	Regulators Analyzed Pandemic Impacts and Four Reviewed Lessons Learned, but OCC Did Not	21
	Conclusions	25
	Recommendations for Executive Action	26
	Agency Comments and Our Evaluation	26
<hr/>		
Appendix I: Objectives, Scope, and Methodology		30
Appendix II: Examinations by Federal Banking Regulators, 2016–2021		35
	Federal Prudential Banking Regulators	35
<hr/>		
Appendix III: Comments from the Board of Governors of the Federal Reserve System		43
	Agency Comment Letter	45
<hr/>		
Appendix IV: Comments from the National Credit Union Administration		47
	Agency Comment Letter	48
<hr/>		
Appendix V: Comments from the Office of the Comptroller of the Currency		49
	Agency Comment Letter	50
<hr/>		
Appendix VI: Contacts and Staff Acknowledgments		52
<hr/>		
Tables		
	Table 1: Types and Numbers of Depository Institutions Examined by Federal Banking Regulators, as of December 2021	4

Table 2: Examples of Banking Regulators' Temporary Supervision Decision-Making Groups during the COVID-19 Pandemic	8
Table 3: Actions by Federal Banking Regulators to Defer Scheduling of Bank Examinations, March–December 2020/14	
Table 4: Number of Agency Examination Staff Interviewed about Pandemic Experiences	32

**Figures**

Figure 1: Federal Banking Regulators' Actions to Address Pandemic-Related Challenges to Conducting Fully Remote Examinations	13
Figure 2: Number of FDIC Examinations of Insured Depository Institutions, 2016–2021	37
Figure 3: Number of Federal Reserve Examinations of Depository Institutions That Are Members of the Federal Reserve System, 2016–2021	38
Figure 4: Number of NCUA Examinations, 2016–2021	39
Figure 5: Number of OCC Examinations, 2016–2021	40
Figure 6: Number of CFPB Examinations, Targeted Reviews, and Prioritized Assessments, 2019–2021	42

**Abbreviations**

CFPB	Consumer Financial Protection Bureau
ERM	enterprise risk management
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
OMB	Office of Management and Budget

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



September 8, 2022

Congressional Addressees

Beginning in the spring of 2020, limitations on in-person meetings and travel resulting from the spread of COVID-19 presented operational challenges to federal banking regulators in performing supervisory and other critical functions.<sup>1</sup> Regulators could not conduct on-site examinations of regulated institutions and had to make adjustments to conduct oversight remotely.<sup>2</sup> The federal banking regulators that conduct such examinations of depository institutions include the Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Federal Reserve), National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC).<sup>3</sup>

The CARES Act includes a provision for us to monitor and oversee the federal government’s efforts to prepare for, respond to, and recover from COVID-19.<sup>4</sup> This report examines (1) how federal banking regulators identified and assessed risks and challenges the pandemic posed to their supervisory missions, (2) adjustments they made to examination activities to address key risks and challenges, and (3) steps they have taken to monitor the effects of pandemic-related changes and identify lessons

---

<sup>1</sup>For purposes of this report, the term banking regulators includes supervisors of bank and credit union depository institutions.

<sup>2</sup>The banking regulators also made temporary regulatory changes to encourage financial institutions to provide credit and flexibility on loan repayment terms to borrowers facing disruptions from COVID-19. Those changes are outside the scope of this review.

<sup>3</sup>The 12 Federal Reserve banks that are part of the Federal Reserve System carry out Federal Reserve core functions, including supervising and examining banks that are state chartered and are members of the Federal Reserve System and bank and thrift holding companies. Federal Reserve Banks also supervise nonbank financial institutions that have been designated as systemically important under authority delegated to them by the Federal Reserve Board. The Securities and Exchange Commission and Commodity Futures Trading Commission also have financial oversight responsibilities, which were outside the scope of this review.

<sup>4</sup>Pub. L. No. 116-136, § 19010(b), 134 Stat. 281, 580 (2020). All of GAO’s reports related to the COVID-19 pandemic are available on GAO’s website at <https://www.gao.gov/coronavirus>.

learned from their responses to the pandemic disruption to on-site examinations.

To address the first objective, we reviewed charters, meeting agendas, and other documentation of the agencies' working groups that served to assess risks and consider risk responses. In addition, we reviewed documentation of the agencies' enterprise risk management (ERM) frameworks and compared agencies' efforts to implement and update their ERM frameworks against Office of Management and Budget (OMB) guidance on implementing ERM in federal agencies.<sup>5</sup> We also interviewed officials from the five agencies about their risk management efforts.

To address the second objective, we reviewed agency policies, procedures, and internal guidance and communications provided to examiner staff related to the agencies' response to the pandemic. We interviewed the agencies' supervision officials. We also conducted 20 small-group interviews with nongeneralizable samples of between four and 10 examiners from each of the five agencies (a total of 110 examiners). We selected groups to represent a range of positions, responsibilities, and regional locations, including groups of examiners that manage teams of examiners and groups of nonmanagerial examiners. We conducted two group interviews with CFPB staff, three group interviews with NCUA staff, and five group interviews each with FDIC, Federal Reserve, and OCC staff.

To address the third objective, we reviewed agency reports, slide presentations, and other documentation related to the pandemic's effects on bank supervision, including data on examination hours, duration, and staffing. In addition, we reviewed agency data on the number of examinations and other supervisory activities conducted in 2016–2021. To assess the reliability of the data, we reviewed related documentation and interviewed knowledgeable staff at the regulators. We concluded that applicable data were sufficiently reliable for purposes of reporting aggregate annual examination numbers. We also reviewed agency reports, memorandums, and other documentation of the agencies' efforts to assess and share lessons learned from their responses to the

---

<sup>5</sup>Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular A-123 (Washington, D.C.: July 15, 2016). Although the financial regulators are not necessarily required to adhere to OMB guidance, agencies with ERM frameworks, including CFPB and FDIC, have voluntarily opted to follow OMB guidance on ERM.

---

pandemic disruption, and we interviewed staff about these issues. We compared their lessons-learned efforts to GAO-identified practices for identifying and applying lessons learned.<sup>6</sup> For more information about our scope and methodology, see appendix I.

We conducted this performance audit from March 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

## Background

---

### Federal Regulatory Oversight of Depository Institutions

Four federal prudential regulators—FDIC, Federal Reserve, NCUA, and OCC—oversee their respective depository institutions in part by conducting examinations to assess the institutions’ safety and soundness and compliance with consumer protection and other laws (see table 1).<sup>7</sup> CFPB regulates the offering and provision of consumer financial products or services. For depository institutions with over \$10 billion in total assets (and their affiliates), CFPB has examination authority as well as primary enforcement authority for the federal consumer financial laws.<sup>8</sup>

---

<sup>6</sup>GAO, *Federal Real Property Security: Interagency Security Committee Should Implement a Lessons-Learned Process*, [GAO-12-901](#) (Washington, D.C.: Sept. 10, 2012).

<sup>7</sup>State banking regulators also conduct examinations; state and federal banking regulators alternate examining state-chartered institutions that are also subject to federal regulation. The regulation of safety and soundness for depository institutions depends on the type of institution (commercial bank, thrift, or credit union) and the origin of the institution’s charter (federal or state). Regulators use the Uniform Financial Institutions Rating System—commonly known as CAMELS—to, among other things, monitor aggregate trends in overall soundness of financial institutions and assess their exposure to risks. The ratings regulators assign under this system reflect a bank’s condition in six areas: capital, asset quality, management, earnings, liquidity, and sensitivity to market risk.

<sup>8</sup>Pursuant to the Consumer Financial Protection Act of 2010 (Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act), CFPB has rulemaking authority for federal consumer financial laws. 12 U.S.C. §§ 5512, 5581. The definition of federal consumer financial law expressly excludes the Federal Trade Commission Act. 12 U.S.C. § 5481(14).

**Table 1: Types and Numbers of Depository Institutions Examined by Federal Banking Regulators, as of December 2021**

Regulator	Divisions responsible for examinations	Types of depository institutions examined	Number of depository institutions under supervision	Number of examination staff
Consumer Financial Protection Bureau (CFPB)	Division of Supervision, Enforcement, and Fair Lending	Depository institutions and affiliates with assets over \$10 billion <sup>a</sup>	199	400 <sup>b</sup>
Federal Deposit Insurance Corporation (FDIC)	Division of Risk Management Supervision Division of Depositor and Consumer Protection Division of Complex Institution Supervision and Resolution	FDIC-insured, state-chartered institutions that were not members of the Federal Reserve System, including large banks (total assets \$10 billion or greater) and mid-size and community banks (total assets under \$10 billion) <sup>c</sup>	3,122	2,093
Board of Governors of the Federal Reserve System (Federal Reserve)	Division of Supervision and Regulation Division of Consumer and Community Affairs	State member banks, including regional and community banking organizations and foreign banking organizations	952 <sup>d</sup>	1,852 <sup>e</sup>
National Credit Union Administration (NCUA)	Office of Examination and Insurance Office of Consumer Financial Protection	Credit unions	4,942	685
Office of the Comptroller of the Currency (OCC)	Large Bank Supervision Mid-size and Community Bank Supervision	Nationally chartered banks and federal savings and loan associations	978	2,379

Source: GAO summary of CFPB, FDIC, Federal Reserve, NCUA, and OCC information. | GAO-22-104659

<sup>a</sup>CFPB has supervisory authority over nonbank financial institutions, including payday lenders, student loan originators, and nonbank mortgage originators and servicers. CFPB also supervises larger participants of other consumer financial markets (as defined by CFPB rules) in consumer reporting, consumer debt collection, student loan servicing, international money transfer, and automobile financing. CFPB recently announced it had begun to use its authority to supervise nonbanks whose activities CFPB had “reasonable cause to determine” posed risks to consumers. See 12 U.S.C. § 5514(a)(1)(C).

<sup>b</sup>Examination staff as of August 2021.

<sup>c</sup>Under the exercise of FDIC’s authority to conduct special (backup) examination activities, FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal supervisor. 12 USC 1820(b)(3).

<sup>d</sup>Number of institutions under supervision as of November 2021. The Federal Reserve also supervises approximately 3,621 bank holding companies.

<sup>e</sup>Examination staff as of July 2021.



FDIC, the Federal Reserve, and OCC are required under provisions of the Federal Deposit Insurance Act to conduct a full-scope safety and soundness examination of each insured depository institution they supervise at least once during each 12-month period.<sup>9</sup> The regulators may extend the examination interval to 18 months, generally for institutions that have less than \$3 billion in total assets and that meet certain conditions, based on ratings, capitalization, and status of formal enforcement actions.<sup>10</sup> Under the Federal Credit Union Act, NCUA conducts examinations of credit unions.<sup>11</sup> It also has an extended examination cycle (14 to 20 months) for federal credit unions that meet certain conditions based on assets size, ratings, capitalization, and status of formal examination cycles.<sup>12</sup> Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, CFPB uses a risk-based approach to setting its annual examination schedule. It then shares its examination schedule with the prudential and state regulators to identify coordination opportunities.<sup>13</sup>

---

## Enterprise Risk Management

Enterprise risk management (ERM) is a forward-looking management approach that allows agencies to assess risks and opportunities that could affect the achievement of their goals. ERM is one tool that can assist federal leaders in anticipating and managing risks, as well as considering how multiple risks in their agency can present even greater challenges and opportunities when examined as a whole, rather than in silos. ERM allows leadership to view risks across an organization's portfolio of responsibilities. OMB has defined "risk" as the effect of uncertainty on objectives. Risk management is a series of coordinated

---

<sup>9</sup>12 U.S.C. § 1820(d)(1). FDIC administers the Deposit Insurance Fund. It is also responsible for overseeing resolution planning for large, complex financial institutions. The Federal Reserve, in addition to conducting bank examinations, conducts periodic stress tests for the largest bank holding companies.

<sup>10</sup>12 U.S.C. § 1820(d)(4).

<sup>11</sup>12 U.S.C. §§ 1756, 1784. NCUA also administers the National Credit Union Share Insurance Fund. This fund provides primary deposit insurance for member accounts and is backed by the full faith and credit of the U.S. federal government.

<sup>12</sup>Examination for all other federal credit unions begins between 8 and 12 months from the prior examination completion date.

<sup>13</sup>12 U.S.C. § 5514(b)(3); 12 U.S.C. § 5515(e).

activities to direct and control challenges or threats to achieving an organization's goals and objectives.

OMB Circular A-123 specifies elements that federal agencies' ERM frameworks should include and steps agencies should take to develop these frameworks.<sup>14</sup> These include a planned risk management governance structure, a process for considering risk appetite and risk tolerance levels, a methodology for developing a risk profile, a general implementation timeline, and a plan for maturing the comprehensiveness and quality of the risk profiles over time.<sup>15</sup> OMB defines the risk profile as a prioritized inventory of the most significant risks identified and assessed through the risk assessment process. The risk profile assists in facilitating a determination about the aggregate level and types of risk that the agency and its management are willing to assume to achieve its strategic objectives. The risk register is a comprehensive list of risks that identifies the relevant source of the risk and the risk owner and that tracks the treatment of the risk.

---

## Regulators Assessed Pandemic-Related Risks, but the Federal Reserve Has Not Completed an Enterprise-Wide Framework That Includes These Risks

---

### Banking Regulators Convened Groups to Identify Risks and Challenges to Their Supervisory Missions

---

In the early months of the pandemic, the regulators relied on existing leadership groups, and some convened new groups, to lead efforts to understand the effects of the pandemic on supervised entities and adjust their operations. Before the pandemic, all of the regulators conducted key

---

<sup>14</sup>OMB Circular A-123.

<sup>15</sup>The risk appetite is the amount of risk an organization is willing to accept in pursuit of its mission. It is established by the organization's most senior leadership and serves as the guidepost to set strategy and select objectives. OMB defines risk tolerance as the acceptable level of variance in performance relative to the achievement of objectives.

---

elements of their examinations on-site at supervised institutions.<sup>16</sup> In mid-March 2020, the regulators took steps to move all examiners to a fully remote (telework) posture.<sup>17</sup>

In March and April 2020, examination staff contacted supervised institutions and leveraged existing off-site monitoring tools to collect information on institutions' operational status and financial condition. They focused on key areas that were potentially vulnerable to the economic impact of the pandemic disruption, such as liquidity or credit risk.<sup>18</sup> For example, in March 2020, FDIC provided question sets to examiners-in-charge of large bank examinations. These examiners provided information based on examinations in progress about key issues related to COVID-19 and any liquidity challenges. NCUA examination staff also contacted supervised institutions to learn about any operational and financial challenges they were facing. These efforts continued into 2021 for some regulators, as we discuss later in the report.

To coordinate intra-agency efforts to identify, assess, and respond to pandemic-related risks and challenges to their supervisory missions, all of the regulators relied on existing leadership groups within their supervision divisions, and three—FDIC, the Federal Reserve, and NCUA—also created new leadership groups (see table 2). For example, the Federal Reserve's Supervision and Regulation Division formed the Pandemic

---

<sup>16</sup>Under the Federal Deposit Insurance Act, FDIC, the Federal Reserve, and OCC are required to conduct on-site examinations of supervised institutions. 12 U.S.C. § 1820(d)(1). NCUA and CFPB also conducted examination work on-site before the pandemic and shifted to a fully remote telework posture beginning in March 2020.

<sup>17</sup>Shortly after the President declared a national emergency concerning the pandemic, OMB issued memorandum M-20-16, "Federal Agency Operational Alignment to Slow the Spread of Coronavirus COVID-19" (Mar. 17, 2020). The memorandum stated that the federal government must immediately adjust operations and services to minimize face-to-face interactions, especially at offices or sites where people might gather in close proximity. Non-mission-critical functions that could not be performed remotely or required in-person interactions could be postponed or significantly curtailed. The memorandum instructed agency heads to utilize the full extent of their legal authority and discretion to realign their agencies' non-mission-critical activities, while also ensuring they continued to serve the public and operated efficiently. GAO recently reviewed other federal agencies' use of telework during the COVID-19 pandemic. See GAO, *COVID-19: Selected Agencies Overcame Technology Challenges to Support Telework but Need to Fully Assess Security Controls*, [GAO-21-583](#) (Washington, D.C.: Sept. 30, 2021).

<sup>18</sup>Liquidity risk is the potential that a financial institution will be unable to meet its obligations as they come due because it cannot liquidate assets, obtain adequate funding, or unwind or offset exposures without significantly lowering market prices. Credit risk is the risk that a borrower or counterparty will fail to perform on an obligation.

Analytics Workstream group, which developed a crisis response framework operational plan that prioritized resource allocation according to the Reserve Banks' and management's priorities during the pandemic. The plan prioritized staffing examinations for banks deemed at higher risk from the pandemic or assisting with implementing the Federal Reserve's CARES Act emergency lending facilities.<sup>19</sup> NCUA convened a new task force with members of senior leadership in its Office of Examination and Insurance and operational areas, such as legal and economic research departments, as well as regional office management, to monitor the impact of the pandemic on supervised entities and develop a fully remote supervisory strategy.

**Table 2: Examples of Banking Regulators' Temporary Supervision Decision-Making Groups during the COVID-19 Pandemic**

Banking regulator	Decision-making groups <sup>a</sup>	Purpose
Federal Deposit Insurance Corporation (FDIC)	Temporary Examination Process Working Group	Develop guidance for and monitor the implementation of temporary examination procedures
Board of Governors of the Federal Reserve System (Federal Reserve)	Pandemic Analytics Workstream group	Develop crisis response framework operational plan and monitor the effectiveness of the framework
	Division of Consumer and Community Affairs Supervisory Activities Resumption Working Group	Ensure consistency when resuming consumer compliance examinations
National Credit Union Administration (NCUA)	COVID-19 Economic Impact and Planning Team	Monitor the impact of the pandemic on supervised entities and develop a fully remote supervisory strategy
	Risk Assessment and Data Analytics Rating Working Group	Develop an off-site monitoring tool that could identify credit unions affected by the pandemic

Source: GAO summary of FDIC, Federal Reserve, and NCUA information. | GAO-22-104659

<sup>a</sup>The leadership of each regulator's supervision division also made decisions about pandemic-related issues. In addition, some agency-wide COVID-19 working groups made decisions about issues such as telework policies. FDIC convened a Coronavirus Working Group, and the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency relied on supervision management as well as these types of groups to make decisions during the pandemic.

<sup>19</sup>The CARES Act authorized at least \$454 billion for the Department of the Treasury to support the Federal Reserve in establishing facilities to provide liquidity to the financial system. The Federal Reserve, with Treasury approval, used its authority under section 13(3) of the Federal Reserve Act to authorize 13 emergency lending facilities. See GAO, *Federal Reserve Lending Programs: Credit Markets Served by the Programs Have Stabilized, but Vulnerabilities Remain*, GAO-22-104640 (Washington, D.C.: Oct. 19, 2021).

The banking regulators identified risks and challenges to fulfilling their supervisory missions in the following areas:

**Reassessment of supervised entities' risk profiles.** Beginning in March 2020, the regulators had to reassess the types of risks facing regulated entities in light of the pandemic's impacts on certain sectors of the economy, such as retail and commercial real estate. For example, depository institutions with large portfolios of loans or other financial exposure to customers in these sectors faced higher risks—such as risks of default on loans—than before the pandemic.

**Transition to full-time remote examination work.** Before the pandemic, all of the banking regulators' examination staff conducted key parts of their examination work on-site at supervised entities, while some preparatory and other activities took place off-site. However, beginning in mid-March 2020, almost all examination staff were allowed to work full-time remotely or off-site.<sup>20</sup> This change posed a challenge to regulators to ensure that examination staff had the equipment, supplies, and technology tools to carry out their examination work in a fully remote posture.

**Staff and technology constraints at some supervised institutions.** Regulators were aware that the pandemic disruption could make it difficult for institutions to respond to examiners' requests for meetings and information. Federal Reserve and FDIC officials noted that regulated institutions had to devote staff resources to managing operational issues and meeting customer needs in the pandemic environment. In addition, many smaller banks and credit unions lacked imaged loan files or electronic platforms that would enable examiners to review internal systems remotely. Because staff at these institutions were also working remotely, it was difficult for the institutions to have staff available to scan documents or otherwise accommodate the off-site review process. As a result, it was challenging for regulators to schedule examinations or to obtain necessary documentation.

**Limitations on examination staff resources.** Banking regulators identified potential challenges related to managing their staffing resources for examinations during the pandemic. This included the potential for some examination tasks to take longer and the reduced availability of

---

<sup>20</sup>Some examiners at some regulators were permitted to carry out examination or other supervisory work on-site with senior management approval. FDIC required staff to work off-site unless permission was granted to work on-site.

examination staff resulting from COVID-19-related leave for illness or family or child-care responsibilities. For example, FDIC examinations of smaller institutions took longer during the pandemic, so FDIC had to hire additional staff temporarily to ensure it met its statutory requirements. The Federal Reserve also had to temporarily reassign some examination staff to assist with implementing the Federal Reserve emergency CARES Act lending facilities.<sup>21</sup>

---

## Four Banking Regulators Updated Risk Management Programs to Reflect Pandemic-Related Risks, but the Federal Reserve Did Not

As noted previously, ERM is a forward-looking approach that allows an agency to identify and assess risks and opportunities that could affect the achievement of its goals. OMB Circular A-123 notes that an agency's risk identification process in its ERM is an ongoing process that should include reexamining risks on a regular basis to identify new risks or changes to existing risks. Four banking regulators with ERM frameworks—CFPB, FDIC, NCUA, and OCC—updated key elements of their ERM programs in 2020 and 2021 to reflect changes in risks, including risks to their supervisory missions, that resulted from the pandemic. In contrast, as of June 2022, the Federal Reserve had not completed an ERM framework. Further, in its efforts to develop such a framework, the Federal Reserve had not yet developed key elements (such as a risk profile or risk register) related to identifying and assessing risks to its supervisory mission, such as pandemic-related risks.

In 2020 and 2021, CFPB, FDIC, NCUA, and OCC updated their ERM risk profiles, risk registers, or both as part of their periodic updates to ERM elements.<sup>22</sup> In doing so, the regulators modified these components of ERM to reflect areas where the pandemic had elevated the risks associated with carrying out their supervision program, among other

---

<sup>21</sup>See [GAO-22-104640](#).

<sup>22</sup>OMB defines the risk profile as a prioritized inventory of the most significant risks identified and assessed through the risk assessment process. The risk profile assists in facilitating a determination about the aggregate level and types of risk that the agency and its management are willing to assume to achieve its strategic objectives. The risk register is a comprehensive list of risks that identifies the relevant source of the risk and the risk owner and that tracks the treatment of the risk.

organizational areas.<sup>23</sup> For example, FDIC updated its risk profile in 2021 and by 2022 had added to its risk register “COVID Impact on Banks’ Adherence to Consumer Compliance Laws and Regulations,” which focused on effective monitoring of supervised institutions’ compliance with consumer laws during the pandemic. FDIC also added “Examination Approach” in 2020, which focused on the effectiveness of the Division of Depositor and Consumer Protection’s off-site examinations. In April 2020, CFPB added organizational resiliency to its risk profile to manage risks to its operations during major economic events or national emergencies, including risks within its supervision office.

Although the Federal Reserve began to develop an ERM framework in 2017, it has not yet completed some of OMB’s key recommended elements related to identifying, assessing, and responding to risks. In developing its ERM framework, the Federal Reserve has prioritized developing risk profiles for its divisions responsible for providing support to the Board’s administrative functions. As a result, the Federal Reserve did not begin efforts to develop risk profiles for the Division of Supervision and Regulation and the Division of Consumer and Community Affairs before 2022, according to a Federal Reserve official leading the agency’s ERM development. Officials told us that these efforts to develop risk profiles will consider pandemic-related risks to the Federal Reserve’s supervisory mission and that they plan to complete this work by September 2022. However, as of June 2022, the Federal Reserve had not developed and documented planned action steps and associated time frames for these steps to complete these efforts.

In the absence of a completed enterprise-wide framework, the Federal Reserve’s supervision divisions took steps, described earlier, to identify and respond to pandemic-related risks to meeting the Federal Reserve’s supervisory mission.<sup>24</sup> Nevertheless, completing and implementing an ERM framework could help ensure that Federal Reserve officials consider risks and risk responses with an enterprise-wide view, including risks

---

<sup>23</sup>FDIC’s Division of Depositor and Consumer Protection also updated its business contingency plan and developed a pilot using Microsoft Teams to proactively review supervisory technology tools that may facilitate communication between institutions and examiners. The Division of Risk Management Supervision provided examiners with training that included emerging risks and trends during the pandemic.

<sup>24</sup>Some of these steps included, as noted previously, creating a new group to identify and assess pandemic-related risks. The supervision divisions also coordinated with other divisions on staffing-related challenges.

---

related to the pandemic disruption. The Federal Reserve Office of the Inspector General issued a report in September 2021 recommending that the Federal Reserve continue to make progress in completing its ERM program.<sup>25</sup> For example, the report found that with respect to planning, the Federal Reserve could benefit from an assessment of the risk management practices and risk culture currently in place across the agency. As the Federal Reserve continues to develop its ERM framework, developing a risk profile that includes key pandemic-related risks to achieving its supervisory mission—such as risks related to conducting supervisory activities during an extended interruption to on-site examinations—could better position the Federal Reserve to leverage its ERM framework to prepare for future disruptions.

---

## Banking Regulators Took Actions to Address Pandemic Examination Challenges

---

### Regulators Leveraged Existing Tools and Issued New Policies and Guidance to Manage the Shift to Remote Examinations

To manage pandemic-related risks and challenges to their supervisory missions, banking regulators took a number of actions. These included deferring or pausing examination activities, performing additional off-site monitoring of supervised institutions, adjusting telework policies, and issuing guidance to examiners about changes to examination procedures, among other actions (see fig. 1).

---

<sup>25</sup>Board of Governors of the Federal Reserve System Office of the Inspector General, *The Board's Implementation of Enterprise Risk Management Continues to Evolve and Can Be Enhanced*, 2021-IT-B-011 (Washington, D.C.: Sept. 15, 2021). We have previously recommended that, in developing its ERM framework, the Federal Reserve consider integrating supervision-related risks, such as the reputational risks of regulatory capture. The Federal Reserve neither agreed nor disagreed with this recommendation but detailed steps it was taking to implement its ERM framework. This recommendation remains open. See GAO, *Large Bank Supervision: Improved Implementation of Federal Reserve Policies Could Help Mitigate Threats to Independence*, [GAO-18-118](#) (Washington, D.C.: Nov. 6, 2017).



**Figure 1: Federal Banking Regulators’ Actions to Address Pandemic-Related Challenges to Conducting Fully Remote Examinations**

Actions	Challenge being addressed			
	Pandemic impacts on supervised entities’ risks	Transition to full-time remote examination work	Staff and technology constraints at some supervised institutions	Limitations on examination staff resources
Deferral of examination activities				
Expanded off-site monitoring to reassess risks to institutions				
Expanded telework and new technology tools				
Issuance of guidance and communications to examiners				
Adjustments to examination staffing				

Source: GAO analysis. | GAO-22-104659

**Deferral of examination activities.** In the first months of the pandemic, all regulators offered to reschedule examinations or defer examination start dates to provide institutions time to adjust to the pandemic environment (see table 3).<sup>26</sup> In March 2020, CFPB, FDIC, NCUA, and OCC began to defer certain examinations or examination activities on a case-by-case basis. Beginning on March 24, 2020, the Federal Reserve temporarily ceased most regular examination activity for approximately 3 months for institutions with less than \$100 billion in assets.<sup>27</sup> As discussed later in this section, after these initial deferrals of examinations, regulators provided additional flexibilities around examination scheduling throughout the pandemic, including to accommodate institutions that needed more time to provide documentation for review.

<sup>26</sup>In addition to these temporary changes, regulators suspended penalties for late submissions of quarterly Consolidated Reports of Conditions and Income (Call Reports).

<sup>27</sup>According to the Federal Reserve, the goal of the temporary change was to help financial institutions deploy their resources as efficiently as possible and continue to serve their customers. Exceptions to this pause in examination work included instances where the examination work was critical to safety and soundness or consumer protection, or was required to address an urgent or immediate need. See Board of Governors of the Federal Reserve System, *Supervision and Regulation Report* (Washington, D.C.: November 2020).

**Table 3: Actions by Federal Banking Regulators to Defer Scheduling of Bank Examinations, March–December 2020**

Regulator	Deferrals of examination activities
Consumer Financial Protection Bureau (CFPB)	<p><b>March 2020:</b> Deferred three examinations originally scheduled for April–June 2020.</p> <p><b>April–December 2020:</b> Deferred 14 examinations (approximately half of originally scheduled examinations).</p>
Federal Deposit Insurance Corporation (FDIC)	<p><b>March 2020:</b> Provided banks the option to pause communications, such as responses to FDIC requests for information.</p> <p><b>April–December 2020:</b> Deferred start dates for 39 examinations to later in 2020.</p>
Board of Governors of the Federal Reserve System (Federal Reserve)	<p><b>March 24, 2020:</b> Ceased examination activities and instead shifted to enhanced off-site monitoring for most institutions with assets under \$100 billion except where critical for safety and soundness or consumer protection, or where required to address an urgent or immediate need.</p> <p><b>June 15, 2020:</b> Resumed examination activities.</p>
National Credit Union Administration (NCUA)	<p><b>March–December 2020:</b> Deferred examinations on a case-by-case basis.</p>
Office of the Comptroller of the Currency (OCC)	<p><b>March–December 2020:</b> Deferred examinations on a case-by-case basis.</p>

Source: GAO analysis of CFPB, FDIC, Federal Reserve, NCUA, and OCC information. | GAO-22-104659

In addition to deferring examinations, in May 2020 CFPB began using a new supervisory tool called “Prioritized Assessments” to focus on entities operating in markets that posed elevated risks of consumer harm resulting from the pandemic. Prioritized Assessments had a narrower period of review and scope than traditional examinations, focusing on the most recent few months and pandemic-related issues. CFPB deferred and rescheduled 14 examinations scheduled for the June–September 2020 examination period and instead conducted Prioritized Assessments.

**Expanded off-site monitoring to reassess risks to institutions.**

Banking regulators leveraged and expanded off-site monitoring activities in place before the pandemic to identify institutions that were at higher risk from the pandemic’s effects on market conditions. In between their on-site examinations, federal banking regulators conduct off-site monitoring of the financial condition of individual banks or groups of banks with common product, portfolio, or risk characteristics. These activities help regulators plan supervision strategies for the coming year.

Expanded off-site monitoring activities during the pandemic included conducting outreach to institutions or gathering additional data about economic and industry sector conditions. As noted previously, examination staff at all five regulators informally contacted institutions to understand the challenges they were encountering. For example, OCC staff increased outreach to community banks in the first weeks after the

pandemic emergency. In addition, the Federal Reserve increased the frequency of certain data reporting schedules to track evolving risks to the banking sector.<sup>28</sup> FDIC instituted weekly national monitoring of its larger supervised bank portfolio, and it implemented a temporary heightened monitoring program for financial institutions with under \$10 billion in total assets to establish a national framework to assess and address risks at institutions resulting from direct and indirect effects of the pandemic.

The regulators also gathered and analyzed additional data on pandemic impacts from institutions and third-party sources, such as federal statistical bureaus. For example, as part of its Prioritized Assessment process, CFPB analyzed market and other information about which sectors were at greater risk of consumer harm during the pandemic. In July 2020, NCUA implemented an off-site monitoring tool to identify credit unions at heightened risk as a result of the pandemic. Specifically, the Risk Assessment and Data Analytics Rating application rated a credit union's risk by assessing its credit, liquidity, and operational risk and by stress testing.<sup>29</sup>

**Expanded telework and new technology tools.** Regulators revised their existing telework policies to accommodate the shift to a maximum telework posture in March 2020 in response to health and safety risks. These policies varied from full-time mandatory telework at FDIC to voluntary telework at OCC.<sup>30</sup> However, banking regulator officials

---

<sup>28</sup>The Federal Reserve requested more frequent updates to Capital Assessments and Stress Testing Reports (FR YA/Q/M).

<sup>29</sup>In April and May 2020, NCUA reached out to the credit union industry to determine the status of operations and liquidity. In April 2020, NCUA examiners contacted credit unions to obtain information on member services. Specifically, NCUA submitted questions to determine the operational status of credit union premises, including lobbies and drive-throughs, and whether credit unions were able to process new loans. For more information, see GAO, *National Credit Union Administration: Additional Actions Needed to Strengthen Oversight*, [GAO-21-434](#) (Washington, D.C.: Sept. 23, 2021).

<sup>30</sup>OCC staff could work in person at OCC office locations without management approval, according to officials.

estimated that the vast majority of examination staff worked remotely through early 2022.<sup>31</sup>

Before the pandemic, each agency conducted some examination work off-site and had provided examiners with equipment to allow them to conduct on-site examinations at supervised institutions—such as laptops and mobile internet access devices. During the pandemic the examiners could use this equipment to work remotely. In addition, regulators provided additional equipment, such as monitors for examiners' use at home, or funds for examiners to purchase home office equipment or increase bandwidth of internet connections.

Regulators also implemented new technology tools or upgraded existing ones, such as videoconferencing and secure document transmission portals. Secure file exchange portals were a key tool regulators used to help institutions transfer imaged loan files and other documentation to examiners electronically. In addition, some agencies coordinated with institutions to gain remote access to internal systems, so that examiners could conduct examination activities such as loan reviews or transaction testing remotely.

**Issuance of guidance and communications to examiners.** Regulators issued both joint and individual guidance on temporary examination procedures. In June 2020, FDIC, the Federal Reserve, NCUA, and OCC issued joint guidance for examiners that outlined common supervisory principles for assessing the safety and soundness of institutions, given the ongoing impact of COVID-19.<sup>32</sup> In addition, FDIC, the Federal Reserve, NCUA, and OCC each individually issued temporary supervisory guidance for their examiners that reinforced existing examination procedures, while explaining how examiners could provide additional flexibility to supervised institutions in light of the pandemic disruption. For example, the regulators' guidance included details on

---

<sup>31</sup>The Federal Reserve issued guidance on returning to work advising that Reserve Banks should determine when it was appropriate to return to on-site examinations, consistent with each Reserve Bank's policy on returning to normal operations and consistent with the direction provided by the working group of Reserve Bank First Vice Presidents, which coordinates across the Reserve Banks on operational issues. The Federal Reserve stated that it expects that on-site examination activities will once again be a regular part of the examination process after the pandemic ends.

<sup>32</sup>FDIC, Federal Reserve, OCC, NCUA, in conjunction with state bank regulators, issued *Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions* (June 2020).

determining the level of documentation needed to meet relevant requirements or supervisory expectations for loan review. In addition to its own new temporary guidance, the Federal Reserve also provided its examiners with “toolkits,” which included decision trees to help examiners decide on changes to documentation requests or other aspects of examinations in a consistent way.<sup>33</sup>

In addition to written guidance, some regulators provided additional updates to examiners through webinars or informational calls, or provided resources on their internal websites. For example, NCUA provided webinars on COVID-19-related examination changes and training sessions on topics such as examinations of distressed institutions. The Federal Reserve conducted a webinar in August 2021 to help examiners transition from use of the temporary toolkits to the regulator’s prepandemic supervisory approach. Some regulators also created COVID-19 resource intranet websites for examiners to access pandemic-related information or frequently-asked-questions documents based on questions from examiners. Regulators also held “town hall” style forums for staff to ask questions directly to management.

**Adjustments to examination staffing.** FDIC and the Federal Reserve provided examples of steps they took to address particular staffing challenges related to the pandemic disruption. As noted previously, FDIC had to identify additional staff resources in part because aspects of examinations, such as loan file reviews, were taking longer during the pandemic. Beginning in December 2020, FDIC temporarily brought on retired employees to assist in carrying out examinations and offered a 2020 leave buyback program to increase available work hours for existing examination staff.<sup>34</sup> The Federal Reserve shifted staff resources to examinations of institutions deemed at higher risk during the pandemic and to support implementation of its emergency lending facilities under

---

<sup>33</sup>Examiners noted that several Reserve Banks issued additional guidance to supplement the toolkits from the Federal Reserve Board.

<sup>34</sup>To assess its hiring needs during periods of stress, FDIC’s Division of Risk Management Supervision used a guidance document of contingency operating strategies that the division had developed as a result of lessons learned during the 2007–2009 financial crisis. Under FDIC’s leave buyback program, FDIC repurchased annual leave from examiners to ensure additional examination hours were available in 2020 to address the increased time needed to conduct off-site exams during the pandemic.

---

the CARES Act.<sup>35</sup> OCC officials said they leveraged existing resource allocation processes to ensure higher-risk institution examination activities were appropriately staffed.

---

### Staff Identified Aspects of Remote Examinations That Worked Well and Challenges Related to Loan File Review

Officials and staff at all five banking regulators identified aspects of remote examinations that generally worked well, such as the transition to full-time telework, as well as areas where they encountered challenges—particularly with examinations of smaller institutions that lacked imaged loan files or technology to facilitate remote access to bank systems. As noted previously, we conducted between two and five small-group interviews with examination staff at each of the five regulators, for a total of 20 interviews. The interviews focused on examiners' perspectives on what worked well and challenges to the implementation of off-site supervision across areas such as the transition to telework and communications to examiners about pandemic-related changes to examinations.

#### **Transition to full-time telework and experiences with technology.**

Generally, examination staff we interviewed described their transition to working fully remotely as smooth and identified relatively few challenges. In 16 of the 20 group interviews we conducted (six of eight groups of managerial examiners and 10 of 12 groups of nonmanagerial examiners), examiners commented that the transition to working from home was smooth or that their prepandemic experience working remotely facilitated the transition. Examiners of larger institutions and examiners responsible for consumer compliance examinations generally said they had few challenges with the transition to fully off-site examinations because before the pandemic, they were already equipped to carry out examination work off-site.

Examiners across the agencies generally commented on positive aspects of remote technology tools, and examiners at two agencies identified challenges. In all five groups of Federal Reserve examiners, three of five

---

<sup>35</sup>As noted previously, the Division of Supervision and Regulation developed a crisis response framework operational plan, which it developed during the approximately 3-month examination pause. The plan included a prioritization framework that helped guide resource allocation according to the Reserve Banks' and Board management's priorities.

groups of FDIC examiners, and four of five groups of OCC examiners, examiners noted that technology tools such as videoconferencing or secure file exchange portals were helpful. In contrast, NCUA examiners in two of the three group interviews we conducted told us they encountered delays at the start of the pandemic when trying to obtain documents from credit unions through the secure file exchange portal.<sup>36</sup>

**Loan file reviews and remote access to smaller institutions.**

Examiners noted that fully remote examinations posed some logistical challenges for supervised entities. In particular, many smaller institutions lacked resources or technology to provide documents, according to examiners and officials.<sup>37</sup> We spoke with 13 groups of examiners across FDIC, the Federal Reserve, NCUA, and OCC that consisted of examiners who supervised smaller institutions. In all of these groups, examiners told us they had challenges carrying out some examination steps in institutions that had only physical (hard copy, non-imaged) credit files or that did not have technology capable of allowing examiners to gain access to bank internal systems remotely to carry out examination activities such as loan reviews or transaction testing:

- **NCUA.** In all three groups, examiners noted problems obtaining loan files from credit unions. They noted that credit unions were unable to upload documents or were hesitant to use the secure file exchange portal. In addition, as noted previously, NCUA examiners initially had issues with the secure portal in terms of bandwidth and accessibility.
- **FDIC.** In all four groups of examiners of smaller banks, examiners noted that they faced problems obtaining access to loan documents at some smaller institutions. Examiners stated that these problems related to review of hard-copy, non-imaged files, as well as a lack of access to banks' systems.
- **Federal Reserve.** In two of the three groups of community and regional bank staff (one group of nonmanagerial examiners and one

---

<sup>36</sup>NCUA upgraded this technology as part of its implementation in 2021 of a new examination tracking system. Examiners we interviewed said the problems experienced earlier in the pandemic had been resolved by the time of our interviews in November 2021.

<sup>37</sup>Before the pandemic, examination teams of smaller institutions would review paper files during the on-site portion of the examination or access an institution's imaged loan files via on-site terminals. In order to accommodate a fully off-site examination during the pandemic, smaller institutions needed on-site staff and technology resources to scan loan files or coordinate remote access to their internal systems. Some institutions lacked staff resources or faced technological limitations.

---

group of managerial examiners), examiners noted that institutions had difficulty uploading documents.

- **OCC.** In all three groups of examiners from OCC's Mid-size and Community Bank Supervision group, examiners noted that regulated institutions relying on paper files had more difficulty in uploading requested loan documents into OCC's secure file exchange portal than banks with digital records.<sup>38</sup>

---

## Regulators Took Steps to Mitigate Challenges Related to Loan File Reviews at Smaller Institutions

In response to the challenges with loan file reviews, regulators took a variety of steps, including the following:

**Providing resources or extra time to produce documents.** Some regulators provided resources to help supervised institutions scan loan files. For example, FDIC provided scanners or third-party contractors to supervised institutions that needed to scan loan files. NCUA allowed some limited contact between staff and institutions—for example, permitting examiners to pick up documents in person. All five of the regulators gave institutions additional time to provide documentation.

**Rescheduling or delaying examinations.** Regulators temporarily delayed examinations when institutions could not provide sufficient loan file or other documentation for examiners to assign a rating in accordance with procedures. For example, NCUA officials said that some scheduled examinations were delayed to allow credit unions more time to produce loan file or other documentation. OCC also modified the timing of examinations when banks had difficulty providing certain information digitally, according to officials, and worked with the institution on technology or other solutions.

**Adjusting the depth of review.** In instances where examiners had challenges receiving imaged loan files, regulators adjusted the depth of loan review or the size of samples requested for testing of transactions at

---

<sup>38</sup>In addition to loan file review challenges during the pandemic, examiners at more than one regulator identified communications and training challenges. For example, NCUA examiners said being on-site made it easier to request additional information quickly, or made it easier to communicate informally with institution management. In addition, in one group of examiners from CFPB and OCC and two groups of NCUA and FDIC examiners, examiners said the virtual environment posed difficulties providing opportunities for on-the-job training or informal communication.



some institutions. Regulators reduced the depth of loan reviews by reducing the number of loans included in a review or by reducing the volume or type of documentation reviewed. For example, at the Federal Reserve, in some instances where institutions were determined to be lower risk, examiners reduced the number of loans reviewed and placed greater reliance on bank reporting, such as banks' problem loan lists, past due reports, or loan review and audit reports, to assess the banks' condition. At NCUA, examiners categorized narrower or more targeted interactions as "supervisory contacts" when examiners lacked needed documentation. OCC reduced the sample size of transactions for testing. According to OCC management and examiners, examiners used existing risk-based examination review procedures to ensure that documentation was sufficient to make a determination. Specifically, they considered the risk profile of the entity and coordinated with examiners-in-charge and higher-level managers when making such decisions. The additional pandemic guidance, as noted, also was intended to ensure that examiners understood which documentation would suffice to enable them to complete an examination.

---

## Regulators Analyzed Pandemic Impacts and Four Reviewed Lessons Learned, but OCC Did Not

---

### Regulators Monitored Examination Information to Understand the Effects of the Pandemic Disruption

As part of their efforts to understand and respond to the pandemic disruption, federal banking regulators monitored metrics and information related to the staffing and completion of examination activities.

**Examiner hours and staffing.** FDIC and the Federal Reserve provided examples of how they monitored metrics related to examiner hours and staffing to inform decisions about how to address potential staffing challenges related to the pandemic. In mid-2020, FDIC's Division of Risk Management Supervision began to compare its tracking and analysis of actual hours examiners worked each month against projected examination hour benchmarks to identify whether hours were increasing and determine if additional staff resources were needed. This monitoring effort informed FDIC's efforts to determine how many additional retired employees FDIC needed to bring on board to help complete required

examinations, and it led FDIC to implement the leave buyback program to increase available work hours from existing examination staff. Similarly, the Federal Reserve's Pandemic Analytics Workstream group analyzed metrics and information related to examiner work hours and examination activities requiring overtime. The analyses, which the group summarized in three reports between September 2020 and February 2021, informed decisions about how to assign appropriate staff and ensure mandated examinations were completed. Similarly, CFPB monitored examination staffing through monthly dashboards. These dashboards included breakouts of examiner hours tracked by region, which enabled CFPB supervision managers to monitor examinations and Prioritized Assessments. NCUA also monitored examiner hours throughout the pandemic period and adjusted staffing based on these metrics, according to NCUA officials.

**Examinations and supervisory activities.** The Federal Reserve and NCUA provided examples of how they monitored delays and changes to supervisory activities to stay abreast of the impacts of the pandemic. The Federal Reserve's Pandemic Analytics Workstream group regularly monitored which examinations were delayed as a result of the pandemic disruption, which helped ensure the Federal Reserve was meeting statutory requirements to complete examinations within certain time frames.<sup>39</sup> NCUA developed a workbook that recorded instances where certain examination steps could not be completed and reasons why.

After the pandemic began, OCC relied on its existing systems and procedures to understand pandemic-related impacts. For example, OCC examiners used existing tracking systems to enter information on delays in examinations or changes to the depth of review in a given examination, as well as reasons for delays, according to OCC officials.

In annual reporting, four regulators commented on the pandemic's impact on the number of examinations and other supervisory activities completed. For example, in the *FDIC 2020 Annual Report*, FDIC reported the total number of examinations conducted and the Office of Inspector General noted that 39 examinations were temporarily delayed in 2020 because of pandemic disruptions. In addition, in its winter 2021 Supervisory Highlights Special Edition, CFPB reported that in May 2020 it rescheduled approximately half of its planned examination work and

---

<sup>39</sup>As noted previously, the Federal Reserve is required to conduct full-scope safety and soundness examinations and compliance examinations within certain statutorily mandated time frames.

---

instead conducted Prioritized Assessments. Appendix II contains more information about the number of examinations and other supervisory activities completed by each regulator in 2020 and 2021.

---

## Four Agencies Took Steps to Review Lessons Learned from the Pandemic, While OCC Has Not Fully Done So

Post-crisis assessments of performance to identify lessons learned can help agencies develop strategies for future disruptions. In relation to the pandemic disruption, conducting a lessons-learned review can help the banking regulators evaluate their responses to pandemic-related challenges and identify areas to improve off-site examinations in the future or better prepare for future disruptions. We have previously identified practices that federal agencies can use to identify and apply lessons learned—a systematic means for agencies to learn from an event and make decisions about when and how to use that knowledge to change behavior.<sup>40</sup> Among the GAO-identified practices for identifying and applying lessons learned are

- collecting information, such as through interviews with relevant stakeholders;
- analyzing information collected to determine root causes of positive or negative experiences and identify appropriate actions; and
- disseminating or sharing the lessons, such as through briefings or reports.

As of June 2022, three of the regulators—the Federal Reserve, FDIC, and NCUA—had conducted reviews of their response to the COVID-19 pandemic with regard to bank supervision that reflected GAO-identified practices. Key examples of how these agencies collected, analyzed, and shared lessons learned include the following:

- **Federal Reserve.** In January and February 2022, the Federal Reserve’s Pandemic Analytics Workstream group completed a report and memorandum that outlined its findings from collecting and analyzing data related to how the Federal Reserve managed staffing resources and workloads to meet examination goals and other requirements during the pandemic. In addition, in the internal

---

<sup>40</sup>GAO-12-901. To develop these practices related to lessons learned, we reviewed analyses of prior GAO lessons-learned work, external lessons-learned processes, agency interviews, and relevant literature. For more information on our methodology, see app. I.

memorandum, this group shared lessons learned with Federal Reserve management on ways to improve future crisis responses, such as specific steps to ensure that the Federal Reserve maintains and strengthens its data analytics capabilities.

- **FDIC.** In August 2020, FDIC’s Coronavirus Working Group convened a meeting of representatives from across the agency to discuss participants’ perspectives on strengths and potential areas for improvement regarding FDIC’s actions to respond to the pandemic in areas such as information technology, leadership communication, telework policies, and training. The group issued a report that identified opportunities for improvement related to leadership communication, telework policies, and other areas. In addition, from January through September 2021, FDIC’s divisions of Risk Management Supervision and Depositor and Consumer Protection carried out lessons-learned activities that included 12 focus groups of examiners and collection of written feedback from headquarters and field offices. FDIC staff from these divisions analyzed input from examination staff and developed 37 recommendations for improving virtual examinations.<sup>41</sup>
- **NCUA.** In January 2022, NCUA completed a report that shared the results of its review of lessons learned from operating in a nearly fully off-site examination posture during the pandemic. The report outlined the results of NCUA’s analysis of pandemic impacts in areas such as examination duration, the extent to which certain examination steps were not completed, communication practices, and technology challenges, among other issues. The report identified next steps for incorporating lessons learned in areas such as using new and emerging data, increasing use of innovative technology, and adjustments in supervisory approaches.

CFPB is collecting and analyzing information about its pandemic experience and plans to share the results with supervision leadership by winter 2023, according to CFPB officials. The Office of Supervision, Enforcement, and Fair Lending began an effort in January 2021 called “the Future of Travel” to identify and incorporate key lessons learned from the shifting of more examination activities off-site, which CFPB staff told us was the most significant pandemic-related effect on CFPB’s

---

<sup>41</sup>In addition to these lessons-learned reviews, the Federal Reserve and FDIC took steps to collect and analyze input from supervised institutions on their supervision processes in light of the pandemic disruption. The Federal Reserve’s Ombudsman conducted outreach to institutions supervised by the Federal Reserve, and FDIC collected input from supervised institutions through a Request for Information published in the Federal Register.

supervisory work. CFPB provided two slide presentations that included steps such as establishing two working groups of examination managers to review pandemic experiences of fully remote examinations and determine how to resume on-site examinations efficiently. The effort also included piloting a voluntary on-site examination model to explore the effectiveness of expanding off-site examination processes. The information collected from these activities will be evaluated and recommendations are to be shared with supervision leadership and staff, according to CFPB officials.

As of June 2022, OCC had not undertaken or planned steps to assess and share lessons learned from its actions to respond to the pandemic disruption. According to OCC officials, OCC has not conducted a lessons-learned effort because its real-time monitoring during the pandemic provided it with the necessary information to assess the impact of the pandemic on examinations. Although OCC examiners encountered pandemic-related challenges similar to those of other regulators in carrying out their responsibilities, OCC did not collect, analyze, or disseminate information to learn lessons from examiners' experiences. Collecting and analyzing information on key aspects of its pandemic response could better position OCC to identify strengths and potential areas for improvement with respect to its off-site examination approaches and future crisis responses.

---

## Conclusions

In spring 2020, federal banking regulators acted quickly to respond to the risks and challenges COVID-19 posed to their supervisory missions, including by expanding use of off-site monitoring tools and supporting examiners conducting fully remote examinations. All five regulators recognized the benefits of incorporating pandemic-related risks into their ERM frameworks as part of an enterprise-wide approach to identifying and assessing risks that could affect the achievement of goals. Four of the regulators have updated key elements of their ERM frameworks to account for pandemic-related risks. While Federal Reserve officials said the agency plans to take similar action as part of its efforts to develop an ERM framework, the agency did not have specific action steps or time frames for doing so as of June 2022. As the Federal Reserve continues the work it began in 2017 to complete an ERM framework, incorporating consideration of pandemic-related risks to supervision into this framework would help ensure it is well positioned to respond to future crisis disruptions to its supervision activities.

Use of lessons learned is a principal component of an organizational culture committed to continuous improvement. The Federal Reserve, FDIC, NCUA, and CFPB each completed or have begun lessons-learned activities to identify actions that will help them better manage future disruptions to on-site examination work. In contrast, OCC has not reviewed lessons learned in areas that presented challenges in conducting fully remote examinations. Undertaking efforts to review potential lessons learned would better position OCC to prepare for future crisis events that disrupt the agency's supervision work.

---

## Recommendations for Executive Action

We are making two recommendations, one each to the Federal Reserve and OCC:

The Federal Reserve's Chief Operating Officer should develop and document specific action steps and time frames for completing the components of the Federal Reserve's enterprise risk management framework related to identifying and assessing risks to its supervisory mission, such as those caused by the COVID-19 pandemic.  
(Recommendation 1)

OCC's Senior Deputy Comptrollers of Large Bank Supervision and Mid-Size and Community Bank Supervision should review potential lessons learned related to how OCC managed adjustments to supervisory activities during the COVID-19 pandemic. This review should include collection and analysis of information to identify aspects of fully remote examinations that worked well and areas for improvement.  
(Recommendation 2)

---

## Agency Comments and Our Evaluation

We provided a draft of this report to CFPB, FDIC, the Federal Reserve, NCUA, and OCC for review and comment. The Federal Reserve, NCUA, and OCC provided written comments, which are reproduced in appendixes III, IV, and V, respectively. In addition, all five agencies provided technical comments, which we incorporated as appropriate.

In its written comments, the Federal Reserve neither agreed nor disagreed with our first recommendation, stating that it recognizes the importance of effectively identifying, assessing, and managing risks to its

supervisory mission. It further stated that it will continue to develop an enterprise risk management framework that will provide a strategic view for comprehensively managing all material risks faced by the Federal Reserve, including pandemic-related risks. We maintain that documenting planned steps and time frames for developing specific supervision-related ERM elements would help to ensure timely completion of its ERM framework and would ensure the Federal Reserve is prepared to manage future disruptions to examinations.

In regard to our second recommendation, OCC stated that it plans to complete a lessons learned analysis related to how it managed adjustments to supervisory activities during the COVID-19 pandemic. OCC further stated that its analysis will include the collection of relevant examination data and an analysis of a sample of fully remote examinations, as appropriate, conducted during 2020 and 2021 to identify best practices and recommended improvements. OCC expects to complete this analysis by March 2023.

We are sending copies of this report to the appropriate congressional committees, the Director of the Consumer Financial Protection Bureau, Acting Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, Chair of the Board of Governors of the Federal Reserve System, Chairman of the National Credit Union Administration, Acting Comptroller of the Currency, and interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or [clementsm@gao.gov](mailto:clementsm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs are listed on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VI.



Michael E. Clements  
Director, Financial Markets and Community Investment

---

*List of Committees*

The Honorable Patrick Leahy  
Chairman  
The Honorable Richard Shelby  
Vice Chairman  
Committee on Appropriations  
United States Senate

The Honorable Patrick Toomey  
Ranking Member  
Senate Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Ron Wyden  
Chairman  
The Honorable Mike Crapo  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Patty Murray  
Chair  
The Honorable Richard Burr  
Ranking Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate

The Honorable Gary C. Peters  
Chairman  
The Honorable Rob Portman  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Rosa L. DeLauro  
Chair  
The Honorable Kay Granger  
Ranking Member  
Committee on Appropriations  
House of Representatives



---

The Honorable Frank Pallone, Jr.  
Chairman  
The Honorable Cathy McMorris Rodgers  
Republican Leader  
Committee on Energy and Commerce  
House of Representatives

The Honorable Bennie G. Thompson  
Chairman  
The Honorable John Katko  
Ranking Member  
Committee on Homeland Security  
House of Representatives

The Honorable Carolyn B. Maloney  
Chairwoman  
The Honorable James Comer  
Ranking Member  
Committee on Oversight and Reform  
House of Representatives

The Honorable Richard Neal  
Chairman  
The Honorable Kevin Brady  
Republican Leader  
Committee on Ways and Means  
House of Representatives

---

# Appendix I: Objectives, Scope, and Methodology

This report examines (1) how federal banking regulators identified and assessed risks and challenges the pandemic posed to their supervisory missions, (2) adjustments they made to examination activities to address key risks and challenges, and (3) steps they have taken to monitor the effects of pandemic-related changes and identify lessons learned from their responses to the pandemic disruption to on-site examinations. The agencies that examine depository institutions are the Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Federal Reserve), National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC).<sup>1</sup>

To address the first objective, we reviewed documentation of risk management efforts within each agency's divisions of supervision and interviewed staff and management within those divisions about steps they took to identify risks to examinations during the pandemic. We then categorized the common risks and challenges the regulators faced in carrying out examinations during the pandemic. We also reviewed documentation of agencies' enterprise risk management (ERM) frameworks and other risk management components and interviewed officials responsible for risk management at each of the five agencies about their risk management efforts during the pandemic. We reviewed how the agencies' ERM programs were structured, reviewed ERM elements, and compared agencies' implementation of their ERM programs to their own guidance, as well as Office of Management and

---

<sup>1</sup>The 12 Federal Reserve banks that are part of the Federal Reserve System carry out Federal Reserve core functions, including supervising and examining banks that are state chartered and are members of the Federal Reserve System and bank and thrift holding companies. Federal Reserve Banks also supervise nonbank financial institutions that have been designated as systemically important under authority delegated to them by the Federal Reserve Board. The Securities and Exchange Commission and Commodity Futures Trading Commission also have financial oversight responsibilities, which were outside the scope of this review.

Budget (OMB) guidance on implementing ERM in federal agencies.<sup>2</sup> Specifically, we compared agencies' ERM programs and their updates of ERM elements against OMB Circular A-123 guidance, which recommends updating ERM elements such as risk profiles to reflect changes in risks.

To address the second objective, we reviewed documentation of agencies' actions to address pandemic risks and challenges, such as agency policies, procedures, and internal guidance and communications provided to examiner staff. We interviewed officials in agency divisions with bank supervision responsibilities about how they managed challenges such as those related to conducting examinations remotely. We categorized the changes agencies made to address the challenges identified in our first objective.

We also conducted group interviews with a nongeneralizable selection of examination staff at each agency to understand examiners' experiences with conducting examinations during the pandemic and their experiences with the changes to examination processes. In total, we conducted 20 small group interviews of between four and 10 examiners from each of the five agencies (a total of 110 examiners). We conducted two group interviews with CFPB, three group interviews with NCUA, and five group interviews each with FDIC, Federal Reserve, and OCC staff. The distribution of examiners with managerial and nonmanagerial roles and by agency is listed in table 4.

---

<sup>2</sup>Office of Management and Budget, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular A-123 (Washington, D.C.: July 15, 2016). Although the financial regulators are not necessarily required to adhere to OMB guidance, agencies with ERM frameworks, including CFPB and FDIC, have voluntarily opted to follow OMB guidance on ERM.

Appendix I: Objectives, Scope, and Methodology

**Table 4: Number of Agency Examination Staff Interviewed about Pandemic Experiences**

<b>Regulator</b>	<b>Number of groups of managerial examiners</b>	<b>Number of managerial examiners</b>	<b>Number of groups of nonmanagerial examiners</b>	<b>Number of nonmanagerial examiners</b>	<b>Total number of examiners</b>
Consumer Financial Protection Bureau	1	4	1	5	9
Federal Deposit Insurance Corporation	2	11	3	20	31
Board of Governors of the Federal Reserve System	2	11	3	21	32
National Credit Union Administration	1	4	2	9	13
Office of the Comptroller of the Currency	2	11	3	14	25
<b>Total</b>	<b>8</b>	<b>41</b>	<b>12</b>	<b>69</b>	<b>110</b>

Source: GAO analysis. | GAO-22-104659

Note: Managerial examiners are examination staff who supervise teams of examiners; nonmanagerial examiners are examination staff who carry out examination activities directly with supervised institutions.

For each agency, using agency work force data, we established a population of examination staff who manage teams of examiners and a population of nonmanagerial examination staff. Managerial examiners are examination staff who supervise teams of examiners; nonmanagerial examiners are examination staff who carry out examination activities directly with supervised institutions. To ensure our populations were randomized, we generated a random value for each individual in each agency’s workforce populations and then sorted the lists from smallest to largest. From those populations we narrowed the selection to groups of no fewer than four and no more than 10 examiners each. The number of examiners in each group varied because some examiners were unavailable for any of the dates and times we scheduled the discussions.

To ensure a broad range of views, we judgmentally selected the examiners to represent a range of positions, responsibilities, and regional locations. We selected examiners who conduct safety and soundness examinations, compliance examinations, or specialty examinations at each agency that conducts such examinations. For FDIC, the Federal Reserve, and OCC, we selected groups of examiners who primarily supervise large institutions and groups of examiners of smaller community and regional institutions. Group interviews took place using

teleconference lines, with the exception of NCUA, for which we used videoconference technology.

Our interviews focused on three topics: (1) benefits and challenges of conducting examination responses remotely, (2) adjustments to examination practices as a result of the pandemic, and (3) additional steps agencies could take to strengthen their ability to execute supervision responsibilities during a pandemic or other disruption. As the sample was nongeneralizable, the views of the staff we spoke with are not generalizable to all examination staff within each agency.

To address the third objective, we reviewed agency reports, slide presentations, and other documentation of agencies' efforts to monitor and analyze data to understand pandemic impacts on their bank supervision work, such as changes to examination hours, duration, staffing, and other indicators. In addition, we reviewed agencies' public and internal data and their analyses of the number of examinations conducted during the pandemic. To assess the reliability of the data, we reviewed related documentation and interviewed knowledgeable staff at the agencies and identified any outliers. We concluded that applicable data were sufficiently reliable for the purpose of reporting aggregate annual examination numbers.

We also reviewed documentation, including analyses and internal reports, the regulators developed to monitor and analyze the impact of changes they made to their examinations in response to the pandemic. For example, we reviewed internal reports, dashboards, and analyses of examination staffing and scheduling, and workbooks or other information about changes to the depth of review of examinations. We also compared agencies' actions to one another to identify types of analyses that were common across agencies, and we interviewed staff and officials to learn the reasons for any differences. We interviewed managers of the agencies' supervision divisions to understand how they used these analyses. We also interviewed representatives from the American Bankers Association and the Independent Community Bankers Association to obtain their perspectives on regulators' oversight activities.

Finally, we gathered and analyzed reports, analyses, and retrospective reviews agencies conducted about their pandemic experiences and interviewed staff and officials at each regulator about lessons-learned activities and how they plan to use the findings from these analyses to prepare for future disruptions to on-site examinations. We compared their

---

lessons-learned efforts to GAO-identified practices for identifying and applying lessons learned.<sup>3</sup>

We conducted this performance audit from March 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

<sup>3</sup>GAO, *Federal Real Property Security: Interagency Security Committee Should Implement a Lessons-Learned Process*, [GAO-12-901](#) (Washington, D.C.: Sept. 10, 2012). To develop these key practices related to lessons learned, we reviewed analyses of prior GAO lessons-learned work, external lessons-learned processes, agency interviews, and relevant literature. See also other recent GAO work, which applied GAO lessons-learned practices to selected actions at other agencies: GAO, *Federal Hiring: OPM Should Collect and Share COVID-19 Lessons Learned to Inform Hiring during Future Emergencies*, [GAO-22-104297](#) (Washington, D.C.: Oct. 25, 2021); *DOD Utilities Privatization: Improved Data Collection and Lessons Learned Archive Could Help Reduce Time to Award Contracts*, [GAO-20-104](#) (Washington, D.C.: Apr. 2, 2020); and *Project Management: DOE and NNSA Should Improve Their Lessons-Learned Process for Capital Asset Projects*, [GAO-19-25](#) (Washington, D.C.: Dec. 21, 2018).

---

# Appendix II: Examinations by Federal Banking Regulators, 2016–2021

---

## Federal Prudential Banking Regulators

The four federal prudential banking regulators are the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (Federal Reserve), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC). Among other oversight responsibilities, these regulators conduct examinations and other types of reviews of depository institutions under their authority to ensure safety and soundness and compliance with consumer laws, among other purposes.<sup>1</sup>

Each regulator counts its examinations differently but the number of examinations each regulator carried out declined in 2020, the year in which the COVID-19 pandemic began. For FDIC, the number of examinations also declined in calendar year 2021.<sup>2</sup> For OCC and NCUA,

---

<sup>1</sup>FDIC, the Federal Reserve, and OCC are required under provisions of the Federal Deposit Insurance Act to conduct a full-scope safety and soundness examination of each insured depository institution they supervise at least once during each 12-month period. 12 U.S.C. §1820(d)(1). Under the Federal Credit Union Act, NCUA conducts examinations of credit unions. 12 U.S.C. §§ 1756, 1784. These regulators can extend the cycle based on certain conditions. The 12 Federal Reserve Banks that are part of the Federal Reserve System carry out Federal Reserve core functions, including supervising and examining banks that are state chartered and that are members of the Federal Reserve System and bank and thrift holding companies. The Federal Reserve Banks also supervise nonbank financial institutions that have been designated as systemically important under authority delegated to them by the Federal Reserve Board.

<sup>2</sup>FDIC officials said that declines were due to a decrease in the number of institutions under supervision and an increase in the number of banks eligible for the 18-month examination cycle.

the number of examinations increased in 2021 to be above the prepandemic level.<sup>3</sup>

The COVID-19 pandemic contributed to a decline in the number of examinations in 2020 at some agencies by causing delays in scheduling of examinations and increasing the time needed to complete certain examination tasks. Prior to the pandemic, the number of examinations carried out per year had been declining because of factors such as consolidation in the banking industry and legislative changes that raised the asset threshold of banks eligible for an 18-month examination cycle from \$1 billion to \$3 billion.<sup>4</sup>

Figures 2–5 show trends in examination activity by the four prudential regulators.

---

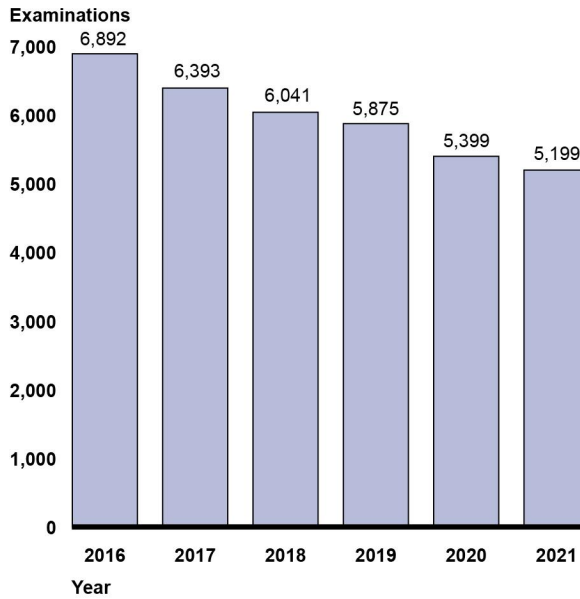
<sup>3</sup>NCUA reviews increased in 2021 primarily because of an increase in off-site contacts to facilitate data transfer to NCUA's new Modern Examination and Risk Identification Tool, known as MERIT. OCC staff said examinations fluctuate from year to year based on OCC's standard risk-based approach to examination planning.

<sup>4</sup>Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174, § 210(1), 132 Stat. 1296, 1316 (2018). According to a 2020 FDIC study, between year-end 2011 and year-end 2019, the overall number of banks dropped from 7,357 to 5,177, representing a decline of nearly 30 percent.



**Appendix II: Examinations by Federal Banking Regulators, 2016–2021**

**Figure 2: Number of FDIC Examinations of Insured Depository Institutions, 2016–2021**



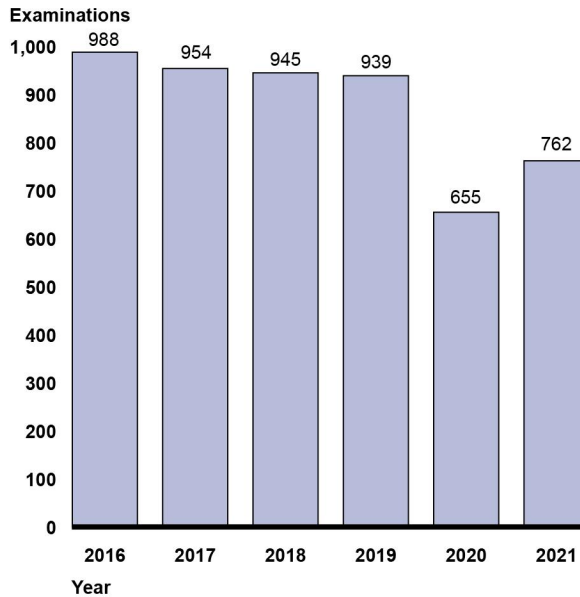
Source: Federal Deposit Insurance Corporation (FDIC) annual reports. | GAO-22-104659

<b>Year</b>	<b>Exams</b>
2016	6892
2017	6393
2018	6041
2019	5875
2020	5399
2021	5199

Note: Includes examinations to ensure safety and soundness and compliance with consumer and other laws, as well as other specialty examinations, of state-chartered banks and thrifts that are not members of the Federal Reserve System.

**Appendix II: Examinations by Federal Banking Regulators, 2016–2021**

**Figure 3: Number of Federal Reserve Examinations of Depository Institutions That Are Members of the Federal Reserve System, 2016–2021**



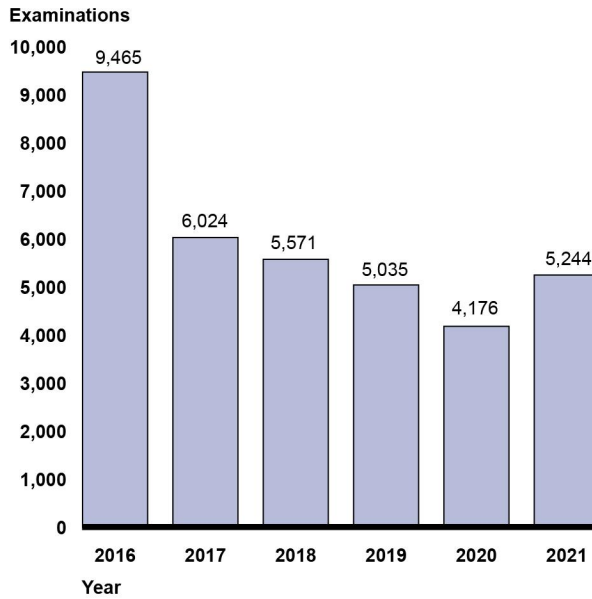
Source: GAO analysis of Board of Governors of the Federal Reserve System (Federal Reserve) examination data. | GAO-22-104659

	2016	2017	2018	2019	2020	2021
<b>Total Exams</b>	988	954	945	939	655	762

Note: Includes examinations to ensure safety and soundness and compliance with consumer and other laws, as well as specialty examinations, of state-chartered banks and thrifts that are members of the Federal Reserve System. Specialty examinations include fiduciary activities, transfer agent activities, government and municipal securities dealers, and Securities Credit Lenders (Regulation U); they do not include specialty examinations related to information technology, cybersecurity, and capital planning examinations and bank holding company inspections. The Federal Reserve paused most examination activities between March and June 2020 for institutions under \$100 billion in assets. Most of these examinations were rescheduled for later in 2020, but some were rescheduled for 2021 or later. The 12 Federal Reserve Banks that are part of the Federal Reserve System carry out Federal Reserve core functions, including supervising and examining banks that are state chartered and that are members of the Federal Reserve System and bank and thrift holding companies. The Federal Reserve Banks also supervise nonbank financial institutions that have been designated as systemically important under authority delegated to them by the Federal Reserve Board.

Appendix II: Examinations by Federal Banking Regulators, 2016–2021

**Figure 4: Number of NCUA Examinations, 2016–2021**

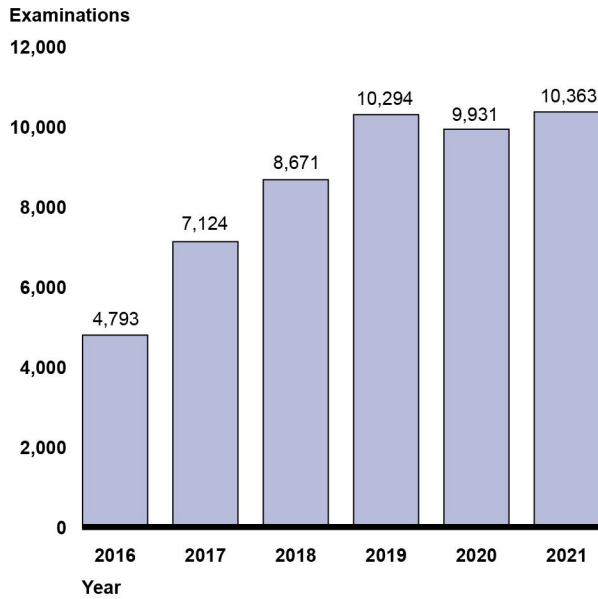


Source: National Credit Union Administration (NCUA) annual reports. | GAO-22-104659

Year	Exams
2016	9465
2017	6024
2018	5571
2019	5035
2020	4176
2021	5244

Note: Includes on-site examinations as well as supervisory contacts of federally insured credit unions and joint examinations of federally insured state-chartered credit unions. A supervisory contact is an off-site review of the institution. Because most examinations as well as supervisory contacts took place off-site in 2020 and 2021, NCUA officials said that supervisory contacts during this period included narrower, targeted reviews.

**Figure 5: Number of OCC Examinations, 2016–2021**



Source: GAO analysis of Office of the Comptroller of the Currency (OCC) examination data. | GAO-22-104659

Year	Exams
2016	4793
2017	7124
2018	8671
2019	10294
2020	9931
2021	10363

Note: Includes examinations to ensure safety and soundness and compliance and specialty examinations of national banks and savings and loan associations that are federally chartered. OCC examination data we reviewed categorized examinations as either “ongoing” or “targeted.” In a given examination cycle, OCC may conduct several ongoing and targeted reviews for each supervised institution.

## Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) conducts examinations and targeted reviews of institutions under its supervisory authority to assess compliance with federal consumer financial law, obtain information about compliance management systems, and detect and assess risks to consumers and markets for consumer financial products and services. Institutions under CFPB’s supervisory authority include insured depository institutions and insured credit unions with

assets of more than \$10 billion, their affiliates, and certain nondepository entities.<sup>5</sup>

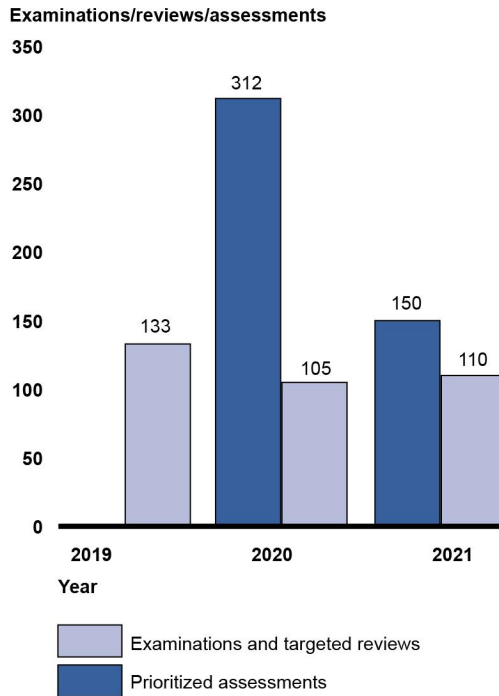
In May 2020, CFPB began using a new supervisory tool called “Prioritized Assessments” to focus on entities operating in markets that pose elevated risks of consumer harm resulting from the pandemic (see fig. 6). Prioritized Assessments had a narrower period of review and scope than traditional examinations and were intended to identify potential risks of violations and determine whether follow-up work by CFPB was necessary. CFPB deferred several planned examinations and targeted reviews and instead conducted Prioritized Assessments, which caused the number of examinations and targeted reviews completed by CFPB to decline in 2020, according to CFPB officials.

---

<sup>5</sup>CFPB has supervisory authority over nonbank financial institutions, including payday lenders, student loan originators, and nonbank mortgage originators and servicers. CFPB also supervises larger participants in other consumer financial markets (as defined by CFPB rules), in consumer reporting, consumer debt collection, student loan servicing, international money transfer, and automobile financing. CFPB recently announced it had begun to use its authority to supervise nonbanks whose activities CFPB had “reasonable cause to determine” posed risks to consumers. See 12 U.S.C. § 5514(a)(1)(C).

**Appendix II: Examinations by Federal Banking Regulators, 2016–2021**

**Figure 6: Number of CFPB Examinations, Targeted Reviews, and Prioritized Assessments, 2019–2021**



Source: GAO analysis of Consumer Financial Protection Bureau (CFPB) examination data. | GAO-22-104659

	2019	2020	2021
Total CFPB Exams	133	417	260
PAs		312	150
Targeted reviews	133	105	110

Note: Includes CFPB examinations and targeted reviews for compliance with federal consumer financial laws as well as Prioritized Assessments of depository institutions and nonbank financial service providers (e.g., mortgage originators and servicers, payday lenders, student loan originators, consumer reporting, debt collection, auto finance origination and servicing, student loan servicing, and international money transfers). In May 2020, CFPB began using a new supervisory tool called "Prioritized Assessments." Prioritized Assessments were reviews that focused on assessing how supervised entities operating in the riskiest sectors responded to COVID-19-related risks to consumers. In 2020 and 2021, CFPB rescheduled some planned examinations and targeted reviews in order to conduct Prioritized Assessments.

# Appendix III: Comments from the Board of Governors of the Federal Reserve System



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

PATRICK J. McCLANAHAN  
CHIEF OPERATING OFFICER

July 28, 2022

Michael Clements  
Director  
Financial Markets and Community Investment  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Clements:

Thank you for providing the Board of Governors of the Federal Reserve System (“Board”) with an opportunity to review the final draft of the Government Accountability Office (“GAO”) report titled: *Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions* (GAO-22-104659). The GAO’s report examines how federal banking regulators identified and responded to risks and challenges the pandemic posed to their supervisory missions, as well as steps the regulators have taken to identify lessons learned from their responses to the pandemic-related disruptions to on-site examinations. We appreciate the report’s recognition of the Board’s actions to manage pandemic-related risks and challenges to its supervisory mission, as well as the efforts undertaken by the Board to analyze lessons learned since the start of the pandemic.

The GAO’s report makes one recommendation to the Board (which the GAO’s report refers to as the “Federal Reserve”):

---

**Appendix III: Comments from the Board of  
Governors of the Federal Reserve System**

---

2

The Federal Reserve's Chief Operating Officer should develop and document specific action steps and timeframes for completing the components of the Federal Reserve's enterprise risk management framework related to identifying and assessing risks to its supervision mission, such as those caused by the COVID-19 pandemic.

The Board recognizes the importance of effectively identifying, assessing, and managing risks to its supervisory mission. As such, the Board continues to develop an enterprise risk management framework that will provide a strategic view for comprehensively managing all material risks faced by the Board, including pandemic-related risks.

We appreciate the GAO's review of the federal banking regulators' response to the pandemic, for their professional approach to the review, and for the opportunity to comment.

Sincerely,

PATRICK  
MCCLANAHAN  
N

A digital signature block containing the text "Digitally signed by PATRICK MCCLANAHAN Date: 2022.07.28 09:17:55 -0400" and a red scribble representing the signature.

Pat McClanahan



---

## Agency Comment Letter

---

### Text of Appendix III: Comments from the Board of Governors of the Federal Reserve System

July 28, 2022

Michael Clements  
Director  
Financial Markets and Community Investment  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Clements:

Thank you for providing the Board of Governors of the Federal Reserve System (“Board”) with an opportunity to review the final draft of the Government Accountability Office (“GAO”) report titled: Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions (GAO-22-104659). The GAO’s report examines how federal banking regulators identified and responded to risks and challenges the pandemic posed to their supervisory missions, as well as steps the regulators have taken to identify lessons learned from their responses to the pandemic-related disruptions to on-site examinations. We appreciate the report’s recognition of the Board’s actions to manage pandemic-related risks and challenges to its supervisory mission, as well as the efforts undertaken by the Board to analyze lessons learned since the start of the pandemic.

The GAO’s report makes one recommendation to the Board (which the GAO’s report refers to as the “Federal Reserve”):

The Federal Reserve’s Chief Operating Officer should develop and document specific action steps and timeframes for completing the components of the Federal Reserve’s enterprise risk management framework related to identifying and assessing risks to its supervision mission, such as those caused by the COVID-19 pandemic.

The Board recognizes the importance of effectively identifying, assessing, and managing risks to its supervisory mission. As such, the Board continues to develop an enterprise risk management framework that will provide a strategic view for

---

**Appendix III: Comments from the Board of  
Governors of the Federal Reserve System**

---

comprehensively managing all material risks faced by the Board, including pandemic-related risks.

We appreciate the GAO's review of the federal banking regulators' response to the pandemic, for their professional approach to the review, and for the opportunity to comment.

Sincerely,

Pat McClanahan

## Appendix IV: Comments from the National Credit Union Administration



National Credit Union Administration  
Office of the Executive Director

August 1, 2022

Michael E. Clements  
Director, Financial Markets & Community Investment  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Mr. Clements,

We reviewed GAO's draft report (GAO-22-104659) titled *Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions*. We acknowledge GAO's observations and appreciate the information in the report.

Thank you for the opportunity to review and comment on the draft report.

Sincerely,

LARRY FAZIO  
Digitally signed by LARRY  
FAZIO  
Date: 2022.08.01 14:32:34  
+04'00'

Larry Fazio  
Executive Director

1775 Duke Street – Alexandria, VA 22314-3428 – 703-518-6320

---

## Agency Comment Letter

---

### Text of Appendix IV: Comments from the National Credit Union Administration

August 1, 2022

Michael E. Clements  
Director, Financial Markets & Community Investment  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Mr. Clements,

We reviewed GAO's draft report (GAO-22-104659) titled Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions. We acknowledge GAO's observations and appreciate the information in the report.

Thank you for the opportunity to review and comment on the draft report.

Sincerely,

Larry Fazio  
Executive Director

## Appendix V: Comments from the Office of the Comptroller of the Currency



Office of the Comptroller of the Currency

Washington, DC 20219

August 3, 2022

Mr. Michael E. Clements  
Director, Financial Markets and Community Investment  
U. S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Clements:

Thank you for providing the Office of the Comptroller of the Currency (OCC) an opportunity to review the Government Accountability Office's (GAO) draft report titled *Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions* (GAO-22-104659). Technical edits have been provided separately.

As part of this review, the GAO has provided the following recommendation:

***OCC's Senior Deputy Comptrollers of Large Bank Supervision and Mid-Size and Community Bank Supervision should review potential lessons learned related to how OCC managed adjustments to supervisory activities during the COVID-19 pandemic. This review should include collection and analysis of information to identify aspects of fully remote examinations that worked well and areas for improvement.***

To address this recommendation, the OCC plans to complete a lessons learned analysis related to how the OCC managed adjustments to supervisory activities during the COVID-19 pandemic. The analysis will include the collection of relevant examination data and an analysis of a sample of fully remote examinations, as appropriate, conducted during 2020 and 2021 to identify best practices and recommended improvements. The OCC's analysis will be completed by March 31, 2023.

If you need additional information, please contact Rosalie Bair, at (202) 286-1682.

Sincerely,

Greg J.  
Coleman

Digitally signed by  
Greg J. Coleman  
Date: 2022.08.01  
11:01:03 -0400'

Gregory Coleman  
Senior Deputy Comptroller for Large Bank Supervision

---

## Agency Comment Letter

---

### Text of Appendix V: Comments from the Office of the Comptroller of the Currency

August 3, 2022

Mr. Michael E. Clements  
Director, Financial Markets and Community Investment  
U. S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Clements:

Thank you for providing the Office of the Comptroller of the Currency (OCC) an opportunity to review the Government Accountability Office's (GAO) draft report titled *Bank Supervision: Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions* (GAO-22-104659). Technical edits have been provided separately.

As part of this review, the GAO has provided the following recommendation:

OCC's Senior Deputy Comptrollers of Large Bank Supervision and Mid-Size and Community Bank Supervision should review potential lessons learned related to how OCC managed adjustments to supervisory activities during the COVID-19 pandemic. This review should include collection and analysis of information to identify aspects of fully remote examinations that worked well and areas for improvement.

To address this recommendation, the OCC plans to complete a lessons learned analysis related to how the OCC managed adjustments to supervisory activities during the COVID-19 pandemic.

The analysis will include the collection of relevant examination data and an analysis of a sample of fully remote examinations, as appropriate, conducted during 2020 and 2021 to identify best practices and recommended improvements. The OCC's analysis will be completed by March 31, 2023.

If you need additional information, please contact Rosalie Bair, at (202) 286-1682.

Sincerely,

---

**Appendix V: Comments from the Office of the  
Comptroller of the Currency**

---

Gregory Coleman  
Senior Deputy Comptroller for Large Bank Supervision

---

# Appendix VI: Contacts and Staff Acknowledgments

---

## GAO Contact

Michael E. Clements at (202) 512-8678 or [clementsm@gao.gov](mailto:clementsm@gao.gov)

---

## Staff Acknowledgments

In addition to the contact named above, John Fisher (Assistant Director), Catherine Gelb (Analyst in Charge), M'Baye Diagne, Genesis Galo, John McGrail, Marc Molino, Will Reeves, Jennifer Schwartz, Farrah Stone, and Leanne Violette made key contributions to this report.



---

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).  
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).  
Visit GAO on the web at <https://www.gao.gov>.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/about/what-gao-does/fraudnet>

Automated answering system: (800) 424-5454 or (202) 512-7700

---

---

## Congressional Relations

A. Nicole Clowers, Managing Director, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

---

## Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548



**Please Print on Recycled Paper.**