DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

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OIG-CA-21-026

MEMORANDUM FOR **MICHAEL J. HSU**
ACTING COMPTROLLER OF THE CURRENCY

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Termination Memorandum – Audit of the Office of the Comptroller of the Currency's Human Capital Policies and Resource Planning (Job # A-BS-19-005)

In February 2019, we initiated an audit of the Office of the Comptroller of the Currency's (OCC) human capital policies and resource planning. The objective of our audit was to determine whether OCC's human capital policies and planning align with its mission and strategic goals.

In June 2019, OCC notified our office of an Office of Personnel Management (OPM) evaluation, dated November 26, 2018, which OCC believed covered the same objective as our audit. Upon reviewing OPM's report, we found that the purpose of the evaluation was to assess OCC's strategic management of human capital, the efficiency and effectiveness of its human capital programs, and OCC's compliance with merit system principles, laws, and regulations. The evaluation covered all four systems of the Human Capital Framework: Strategic Planning and Alignment, Performance Culture, Talent Management, and Evaluation.[1]

OPM found that OCC's human capital programs support its mission effectively and efficiently while complying with legal requirements. OCC aligns its human capital goals with its strategic plan and desired performance outcomes. OCC's current strategic plan identified human capital strategies and performance indicators to measure success in meeting operational priorities. Additionally, staffing operations and recruitment, hiring, and merit staffing activities adhere to merit system principles and laws. However, OPM identified OCC's performance management and recognition programs as areas that could be strengthened.

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[1] OPM's report is entitled *Human Capital Management Evaluation of the U.S. Department of the Treasury Office of the Comptroller of the Currency, July 20, 2018 – August 8, 2018* (issued November 26, 2018).

We met with the OPM officials who performed the evaluation to gain an understanding of the work performed to reach the reported conclusions. Based on this meeting, we concluded that OPM did in fact address most of our audit objective. OPM reviewed OCC's human capital policies and procedures, strategic plan, annual performance plans, and accountability reports. The one portion of our audit objective that OPM did not address was the relationship between the number of employees and number of OCC supervised institutions.

Over the past six years, the number of OCC supervised institutions has steadily decreased from 1,808 in fiscal year (FY) 2013 to 1,264 in FY 2018. During this same period, the number of full-time equivalent employees has remained relatively constant from 3,823 in FY 2013 to 3,843 in FY 2018. For FYs 2013 through 2018, total assets of all OCC supervised institutions gradually increased from $10.4 trillion to $12.5 trillion. The following table shows the number of employees compared to the number of supervised institutions and the total assets of all supervised institutions for FYs 2013 through 2018.

	Fiscal Year					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Number of Employees	3,823	3,954	3,959	3,955	3,956	3,843
Supervised Institutions	1,808	1,663	1,535	1,452	1,446	1,264
Total Assets of All Supervised Institutions (in trillions)	$10.4	$10.9	$11.1	$11.6	$12	$12.5

Source: OCC's Annual Reports from 2013 through 2018.

When the audit team inquired about changes to OCC's human capital strategies related to the decreases in number of supervised institutions, an OCC official informed us that its strategy does evolve, but that there isn't a linear relationship between the number of supervised institutions and the number of employees as OCC has to take into consideration the size of total assets, complexity of the bank(s), and other risk factors. An OCC official stated that the variables that impact human capital begin with the bank's asset size as the starting point and that banks undergo annual risk assessments. Some factors that OCC considers during these risk assessments are the complexity of the corporate structure, the changing regulatory environment, the banking products, and the balance sheet composition.

An OCC official went on to explain that individual bank strategies developed by OCC for planning purposes drive the human capital numbers as the strategies establish the priority and type of procedures examiners will perform during the examination. The human capital group reviews the individual bank strategies and current staffing levels to determine if there are any resulting staffing gaps based on the skills needed and the assessed risk. These reviews then allow management to make decisions regarding the allocation of resources.

When we inquired about the reasons for the decreases in OCC-supervised institutions, an OCC official responded that it's a choice industry where charters change and there is a heavy consolidation aspect. We asked how a bank expansion, acquisition, or merger affects the number of examiners needed. An OCC official responded that a bank acquisition can cause changes in the business lines, such as creating new lending products, which can result in increased testing and changes to the individual banking strategy requiring more resources.

The audit team next inquired about maintaining a relatively constant number of full-time equivalent employees while the number of supervised institutions decreases. An OCC official cited a few reasons for this observation, including that total assets have increased and that the regulatory environment has become more complex. The audit team questioned how an increase in assets would affect the amount of examiners. The same OCC official said the larger institutions require more coverage and more testing.

Given that OCC (1) recently had a human capital review performed by OPM which found that OCC's human capital programs support its mission effectively and efficiently while complying with legal requirements and that OCC aligns its human capital goals with its strategic plan and desired performance outcomes, and (2) that there isn't a linear relationship between OCC's number of employees and number of supervised institutions, we believe continuing our audit would not significantly enhance the human capital policies and planning alignment with its mission and strategic goals. Accordingly, we are terminating this audit. Also, please note that *Audit of OCC's Human Capital Policies and Resource Planning* (job code A-BS-19-005) will be removed from our Monthly Status Report.

We appreciate the courtesies and assistance provided by your staff. If you have any questions, please contact me at (202) 486-1420 or Jeffrey Hawkins, Audit Director, at (202) 927-9648.

cc: Mark Williams – OIG/GAO Audit Coordinator