

**OFFICE OF
INSPECTOR GENERAL**

Evaluation Report

**Farm Credit Administration's
Office of Examination Structure
and Organization
Benchmarking Evaluation
E-18-02**

**Evaluator
Sonya Cerne**

March 20, 2019



FARM CREDIT ADMINISTRATION



March 20, 2019

The Honorable Dallas P. Tonsager, Board Chairman
The Honorable Jeffery S. Hall, Board Member
The Honorable Glen R. Smith, Board Member
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Chairman Tonsager and Board Members Hall and Smith:

The Office of Inspector General (OIG) completed a Benchmarking Evaluation on the Farm Credit Administration's (FCA) Office of Examination (OE) Structure and Organization. The objective of this evaluation was to compare FCA's examiner career structure and organization within the OE to other federal financial regulators. This report does not contain any recommendations; however, we included considerations for FCA regarding examination staff.

To accomplish the benchmarking study, we conducted a survey with several federal financial regulators (the Federal Housing Finance Agency was issued a survey but elected not to participate):

- Consumer Financial Protection Bureau
- Federal Deposit Insurance Corporation
- Board of Governors of the Federal Reserve System
- National Credit Union Administration
- Office of the Comptroller of the Currency
- U.S. Securities and Exchange Commission

FCA is the smallest of the benchmarked agencies in size and in the number of institutions it examines. The benchmarking study found that the agencies surveyed varied in size, location, and organizational structure. Notwithstanding the differences, we found similar supervisor ratios and that most agencies surveyed were not using resident examiners. Each agency had unique responses on the location of examination staff and whether examiners were located in the same duty stations as their supervisors.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this evaluation, Sonya Cerne and I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in blue ink that reads "Wendy R. Laguarda". The signature is written in a cursive style with a loop at the end of the last name.

Wendy R. Laguarda
Inspector General

Enclosure



Executive Summary

E-18-02

OBJECTIVE:

The objective of this evaluation was to compare FCA's examiner career structure and organization within the OE to other federal financial regulators.

RECOMMENDATIONS:

This report contains no recommendations.

SURVEY QUESTIONS:

1. How many Full-Time Equivalents are in your Agency who perform examination duties? Please include all examination staff in this number.
2. Please list the number of examiners in each of your agency's field office and headquarters locations.
3. Please explain how your agency locates examination staff (that is, whether staff are located geographically based on the financial institutions they examine, by specialty area, or other factor).
4. How many Full-Time Equivalents did your agency hire for examination duties in FY 2017?
5. What is the ratio of supervisors to examiners in your agency?
6. How many institutions does your agency examine each year?
7. Are examiners located in the same duty station as their supervisors?
8. Do you have any resident examiners (where the examiners reside on-site with the entity they review)? If so, how many?
9. Please provide any other information you think would be helpful to the Farm Credit Administration or that impacts any of your answers to the above questions (telework, flexiplace, statutory requirements).

FARM CREDIT ADMINISTRATION'S OFFICE OF EXAMINATION STRUCTURE AND ORGANIZATION BENCHMARKING EVALUATION

The Farm Credit Administration (FCA or Agency) is an independent Federal agency responsible for regulating, examining, and supervising the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac). The mission of the Agency is to ensure a safe, sound, and dependable source of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

FCA's Office of Examination (OE) is responsible for examining and supervising the System in accordance with the Farm Credit Act of 1971, as amended (Act), and applicable regulations. Under the Act, OE must examine each institution no less than once each 18-month period and Federal land bank associations at least once every three years. Overall, FCA has about 300 employees, with about half of the employees dedicated as examiners.

To accomplish the benchmarking study, we conducted a survey with several federal financial regulators (the Federal Housing Finance Agency was issued a survey but elected not to participate):

- Consumer Financial Protection Bureau
- Federal Deposit Insurance Corporation
- Board of Governors of the Federal Reserve System
- National Credit Union Administration
- Office of the Comptroller of the Currency
- U.S. Securities and Exchange Commission

The benchmarking study found that the agencies surveyed varied in size, location, and organizational structure. FCA is the smallest of the benchmarked agencies in size and in the number of institutions it examines. Notwithstanding the differences, we found several similarities regarding supervisory ratios and not using resident examiners. Each agency had unique responses on the location of examination staff and whether examiners were located in the same duty stations as their supervisors.

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ACRONYMS

AED	Association Examination Division
BED	Bank Examination Division
CFPB	Consumer Financial Protection Bureau
EPD	Examination Policy Division
Farmer Mac	Federal Agricultural Mortgage Corporation
FCA	Farm Credit Administration
FCS	Farm Credit System
FDIC	Federal Deposit Insurance Corporation
FFR	Federal Financial Regulator
FHFA	Federal Housing Finance Agency
FRB	Board of Governors of the Federal Reserve System
FTE	Full-Time Equivalent
FY	Fiscal Year
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
OE	Office of Examination
RSD	Risk Supervision Division
SEC	U.S. Securities and Exchange Commission
SDD	Staff Development Division

BACKGROUND

The Farm Credit Administration (FCA) is an independent federal agency responsible for regulating and examining the Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac), the nation's two government-sponsored enterprises serving agriculture and rural America. The mission of FCA is to ensure that System institutions are safe,

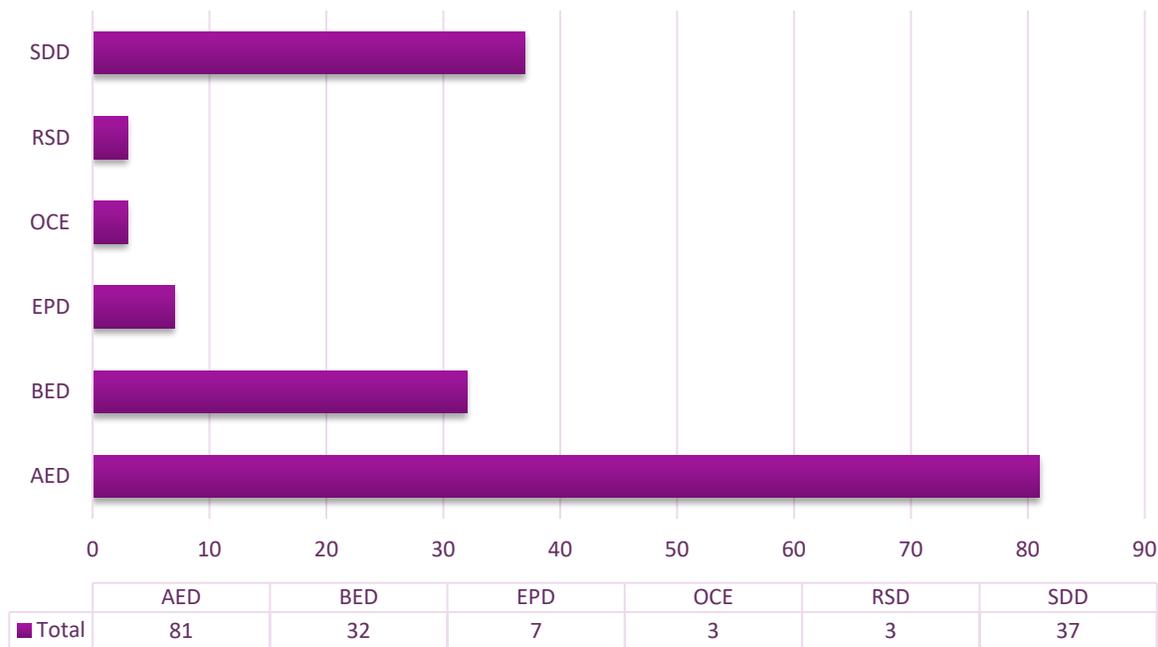
sound, and dependable sources of credit and related services for all creditworthy and eligible persons in agriculture and rural America.

FCA’s Office of Examination (OE) is responsible for examining and supervising the System in accordance with the Farm Credit Act and applicable regulations. OE develops oversight plans; conducts examinations; monitors the System’s condition and current and emerging risks to the System; and develops supervisory strategies to ensure that the System operates in a safe and sound manner, complies with the law and regulations, and fulfills its public policy purpose. OE must examine each institution no less than each 18-month period and Federal land bank associations at least once every three years. Overall, FCA has about 300 employees, with about half of the employees dedicated as examiners.

EXAMINATION STAFF AT FCA

Based on data provided from the Office of Agency Services, FCA’s examination staff totaled 163 as of May 2018, which included three interns. Of the 163 staff members, 91 are commissioned examiners. Examiners are generally placed in one of five divisions within OE: the Risk Supervision Division (RSD), Examination Policy Division (EPD), Staff Development Division (SDD), Association Examination Division (AED), and Bank Examination Division (BED).¹ Individuals are also placed in the Office of the Chief Examiner (OCE). AED is the largest division, with about half of the examination staff. The following shows the number of examination staff in each division:

Number of Examination Staff in Each Division



¹ FCA may also have examiners in other offices, such as the Office of Regulatory Policy.

COMPARISON TO OTHER FEDERAL FINANCIAL REGULATORS

The objective of this evaluation was to compare FCA's examiner career structure and organization within the OE to other federal financial regulators (FFRs).² To accomplish the benchmarking study, we conducted a survey with the following FFRs, with the assistance of the various Offices of Inspector General (the Federal Housing Finance Agency (FHFA) was issued a survey but elected not to participate):³

- Consumer Financial Protection Bureau (CFPB): CFPB is an independent bureau within the Federal Reserve System with a mission to regulate the offering and provision of consumer financial products or services under the federal consumer financial laws and educate and empower consumers to make better informed financial decisions. CFPB has supervisory authority over banks, thrifts, and credit unions with assets over \$10 billion, as well as their affiliates. As of March 2018, there were 164 of these entities under CFPB supervision. In addition, CFPB has supervisory authority over nonbank mortgage originators and servicers; payday lenders; private student lenders of all sizes; and over larger participants in the consumer reporting, debt collection, student loan servicing, remittance, and automobile financing markets.
- Federal Deposit Insurance Corporation (FDIC): FDIC is an independent agency that supervises insured state-chartered banks that are not members of the Federal Reserve System, as well as insured state savings associations and insured state chartered branches of foreign banks; insures the deposits of all banks and thrifts that are approved for federal deposit insurance; resolves all failed insured banks and thrifts; and may be appointed to resolve large bank holding companies and nonbank financial companies that are supervised by the Federal Reserve. The FDIC also has backup supervisory responsibility for all federally insured depository institutions. As of December 31, 2018, the FDIC was the primary federal regulator for 3,496 financial institutions.
- Board of Governors of the Federal Reserve System (FRB): FRB is the governing body of the Federal Reserve System. FRB operates as an independent agency with a mission to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems in pursuit of optimal macroeconomic performance. FRB is the federal supervisor and regulator of all U.S. bank holding companies, including financial holding companies, savings and loan holding companies, and state-chartered commercial banks that are

² We gathered information on details such as supervisory ratio and location and quantity of staff. We did not cover career paths or examiner qualifications with FCA or the other surveyed agencies.

³ The judgmentally selected agencies consisted of federal financial regulators and therefore have similar missions, supervisory and examination authorities, and status as independent agencies (the CFPB is an independent bureau within the Federal Reserve System).

members of the Federal Reserve System.⁴ At the end of 2017, there were a total of 5,380 state member banks, top tier bank holding companies, and financial holding companies.

- National Credit Union Administration (NCUA): NCUA operates as an independent agency with a mission to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit. NCUA's examination program focuses on risks to the credit union system and the National Credit Union Share Insurance Fund. NCUA has responsibility for about 5,800 credit unions.
- Office of the Comptroller of the Currency (OCC): OCC is an independent bureau of the U.S. Department of Treasury, with a mission to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. As of September 2017, OCC had responsibility for about 1,450 banks, federal savings associations, federal branches, and technology service providers.
- U.S. Securities and Exchange Commission (SEC): SEC operates as an independent agency with a mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. SEC conducts examinations of registered entities to promote compliance and monitor risks to retail investors. SEC is responsible for over 30,000 registrants.

SURVEY RESULTS

We issued a survey to each of the selected FFRs asking for the following information:

1. How many Full-Time Equivalents are in your agency who perform examination duties? Please include all examination staff in this number.
2. Please list the number of examiners in each of your agency's field office and headquarters locations.
3. Please explain how your agency locates examination staff (that is, whether staff are located geographically based on the financial institutions they examine, by specialty area, or other factor).
4. How many Full-Time Equivalents did your agency hire for examination duties in FY 2017?
5. What is the ratio of supervisors to examiners in your agency?

⁴ FRB has authority over a variety of other financial institutions and activities such as operations of all Edge Act and agreement corporations, the international operations of state member banks and U.S. bank holding companies, and the U.S. operations of foreign banking operations. FRB also has assigned responsibilities for nonbank financial firms and financial market utilities designated by the Financial Stability Oversight Council as systemically important.

6. How many institutions does your agency examine each year?
7. Are examiners located in the same duty station as their supervisors?
8. Do you have any resident examiners (where the examiners reside on-site with the entity they review)? If so, how many?
9. Please provide any other information you think would be helpful to the Farm Credit Administration or that impacts any of your answers to the above questions (telework, flexiplace, statutory requirements).

We received responses from all the FFRs surveyed except FHFA, which elected not to participate. Each benchmarked agency answered questions without further guidance from FCA Office of Inspector General and without our office independently verifying the information provided.

The benchmarking study found that the surveyed agencies varied in size, locations, and career structure and organization. Notwithstanding the differences, we found that several agencies had the same or similar examiner to supervisory ratios, made no use of resident examiners and, with limited exception, located examiners in the same duty station as their supervisors. The greatest dissimilarities among the benchmarked agencies pertained to career structure and organization of their examination staff. Of note, the examination staff at two of the smaller agencies, the NCUA and CFPB, work remotely full-time.

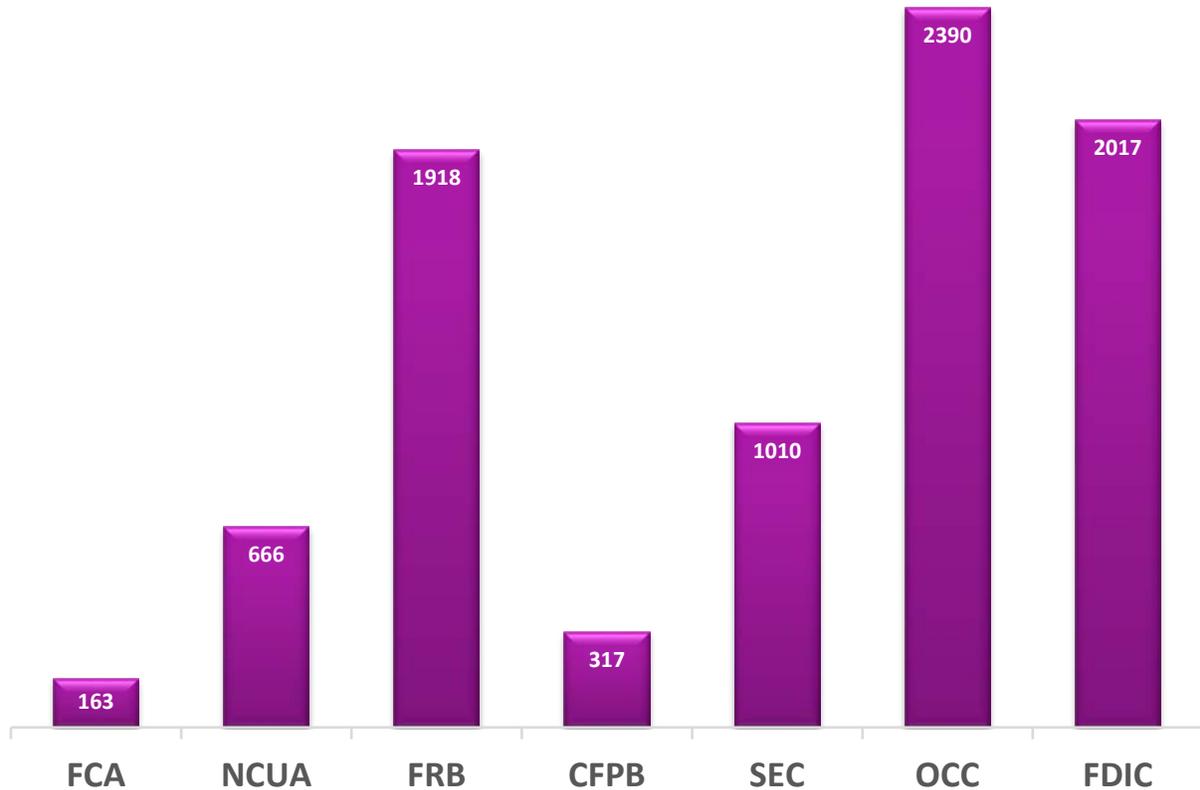
QUESTION 1

How many Full-Time Equivalent (FTEs) are in your Agency who perform examination duties? Please include all examination staff in this number.

Four of the agencies, CFPB, FDIC, FRB and SEC, responded to this question with actual head count numbers rather than FTEs. Each agency interpreted for themselves what constituted the performance of examination duties. Hence, SEC included administrative, supervisory, and analytical personnel in addition to examination staff. FDIC included specialists and assistants in addition to its examination staff. FCA numbers are FTEs and include examiners, analysts, interns, and supervisory staff.

According to the responses, OCC has the highest number of examination staff with 2,390; followed by FDIC with 2,017; FRB with 1,918; SEC with 1,010; NCUA with 666; CFPB with 317; and FCA with 163.

Full-Time Equivalents (FTEs) or Headcount of Examination Staff



QUESTION 2

Please list the number of examiners in each of your agency's field office and headquarters locations.

Agencies in our benchmarking study had vastly different staff setups in field office and headquarters locations.⁵ Some agencies provided very specific information and others, such as the SEC, reported only high level information.

- FCA reported examination staff at four field offices and at headquarters in McLean, VA (the McLean field office is included in the headquarters numbers).
- NCUA reported five regional offices with a smaller group assigned to the central office.⁶

⁵ See additional detail in Appendix B for locations reported by agencies.

⁶ NCUA clarified that all examiners and supervisors work 100 percent of their time remotely. They spend their time either at an assigned credit union during an examination or from their homes when they are not in travel status.

- FRB reported staff located among 30 offices aligned with the 12 Federal Reserve Bank locations.
- CFPB reported staff in four regional offices across the country.⁷
- FDIC reported 86 field office locations over six regions across the U.S. as of May 2018. All examiners are assigned to the 86 field offices, with the exception of three examiners who report to two of the six regional offices as their respective duty locations.
- SEC reported 12 offices throughout the U.S. with the largest offices in New York, D.C., and Chicago, each having about 110-280 employees.
- OCC reported staff at 67 locations between Midsize and Community Bank Supervision, Large Bank Supervision, and Headquarters.

The following table shows the listing of offices/regions and number of employees by agency:

Agency	Offices/Regions and Number of Employees
FCA	Headquarters: 34 Bloomington: 32 Denver: 43 Dallas: 31 Sacramento: 16 Other: 7 TOTAL: 163
NCUA	Region 1: 115 examiners, 12 supervisory examiners Region 2: 119 examiners, 13 supervisory examiners Region 3: 113 examiners, 11 supervisory examiners Region 4: 115.2 examiners, 12 supervisory examiners Region 5: 116 examiners, 12 supervisory examiners Office of National Examination and Supervision (Headquarters): 25 examiners, 3 supervisory examiners TOTAL: 666.2
FRB	Federal Reserve Bank of Boston: 114 Federal Reserve Bank of New York: 454

⁷CFPB clarified that staff are provided support for a home office and work from home or from the examination site. Staff do not have a designated office, but they are allowed to use hoteling space at a regional office or headquarters when assigned to work in those locations.

	<p>Federal Reserve Bank of Philadelphia: 49 Federal Reserve Bank of Cleveland: 150 Federal Reserve Bank of Richmond: 165 Federal Reserve Bank of Atlanta: 213 Federal Reserve Bank of Chicago: 236 Federal Reserve Bank of St. Louis: 105 Federal Reserve Bank of Minneapolis: 74 Federal Reserve Bank of Kansas City: 112 Federal Reserve Bank of Dallas: 95 Federal Reserve Bank of San Francisco: 151</p> <p>TOTAL: 1,918</p>
CFPB	<p>Northeast: 80 Midwest: 75 Southeast: 85 West: 77</p> <p>TOTAL: 317</p>
SEC	<p>Varies by 12 offices. New York, D.C., and Chicago are the largest offices with approximately 110-280 staff each. The remaining offices generally range between 30-70 staff.</p> <p>TOTAL: 1,010</p>
OCC	<p>Midsize and Community Bank Supervision: 1,582 Large Bank Supervision: 703 Headquarters: 105</p> <p>TOTAL: 2,390</p>
FDIC	<p>Atlanta Region: 321.6 Chicago Region: 331.8 Dallas Region: 350 Kansas City Region: 328.2 New York Region: 384.9 San Francisco Region: 300.8</p> <p>TOTAL: 2,017.3</p>

QUESTION 3

Please explain how your agency locates examination staff (that is, whether staff are located geographically based on the financial institutions they examine, by specialty area, or other factor).

As noted earlier, this survey question revealed the greatest discrepancies among the benchmarked agencies. Only two of the benchmarked agencies, FRB and the FDIC, generally place examiners in the same geographic area of the financial institutions examined. The vast majority of NCUA examiners are also placed in the same geographic area as the institutions examined. The other surveyed agencies and FCA used a combination of factors, such as office needs, specialty areas, and supervisory and training needs.

- At FCA, examination staff are assigned to locations based on needs of the office and, at times, specialties. When placing examiners, FCA also emphasizes adequate supervision and interaction during training phases.
- NCUA: "District examination staff (approximately 80% of the examinations staff) are hired by geographical need and are generally located geographically based on the location of financial institutions they examine. Specialist examiners (approximately 20% of the examination staff) are promoted or hired based on specialty area and or need. Specialist examiners are assigned to specific regions, and therefore serve a specific geography, though it is much larger than a district. Specialists are, in times of need, temporarily assigned to other regions and geographical locations based on the needs of the agency for specific work assignments, examinations and supervision contacts."
- FRB: "Generally, examination staff are located geographically based on the financial institutions they examine. There are some exceptions for specialized needs and there is resource sharing between locations."
- CFPB: "The CFPB examination staff is organized into four regions: the Northeast, headquartered in New York City; the Midwest, headquartered in Chicago; the West, headquartered in San Francisco; and the Southeast, which will be moving from Washington, DC to Atlanta in 2019. Our examination staff is home duty-stationed, meaning that they work from home when they are not assigned to be onsite at an institution. No examiners are duty-stationed at the regional headquarters offices; regional headquarters staff are limited to a small group of administrative personnel, regional analysts, and regional management."
- SEC: "We consider a number of factors but primarily location of [SEC] registrant population, the particular needs of an office due to recent turnover, and the productivity of each office."

- OCC:
 - “Community Banks – examiners are assigned to a supervisory office (i.e., field office or satellite office). Examiners are expected to be located within 50 miles of their assigned field office. Each office has a portfolio and the assigned examiners are responsible for supervising those institutions. The geography of the portfolio is not solely determined by distance from the field office. More densely populated areas have banks that are closer to the supervisory office, while other offices may supervise institutions further away (i.e., contiguous states). Some portfolios are comprised of only one type of institution like national trust banks or Regional Technology Service Providers. Those institutions may be supervised from a central office regardless of location or proximity to the supervisory field office. The examiners may or may not be located within their assigned field office.”
 - “Midsize Banks – for institutions with resident staff, examiners are located in the same city as the institution. Examiners-in-Charge may or may not be located in the same city as the institution. Approximately half of the midsize examiners are located in Chicago, IL or Washington, DC. The remaining examiners are located in field and satellite offices (usually location of last position) and commute to an assigned bank location. We also have subject matter experts, or lead experts, that assess risks across offices or institutions within a district or Midsize Bank Supervision. District lead experts are required to be located in an office within their assigned district. Lead experts for midsize bank supervision are not restricted to a specific location. However, they must be located in a city that allows for efficient and cost effective travel.”
 - “Large Banks – Most Large Bank Supervision examination staff is geographically located based on the financial institutions they supervise. Large Bank Supervision has examination staff (Lead Expert Program) that provide a horizontal perspective and support that can be located in any Large Bank Supervision city.”
- FDIC: “Risk Management Supervision field examiners are located geographically based on the financial institutions they examine. Large financial institution specialists are located around the country and travel to examinations around the country. Depositor and Consumer Protection examiners are placed in the geographical locations nearest the institutions they will examine.”

QUESTION 4

How many Full-Time Equivalent (FTEs) did your agency hire for examination duties in FY 2017?

Responses to this survey question varied among the benchmarked agencies, as noted in the following chart:

Agency	Response
FCA	FCA hired 13 examiners, including seven interns. ⁸
NCUA	2017 included an extended hiring freeze, with essentially no hires for examination duties.
FRB	Hired approximately 150 examiners in 2017; however, they were all for existing examiner positions. No new examiner positions were added in 2017.
CFPB	Hired 35 examiners in FY17. Currently under a hiring freeze.
SEC	2017 included an extended hiring freeze, with essentially no additional hires for examination duties.
OCC	Hired 175 FTEs for examination duties in FY 2017.
FDIC	Corporate University hired 155 Financial Institution Specialist (Assistant) positions into the Corporate Employee Program in 2017. These positions become examiners in Risk Management Supervision and Depositor Consumer Protection. In addition to these hires, Risk Management Supervision hired 10 mid-career examiners.

QUESTION 5

What is the ratio of supervisors to examiners in your agency?

As shown in the following chart, four of the seven agencies, including FCA, had the same or similar ratios of supervisors to examiners; FDIC had a slightly larger number of examiners to supervisors; and the examiner to supervisor ratios at OCC varied in each of the two supervisory divisions, with the midsize and community bank division having the largest ratio of examiners to supervisors and the large bank division having the smallest ratio.

Agency	Approximate Examiner to Supervisor ratio
FCA	6 to 1
NCUA	9.5 to 1
FRB	6 to 1
CFPB	6 to 1
SEC	6 to 1

⁸ FCA may hire interns, including students, each year. These interns can be converted to permanent positions from temporary assignments. For 2017 hires, four of the interns did not convert to permanent.

OCC	Midsize and Community Bank Supervision is 19 to 1 Large Bank Supervision is 4.4 to 1
FDIC	8-10 to 1

QUESTION 6

How many institutions does your agency examine each year?

As expected, given its size, FCA performs the lowest amount of examinations per year. The other agencies varied drastically from 172 supervisory events⁹ at CFPB to 6,425 examinations at FDIC. See each agency's responses below:

Agency	Response
FCA	For 2017, OE issued 57 Reports of Examination and 42 Interim Activity Letters (this includes Horizontal Examination Activities and any other examination activity letter sent to the Farm Credit System).
NCUA	NCUA completed 5,238 on site visitations including examinations and interim supervision contacts in 3,727 credit unions during 2017. NCUA employs a deferred examination cycle for well-run, low risk credit unions which results in a portion of the 5,800 credit unions receiving an exam approximately every 18 months.
FRB	The Federal Reserve System conducted 3,180 exams and inspections in 2017. An institution may have more than one exam/inspection in a year.
CFPB	The Bureau initiated 172 supervisory events at financial services institutions in FY 2017.
SEC	We are responsible for over 30,000 registrants. In FY 2017, SEC's Office of Compliance Inspections and Examinations completed over 2,870 examinations. ¹⁰
OCC	In calendar year 2017, Midsize and Community Bank Supervision examined 938 institutions. All Large Bank Supervision institutions are on an annual examination cycle; Large Bank Supervision examines 20 National Banks/Federal Savings Associations and 57 Federal Branches/Agencies.
FDIC	In 2017, Risk Management Supervision conducted 1,611 Safety and Soundness examinations, 347 Trust Department examinations, 1,627 Information Technology and Operations examinations, and 1,640 Bank Secrecy Act examinations (5,225 total examinations). Depositor and Consumer Protection examines approximately 1,200 institutions per year.

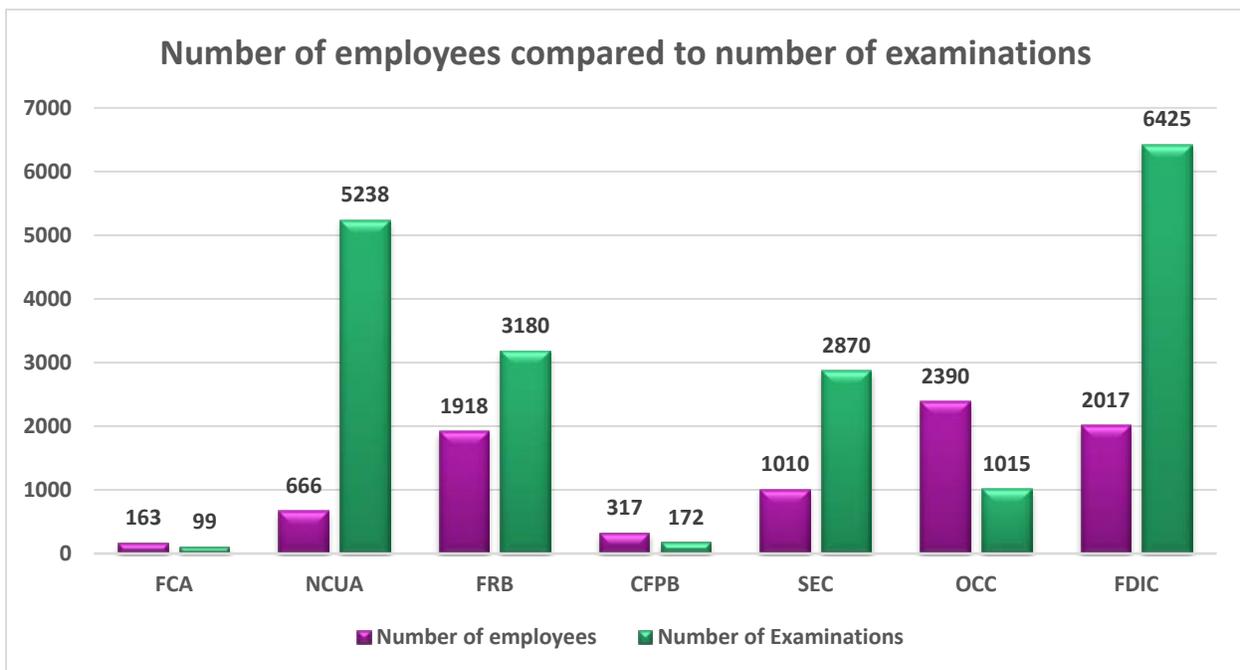
⁹ The CFPB responded to the survey with the term "supervisory events" for examination activities.

¹⁰ SEC also reported 3,150 examinations completed in FY 18.

Based on the information above and the information provided to Question 111, we combined the two answers into the following chart showing the number of reported examination staff compared to the number of examinations completed. In three agencies, FCA, CFPB, and OCC, the number of examiners is greater than the number of examinations conducted per year. In four agencies, NCUA, FRB, SEC, and FDIC, the number of examinations conducted per year is greater than the number of examiners. More specifically, per year:

- FCA had about 1.6 times more examiners than examinations (.6 examinations per examiner);
- CFPB has about 1.8 times more examiners than examinations (.5 examinations per examiner); and,
- OCC has about 2.4 times more examiners than examinations (.4 examinations per examiner).

In contrast, the number of examinations conducted per year at the NCUA, FRB, SEC, and FDIC exceed the number of examiners at these agencies. Specifically, NCUA has 7.9 examinations per examiner; FRB has 1.7 examinations per examiner; SEC has 2.8 examinations per examiner¹²; and FDIC has 3.2 examinations per examiner.



¹¹ This comparison is using Question 1 and Question 6 responses only. As noted in Question 1, some agencies reported headcounts instead of FTEs. Others included analytical, supervisory, and administrative staff in the numbers. See Question 1 for additional information.

¹² SEC reported historically having more than five examinations per staff examiner based on the number of staff who conduct examinations full time rather than the total number of all examination staff that includes managers and support staff.

QUESTION 7

Are examiners located in the same duty station as their supervisors?

With limited exceptions, four of the agencies, SEC, OCC, FRB, and FDIC, locate examiners with their supervisors. Although CFPB examiners and supervisors are located in the same regions, because examination staff and their supervisors are not always assigned to the same examinations, there may be limited in-person interaction. NCUA examiners and supervisors work remotely from their homes when they are not in travel status for examinations. FCA does not necessarily locate examiners with their supervisors.

- FCA: Examiners are not always located in the same duty stations as their supervisors. Placement of examiners varies based on specialty, division, supervision, training, and other needs of the office. For example, staff in OE's Exam Policy Division, one of the smallest OE divisions, are located in four different locations (field offices and headquarters) with only one supervisor located in the same office as the subordinate. In contrast, OE's Association Examination Division places about 73 percent of its examiners at the same location with their supervisors. In all of OE, about 56 percent of examination staff are located with their supervisors.
- NCUA: "It varies based on the geographic distribution of credit unions. In metropolitan areas, supervisors and examiners may have the same duty station. In large metropolitan areas, multiple groups of examiners and supervisors may be assigned the same duty station. In rural areas of the United States examiners and supervisors may not be in the same duty station and may cover several states. For larger metropolitan areas, there are often several examiners/districts. Field supervisors are generally stationed in larger metropolitan areas as well, but they most often manage a group of examiners/districts that will include several metropolitan areas (e.g. a whole state or multiple states). Examiners and supervisors work remotely out of their homes."¹³
- FRB: "In most cases, examiners are in the same location as their supervisor; however, there are some exceptions for specialized needs."
- CFPB: "Examiners are assigned to a supervisor located within their region, and typically within the same geographic area of the region. In-person interaction may be limited, as examiners are not always assigned to the same examinations as their supervisors."¹⁴

¹³ NCUA clarified that all examiners and supervisors work remotely from their homes when not on travel status for examinations.

¹⁴ CFPB clarified that staff are provided support for a home office and work from home or from the examination site. Staff do not have a designated office, but they are allowed to use hoteling space at a regional office or headquarters when assigned to work in those locations.

- SEC: "Generally, yes."
- OCC: "Midsize and Community Bank Supervision- Generally, yes, but it may vary by location and position. Examiners located in headquarters, a district office, field office, or banks (w/ resident staff) are primarily in the same location as their supervisors. Examiners located in satellite offices are not typically in the same duty station as their supervisor since Assistant Deputy Comptrollers are located in the field office. Shared resources, like lead experts, are not typically located in the same location as their supervisor since their manager is located in a district office. In addition, you may have instances where examiners assigned to Regional Technology Service Providers are not located in the same duty station as their supervisors. Large Bank Supervision - Most Large Bank Supervision examiners are located in the same official duty station as their supervisor that for most examiners is a bank location. The most notable exception is examiners in the Large Bank Supervision Lead Expert Group who are located across the country in various large bank cities."
- FDIC: "In Risk Management Supervision, in the majority of cases, examiners are located in the same duty station as their supervisors. There are exceptions with large bank institution specialists and a limited number of examiner positions. In Depositor and Consumer Protection, some supervisors cover two or more offices (not in all cases)."

QUESTION 8

Do you have any resident examiners (where the examiners reside on-site with the entity they review)? If so, how many?

Five of the seven agencies, FCA, NCUA, CFPB, SEC, and FDIC, do not have resident examiners. Of the two remaining agencies, the OCC uses the most resident examiners while the FRB, with a small number of resident examiners, is transitioning away from them altogether for the largest financial institutions.

- In the Midsize and Community Bank Supervision, OCC reported 17 resident examiners in midsize institutions. The Large Bank Supervision predominantly uses resident examiners. Approximately 500 of the 724 examiners (including 21 headquarters staff) are resident examiners, as of May 2018. The international banking group employs a mix of resident, on-site examiners and others that have an OCC office as their official duty station.
- FRB reported it is transitioning away from the use of examiners that reside on-site for the largest institutions and plans to have none in the near future. Many larger banks continue to have on-site examiners. This on-site presence ranges from one to 14 examiners. Some banks have dedicated temporary space on-site in case it is needed. No examiners reside on-site for the smaller institutions.

QUESTION 9

Please provide any other information you think would be helpful to the Farm Credit Administration or that impacts any of your answers to the above questions (telework, flexiplace, statutory requirements).

- CFPB, FDIC, FRB, SEC, and OCC provided no additional information.
- NCUA stated it plans to consolidate offices in 2019 and is targeting an 11 to 1 field supervisor to field examiner ratio in 2019 (this would be an increase in its current examiner to supervisor ratio of 9.5 to 1). NCUA also stated it employs a range of flexible work schedules for field and office staff to facilitate optimal flexibility for quality of life and work efficiency, as well as use of remote and teleworking agreements to improve efficiency. NCUA examiners achieve fully trained status in four to five years at which time they can apply for Principal Examiner Status (NCUA's commissioning process). Examiners must demonstrate complex and distressed institution examination performance, pass a written test, and successfully pass an oral panel to achieve Principal Examiner designation. In addition, examiners receive on average 80 hours of annual continuing education/training.

CONSIDERATIONS FOR FCA

Based on the responses received, there may be opportunities for FCA to explore when comparing examination staff organization and structure to gain efficiencies and savings. For example:

- NCUA's examiners and supervisors work remotely from their homes when not in travel status for examinations. CFPB examination staff also work remotely from their homes when not on travel status for examinations. FCA could explore how this model could work agency-wide or in certain areas to identify potential savings that might be gained with field office changes or consolidations.
- NCUA is consolidating offices and increasing its target supervisor to examiner ratio. Although FCA had similar ratios to CFPB, FRB, and SEC, NCUA and FDIC both had a larger number of examiners assigned to a supervisor. FCA could evaluate its supervisor/examiner ratio to identify opportunities to increase the ratio similar to those at NCUA and FDIC.
- When comparing the number of examinations performed with the number of examination staff, NCUA, FRB, SEC, and FDIC have a greater number of examinations than examination staff. FCA may want to study the models of those agencies for an understanding of how efficiencies in this area could be gained.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to compare FCA's examiner career structure and organization within the OE to other federal financial regulators. We conducted the evaluation at FCA's headquarters in McLean, VA from May 2018 to March 2019. The scope of this evaluation included the OE at FCA and other federal financial regulators.

We took the following steps to accomplish the objective:

- Identified and reviewed applicable laws, regulations, and directives related to the objective.
- Identified and reviewed applicable internal FCA policies and procedures.
- Reviewed prior reviews related to the evaluation objective.
- Interviewed the Chief Examiner and Deputy Chief Examiner from the Office of Examination.
- Requested and received examination staff data from the Office of Agency Services.
- Issued surveys to:
 - Consumer Financial Protection Bureau
 - Federal Deposit Insurance Corporation
 - Federal Housing Finance Agency (*although a survey was issued, the agency elected not to participate in the survey*).
 - Board of Governors of the Federal Reserve System
 - National Credit Union Administration
 - Office of the Comptroller of the Currency
 - U.S. Securities and Exchange Commission

We judgmentally sampled federal financial regulators based on mission and supervisory and examination activities. Because our sample was judgmental, it cannot be projected to the entire population.

- Combined survey responses with FCA information and analyzed the data.

This evaluation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. These standards require that we plan and perform the inspection to obtain sufficient, competent, and relevant evidence that supports a reasonable basis for our findings, conclusions, and recommendations. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation. We assessed the information and data collected during the evaluation and determined it was sufficiently reliable given the nature of the survey. We assessed the risk of fraud related to our evaluation objective while evaluating evidence. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the evaluation objective. For information issued to us from other agencies, we relied on the survey responses and did not perform additional work to validate responses.

APPENDIX B: OFFICE AND EMPLOYEE NUMBERS REPORTED BY AGENCIES

Agency	Offices and Employee Numbers
FCA	Headquarters: 34 Bloomington: 32 Denver: 43 Dallas: 31 Sacramento: 16 Other: 7 TOTAL: 163
NCUA	Region 1: 115 examiners, 12 supervisory examiners Region 2: 119 examiners, 13 supervisory examiners Region 3: 113 examiners, 11 supervisory examiners Region 4: 115.2 examiners, 12 supervisory examiners Region 5: 116 examiners, 12 supervisory examiners Office of National Examination and Supervision (Headquarters): 25 examiners, 3 supervisory examiners TOTAL: 666.2 ¹⁵
FRB	Boston: 114 New York: 454 Philadelphia: 49 Cleveland: 102 Cincinnati: 30 Pittsburgh: 18 Richmond: 108 Charlotte: 50 Baltimore: 7 Atlanta: 160 Miami: 52 Birmingham: 1 Chicago: 184 Des Moines: 34 Detroit: 18 St. Louis: 103 Little Rock: 1 Memphis: 1 Minneapolis: 68 Helena: 6 Kansas City: 41

¹⁵ NCUA clarified that all examiners and supervisors work remotely from their homes when not on travel status for examinations.

	<p>Denver: 34 Oklahoma City: 23 Omaha: 14 Dallas: 70 Houston: 18 San Antonio: 7 San Francisco: 79 Los Angeles: 61 Salt Lake City: 11 TOTAL: 1,918</p>
CFPB	<p>Northeast: 80 Midwest: 75 Southeast: 85 West: 77 TOTAL: 317¹⁶</p>
SEC	<p>Varies by 12 offices. New York, DC, and Chicago are the largest with approximately 110-280 staff. The remaining offices generally range between 30-70 staff.</p>
OCC	<p>Albuquerque: ■ Alexandria: ■ Arlington: ■ Atlanta: ■ Billings: ■ Birmingham: ■ Blue Ash: ■ Boston: ■ Carlsbad: ■ Champaign: ■ Charlotte: ■ Chicago: ■ Cleveland: ■ Dallas: ■ Denver: ■ Downers Grove: ■ Dublin: ■ East Syracuse: ■ Edison: ■ Evansville: ■ Fargo: ■ Fort Worth: ■ Houston: ■ Indianapolis: ■ Iron Mountain: ■</p>

¹⁶CFPB clarified that staff are provided support for a home office and work from home or from the examination site. Staff do not have a designated office, but they are allowed to use hoteling space at a regional office or headquarters when assigned to work in those locations.

Irving: [REDACTED]
Jacksonville: [REDACTED]
Jersey City: [REDACTED]
Joplin: [REDACTED]
Little Rock: [REDACTED]
Longview: [REDACTED]
Los Angeles: [REDACTED]
Louisville: [REDACTED]
Lubbock: [REDACTED]
Memphis: [REDACTED]
Miami: [REDACTED]
Milwaukee: [REDACTED]
Minneapolis: [REDACTED]
Monroeville: [REDACTED]
Nashville: [REDACTED]
New Orleans: [REDACTED]
New York: [REDACTED]
Oklahoma City: [REDACTED]
Omaha: [REDACTED]
Overland Park: [REDACTED]
Peoria: [REDACTED]
Phoenix: [REDACTED]
Pittsburgh: [REDACTED]
Roanoke: [REDACTED]
Salina: [REDACTED]
Salt Lake City: [REDACTED]
San Antonio: [REDACTED]
San Francisco: [REDACTED]
Santa Ana: [REDACTED]
Schaumburg: [REDACTED]
Seattle: [REDACTED]
Sioux City: [REDACTED]
Sioux Falls: [REDACTED]
Southfield: [REDACTED]
St. Louis: [REDACTED]
Tampa: [REDACTED]
Trevose: [REDACTED]
Tulsa: [REDACTED]
Washington, DC: [REDACTED]
West Des Moines: [REDACTED]
Wichita: [REDACTED]
Wilkes Barre: [REDACTED]
Bank Teams: [REDACTED]
International Bank Supervision: [REDACTED]
Lead Expert Program: [REDACTED]
Headquarters: [REDACTED]
TOTAL: 2,390

FDIC

Albany: [REDACTED]
Savannah: [REDACTED]
Atlanta: [REDACTED]
Charlotte: [REDACTED]
Columbia: [REDACTED]
Raleigh: [REDACTED]
Richmond: [REDACTED]
Scott Depot: [REDACTED]
Montgomery: [REDACTED]
Pensacola: [REDACTED]
Shelby: [REDACTED]
Sunrise: [REDACTED]
Gainesville: [REDACTED]
Tampa: [REDACTED]
Chicago: [REDACTED]
Cincinnati: [REDACTED]
Columbus: [REDACTED]
Detroit: [REDACTED]
Grand Rapids: [REDACTED]
Appleton: [REDACTED]
Eau Claire: [REDACTED]
Hopkinsville: [REDACTED]
Mount Vernon: [REDACTED]
Indianapolis: [REDACTED]
Elizabethtown: [REDACTED]
Lexington: [REDACTED]
Madison: [REDACTED]
Milwaukee: [REDACTED]
Princeton: [REDACTED]
Chicago Regional Office: [REDACTED]
Champaign: [REDACTED]
Springfield: [REDACTED]
Austin: [REDACTED]
Lubbock: [REDACTED]
Baton Rouge: [REDACTED]
Shreveport: [REDACTED]
Dallas: [REDACTED]
Albuquerque: [REDACTED]
Denver: [REDACTED]
Houston: [REDACTED]
Jackson: [REDACTED]
Little Rock: [REDACTED]
Memphis: [REDACTED]
Knoxville: [REDACTED]
Nashville: [REDACTED]
Oklahoma City: [REDACTED]
Tulsa: [REDACTED]
Cedar Rapids: [REDACTED]

Des Moines: [REDACTED]
Fargo: [REDACTED]
Grand Forks: [REDACTED]
Kansas City: [REDACTED]
Mankato: [REDACTED]
Minneapolis: [REDACTED]
Grand Island: [REDACTED]
Omaha: [REDACTED]
Sioux City: [REDACTED]
Sioux Falls: [REDACTED]
Springfield: [REDACTED]
Columbia: [REDACTED]
St Louis: [REDACTED]
Hays: [REDACTED]
Wichita: [REDACTED]
Baltimore, MD: [REDACTED]
Claymont: [REDACTED]
Jamesburg: [REDACTED]
San Juan: [REDACTED]
Concord: [REDACTED]
North Boston: [REDACTED]
New York City: [REDACTED]
Syracuse: [REDACTED]
Harrisburg: [REDACTED]
Philadelphia: [REDACTED]
New York Regional Office: [REDACTED]
South Boston: [REDACTED]
Hartford: [REDACTED]
Springfield: [REDACTED]
Wexford: [REDACTED]
Los Angeles (N): [REDACTED]
Los Angeles (W): [REDACTED]
Orange: [REDACTED]
Phoenix: [REDACTED]
Portland: [REDACTED]
Sacramento: [REDACTED]
Billings: [REDACTED]
Salt Lake City: [REDACTED]
San Francisco: [REDACTED]
Seattle: [REDACTED]
TOTAL: 2,017.3

**FARM CREDIT ADMINISTRATION
OFFICE OF INSPECTOR GENERAL**



REPORT

Fraud | Waste | Abuse | Mismanagement

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