



OFFICE OF INSPECTOR GENERAL

Evaluation Report

2017-SR-C-014

The CFPB Can Enhance the Effectiveness of Its Examiner Commissioning Program and On-the-Job Training Program

September 20, 2017

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

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Abbreviations

ARC	Action Review Committee
CFPB	Consumer Financial Protection Bureau
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
ECP	Examiner Commissioning Program
ECP policy	<i>SEFL Staff Memorandum 2014-06</i>
EIC	Examiner in Charge
MRA	Matters Requiring Attention
OIG	Office of Inspector General
OJT	On-the-Job Training
OSE	Office of Supervision Examinations
SEFL	Division of Supervision, Enforcement, and Fair Lending
SL&D	Supervision Learning and Development
SL&D's 2022 strategic plan	<i>SL&D 2022: Strategic Plan for Supervision Learning and Development</i>
TLMS	Treasury Learning Management System



Executive Summary:

The CFPB Can Enhance the Effectiveness of Its Examiner Commissioning Program and On-the-Job Training Program

2017-SR-C-014

September 20, 2017

Purpose

We conducted an evaluation of the effectiveness of the Consumer Financial Protection Bureau's (CFPB) management of the Examiner Commissioning Program (ECP) and On-the-Job Training (OJT) program. As part of this evaluation, we assessed the design, implementation, and execution of the ECP and OJT program. Our scope did not include the Interim Examiner Commissioning Program that was effective from August 2012 to October 2014.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act established the CFPB to regulate the offering and provision of consumer financial products or services under federal consumer financial laws. The CFPB's Division of Supervision, Enforcement, and Fair Lending (SEFL) is staffed with examiners who conduct supervisory reviews and examinations of institutions under the CFPB's jurisdiction. In October 2014, the CFPB transitioned from the Interim Examiner Commissioning Program to its ECP, which the agency described as a "critical building block" for its supervision program and for the professional development of its examination workforce. Within SEFL, Supervision Learning and Development (SL&D) is responsible for training and commissioning the CFPB's examination staff, and it oversees the ECP as well as the agency's OJT program.

Findings

Although SL&D has taken steps to enhance the ECP since its implementation in October 2014, we identified additional ways in which SL&D can improve the program. First, we found that some examiners appeared to be pursuing components of the ECP before being fully prepared, which limited their likelihood of success and affected employee morale. Further, when examiners require multiple attempts to pass ECP components, they are not available to work on examinations, which detracts from the number of available resources for examinations. Second, some examiners did not appear to receive adequate training or developmental opportunities and exposure to certain CFPB internal processes prior to proceeding to certain components of the ECP. Third, SL&D did not have a formal method to evaluate and update the ECP, which may present the risk that the program is not operating effectively and best developing supervisory staff to support SEFL's mission. Fourth, we determined that the CFPB did not consistently communicate ECP requirements to prospective employees. Communicating this information more consistently as part of the interview process could improve morale by ensuring that individuals are sufficiently informed of the ECP requirements before accepting a position. Fifth, the ECP policy should be updated to clarify when the 5-year time requirement for examiners' obtaining their commissioning begins. Without a clear understanding of this time requirement, examiners may proceed through the ECP before they are ready.

Finally, the CFPB can enhance its implementation of the OJT program. Specifically, we determined that CFPB regions have not consistently implemented the OJT program and examiners have not clearly understood the requirements, expectations, and purpose of OJT. Without consistent implementation and a clear understanding of the purpose or expectations of OJT, examiners may not view it as important or consider it a priority.

Recommendations

Our report contains recommendations designed to enhance the effectiveness of the CFPB's ECP and OJT. In its response to our draft report, the CFPB concurs with our recommendations and describes actions and planned activities to address our recommendations. We will follow up to ensure that the recommendations are fully addressed.

Summary of Recommendations, OIG Report 2017-SR-C-014

Finding 1: Examiners Are Pursuing Examiner Commissioning Program Components Before Being Fully Prepared

Number	Recommendation	Responsible office
1	Issue guidance that requires a written recommendation from regional management documenting a candidate's readiness for the Examiner in Charge case study. This guidance should include specific criteria to be consistently applied when determining a candidate's readiness, such as feedback from assessors on the candidate's Examiner in Charge case study simulation performance and the candidate's multiple-choice test results. This guidance should also include a formal process to share feedback with the candidate in the event regional management determines that a candidate is not ready to proceed to the Examiner in Charge case study.	Division of Supervision, Enforcement, and Fair Lending

Finding 2: Various Factors Contribute to Insufficient Examiner Preparedness for the Examiner Commissioning Program

Number	Recommendation	Responsible office
2	Specify which types of examinations provide examiners in the acting Examiner in Charge capacity with exposure to all aspects of an Examiner in Charge's roles and responsibilities. Update the Examiner Commissioning Program guidance to include the requirement that examiners receive the opportunity to lead at least one such examination in order to fulfill the acting Examiner in Charge requirements.	Division of Supervision, Enforcement, and Fair Lending
3	Identify the regional variances in examination practices that may result in examiners' limited exposure to Examiner Commissioning Program subject-matter areas and develop an approach to address these variances to help better prepare examiners for the Examiner Commissioning Program.	Division of Supervision, Enforcement, and Fair Lending

Finding 3: Supervision Learning and Development Does Not Have a Formal Method to Evaluate and Update the Examiner Commissioning Program

Number	Recommendation	Responsible office
4	Implement a formal written method for evaluating the effectiveness of and updating the Examiner Commissioning Program. In implementing a formal method, some factors to consider include defining <ol style="list-style-type: none">key stakeholders to be involved in evaluating and updating the program.key inputs, factors, and considerations.processes for conducting cost assessments.metrics for assessing the effectiveness of the program.frequency of evaluating and updating the program.processes for communicating updates to relevant stakeholders.	Division of Supervision, Enforcement, and Fair Lending

Finding 4: The CFPB Did Not Consistently Communicate Examiner Commissioning Program Requirements to Prospective Employees

Number	Recommendation	Responsible office
5	Develop formal guidelines for informing job applicants of key Examiner Commissioning Program requirements, including expectations concerning when to communicate information about the Examiner Commissioning Program and the information to convey.	Division of Supervision, Enforcement, and Fair Lending

Finding 5: The 5-Year Time Requirement in *SEFL Staff Memorandum 2014-06* Is Unclear

Number	Recommendation	Responsible office
6	Update <i>SEFL Staff Memorandum 2014-06</i> or issue supplemental guidance to clarify the starting point for the 5-year requirement for examiners to complete the Examiner Commissioning Program and communicate the updated <i>SEFL Staff Memorandum 2014-06</i> or supplemental guidance to Division of Supervision, Enforcement, and Fair Lending supervision staff.	Division of Supervision, Enforcement, and Fair Lending

Finding 6: Implementation of On-the-Job Training Can Be Enhanced

Number	Recommendation	Responsible office
7	Reassess the current timeline for fully developing the On-the-Job Training modules and determine whether an accelerated timeline is warranted.	Division of Supervision, Enforcement, and Fair Lending
8	Communicate guidelines to regional management to support the effective execution of On-the-Job Training at each of the regional offices.	Division of Supervision, Enforcement, and Fair Lending
9	Develop guidance for Division of Supervision, Enforcement, and Fair Lending supervision staff addressing the expectations for and importance of completing On-the-Job Training. In this guidance document, communicate the purpose of On-the-Job Training and how On-the-Job Training relates to career development and the Examiner Commissioning Program.	Division of Supervision, Enforcement, and Fair Lending



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

September 20, 2017

MEMORANDUM

TO: Christopher D'Angelo
Associate Director, Division of Supervision, Enforcement, and Fair Lending
Consumer Financial Protection Bureau

FROM: Melissa Heist *Melissa Heist*
Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2017-SR-C-014: *The CFPB Can Enhance the Effectiveness of Its Examiner Commissioning Program and On-the-Job Training Program*

We have completed our report on the subject evaluation. We conducted this evaluation to determine whether the Consumer Financial Protection Bureau is effectively managing examiner commissioning and on-the-job training.

We provided you with a draft of our report for review and comment. In your response, you concur with our recommendations and outline actions and planned activities to address our recommendations. We have included your response as appendix B to our report.

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

cc: David Bleicken, Deputy Associate Director, Division of Supervision, Enforcement, and Fair Lending
Paul Sanford, Assistant Director, Office of Supervision Examinations
Dennis Slagter, Deputy Assistant Director, Office of Supervision Examinations
Joseph Arleth, Program Manager, Supervision Learning and Development
Dana James, Acting Chief Financial Officer and Acting Assistant Director, Office of the Chief Financial Officer

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Introduction

Objective

The Office of Inspector General (OIG) conducted an evaluation of the effectiveness of the Consumer Financial Protection Bureau's (CFPB) management of the Examiner Commissioning Program (ECP) and On-the-Job Training (OJT) program. Our objective was to determine whether the CFPB is effectively managing examiner commissioning and OJT. During the course of our evaluation, we reviewed documentation on the ECP and OJT program, interviewed Office of Supervision Examinations (OSE) employees, and obtained examiner commissioning program materials from other federal financial regulatory agencies for informational purposes. Appendix A contains a description of our scope and methodology.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the CFPB to regulate the offering and provision of consumer financial products or services under federal consumer financial laws. The agency's current 5-year strategic plan defines its mission as helping "consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives." The Dodd-Frank Act provided the CFPB with the authority to supervise the following types of consumer financial market participants:

- depository institutions with more than \$10 billion in total assets
- certain nondepository institutions, including entities in the consumer mortgage, private education lending, and payday lending markets; larger participants in markets for other consumer financial products or services as defined by the CFPB; and entities that the CFPB has reasonable cause to believe are "engaging, or ha[ve] engaged, in conduct that poses risks to consumers with regard to the offering or provision of consumer financial products or services"

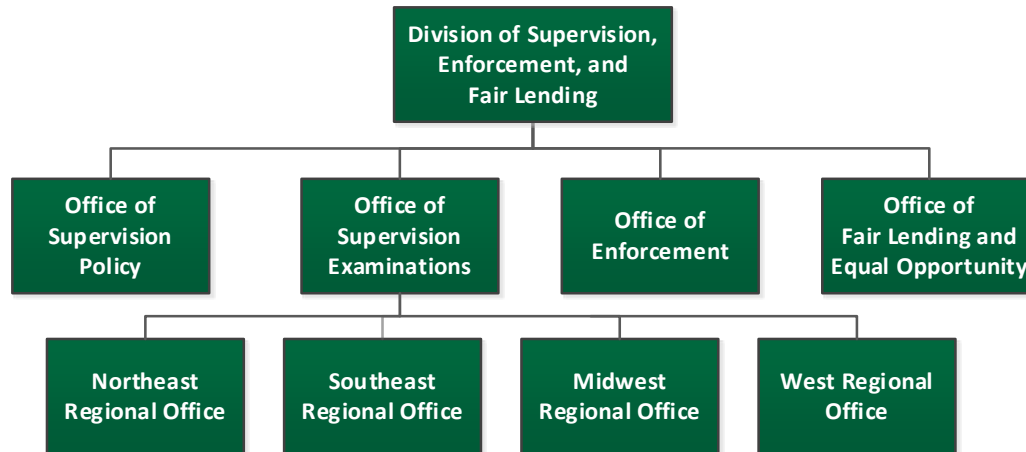
The Office of Supervision Examinations

The Division of Supervision, Enforcement, and Fair Lending (SEFL), one of the CFPB's six primary divisions, has responsibility for conducting examinations of institutions, initiating enforcement actions when appropriate, and providing oversight and enforcement of fair lending laws.¹ In December 2012, the CFPB established OSE, which is one of four offices within

1. The CFPB's other primary divisions are Operations; Consumer Education and Engagement; Research, Markets and Regulations; External Affairs; and Legal.

SEFL.² OSE, through four regional offices, supervises and examines institutions to assess their compliance with federal consumer financial laws.³ Figure 1 illustrates the SEFL organizational structure.⁴

Figure 1: SEFL Organizational Structure



Source: OIG compilation based on a review of CFPB documentation.

Examiners in OSE account for the majority of the CFPB’s regional staff and conduct supervisory reviews and examinations of institutions under the CFPB’s jurisdiction. When OSE examiners determine that a supervised entity has violated a provision of a federal consumer financial law or regulation, OSE directs the entity to implement appropriate corrective measures.⁵ Further, OSE may direct the entity to send consumers refunds, pay restitution, credit borrower accounts, or take other remedial actions. Given examiners’ responsibilities in conducting supervisory reviews and examinations, they play a key role in executing the CFPB’s mission.

Within OSE, Supervision Learning and Development (SL&D) is responsible for training and commissioning the CFPB’s examination staff. SL&D describes its mission as preparing and supporting the best trained and most proficient commissioned examiners as well as providing professional development to support SEFL’s mission. According to the *SL&D 2022: Strategic Plan for Supervision Learning and Development* document (SL&D’s 2022 strategic plan), SL&D accomplishes this mission by designing, developing, and delivering training and training

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2. SEFL’s other three offices are the Office of Supervision Policy, the Office of Enforcement, and the Office of Fair Lending and Equal Opportunity.
 3. The CFPB’s four regional offices are located in New York (Northeast Region), Washington, DC (Southeast Region), Chicago (Midwest Region), and San Francisco (West Region).
 4. This organization chart is not comprehensive and includes only detail relevant to this evaluation.
 5. Corrective measures may include implementing new policies, changing written communications, improving training, or otherwise changing conduct.

support through SEFL staff onboarding, the ECP, the professional development program, and instructional support.⁶

The Examiner Commissioning Program

At the time of its establishment as a federal agency, the CFPB recognized that many federal financial regulatory agencies have long-established commissioning programs and identified the need to establish a similar program to provide examiners with professional development. The CFPB acknowledged that establishing and developing a commissioning program would take significant time, so it implemented the Interim Examiner Commissioning Program in August 2012 prior to the implementation of a formal program. The *Interim Examiner Commissioning Program* policy applied to three groups of employees: (1) examiners who were previously commissioned from one of the federal financial regulatory agencies;⁷ (2) examiners who had almost obtained commissioning at their prior agencies but had not officially received commissioning status due to their transfer to the CFPB;⁸ and (3) employees who demonstrated the requisite consumer compliance skills and knowledge and ability to carry out the duties of a commissioned examiner. According to the *Interim Examiner Commissioning Program* policy, the CFPB would grant examiners in the first category CFPB commissions and would evaluate whether examiners in the other two categories would receive commissions. The interim policy also stated that the Interim Examiner Commissioning Program would remain in effect until the CFPB implemented a “validated ECP,” at which time completion of the formal ECP would be required for commissioning.

On October 27, 2014, the CFPB implemented the formal ECP, which superseded the interim program. A senior CFPB official indicated that the ECP is a critical building block for the CFPB’s supervision program and ensures the professional development of the agency’s examination workforce. Another senior CFPB official stated that the CFPB’s “life blood” is conducting examinations, which in turn makes an examiner development effort like the commissioning program and related training activities among the CFPB’s most important activities.

According to *SEFL Staff Memorandum 2014-06* (ECP policy), the ECP “establishes transparent criteria and a training plan that will provide every examiner the opportunity to pursue their commissioning.” The policy notes that successful completion of the ECP is a significant milestone in an examiner’s career, signifying an examiner’s attainment of the broad-based technical expertise, knowledge, skills, and tools necessary to perform the duties of a commissioned examiner. According to the ECP policy, the CFPB envisions the ECP “to be a

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6. SEFL staff onboarding consists of training programs that provide foundational knowledge and support to prepare employees to execute their daily duties. The professional development program includes support and training for supervision staff outside the ECP. Instructional support includes logistical, administrative, training, and instructional design support for SEFL training efforts as requested or required.
 7. The *Interim Examiner Commissioning Program* policy specifically lists the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the National Credit Union Association, and the former Office of Thrift Supervision as the federal financial regulatory agencies.
 8. The *Interim Examiner Commissioning Program* policy specifies that this requirement applies to those examiners who transferred to the CFPB pursuant to section 1064 of the Consumer Financial Protection Act.

positive, motivating experience that treats all applicants as professionals and provides them with the tools for their professional development.”

The ECP policy states that the progression to become a commissioned examiner entails advancement through grades CN-30, CN-40, and CN-51.⁹ The CN-52 grade is the initial level of commissioned examiner status; examiners at the CN-52 grade level serve as Examiners in Charge (EICs) and lead examinations. The policy anticipates that examiners will take an average of 3 to 5 years to complete the program, assuming the examiner begins at the CN-30 grade level. The ECP policy states that examiners cannot be promoted beyond the CN-51 grade until they have earned their commission. Table 1 outlines key requirements for an examiner to be commissioned, which are detailed in the ECP policy and other guidance.¹⁰

Table 1: ECP Requirements

ECP component	Description
Core coursework	Core coursework consists of the following: Operations and Deposits/Prepaid Products, Lending Principles, Fair Lending Examination Techniques, and Advanced Communications.
On-the-job examiner experience	Examiners must have at least 1 year of on-the-job experience at the CN-51 grade level or higher.
Acting EIC assignments	Examiners must complete two acting EIC assignments, under supervision.
Capstone course	The purpose of this course is to enable participants to demonstrate competency as an EIC in tying together facets of a compliance examination.
Multiple-choice test	The test consists of 150 multiple-choice questions assessing the candidate’s knowledge in key areas.
EIC case study	The EIC case study tests the examiner’s ability to serve as an EIC and review and analyze the consumer complaint history and examiner findings for an entity, draw conclusions, and present conclusions in both written and oral form.

Source: OIG compilation based on a review of CFPB documentation.

The ECP is required for all examiners hired after December 31, 2014, and these examiners must complete all commissioning requirements within 5 years of being promoted to the CN-51 grade

9. Examiners at the CN-30, CN-40, and CN-51 grade levels participate in compliance examinations of financial institutions or financial services companies. Specifically, among other duties, the CN-30 grade level examiner participates and assists on supervisory activities and the CN-40 grade level examiner conducts examination work. The CN-51 grade level examiner may lead aspects of the examination work.
10. The *FAQ: Examiner Commissioning Program* guidance clarifies that the sequence outlined in the ECP policy is the notional sequence in which examiners complete these requirements (detailed in table 1) and recognizes that examiners may need to complete these requirements in a different order. However, examiners must complete all courses and at least one acting EIC assignment before attending the capstone course. All elements must be completed, or waived if permissible, before attending the EIC case study.

level.¹¹ The ECP policy notes that individuals with “adequate work experience and/or training may qualify for a waiver(s) for certain commissioning requirements” on the recommendation of their Regional Director or his or her designee and approval by the SL&D program manager. However, the ECP policy notes that the multiple-choice test and the EIC case study cannot be waived. In addition, the CFPB honors the commissions of the other federal financial regulatory agencies but requires previously commissioned examiners to complete the ECP capstone course.

In addition to the above requirements, examiners must have “an overall satisfactory performance rating and a clean disciplinary record” before beginning a new ECP component. Examiners must also comply with testing procedures and sign a nondisclosure agreement stating that they will not share information from the multiple-choice test or the EIC case study. In addition, examiners must complete a 120-day rotation at CFPB headquarters within 12 to 18 months of earning a commission.

The ECP policy anticipates that most qualified examiners will pass the multiple-choice test and the EIC case study on their first attempt; however, the policy allows examiners to retake both components. In the event an examiner fails one or both components on the first attempt, the examiner must wait 6 months before retaking the assessment. After a second failed attempt, the examiner must wait 12 months. The policy states that if an examiner fails either the multiple-choice test or the EIC case study twice, the individual “will be put on a Performance Improvement Plan.”¹² Further, the policy states that three failures of any component of the ECP “will be reason for dismissal.”

The On-the-Job Training Program

SL&D oversees the development and implementation of the OJT program. According to OJT guidance, the purpose of the OJT program is to “provide a standardized process that ensures examiners are being trained on how to conduct examinations uniformly across all regions.” The goal of the OJT program is to emulate the instruction that a seasoned examiner would provide to a less-seasoned examiner to help him or her prepare for and conduct examination activities. The CFPB requires all noncommissioned examiners to complete OJT as part of the examination process; however, there is no explicit OJT requirement, such as a specified number of OJT lessons, for commissioning.

In practice, an OJT trainer is expected to work with an examiner on an examination, provide mentoring, and discuss the *CFPB Supervision and Examination Manual*.¹³ In addition, the OJT trainer is expected to oversee the examiner’s completion of assigned modules.¹⁴ The OJT

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11. CFPB examiners hired prior to this date are not required to complete the program under the ECP policy’s 5-year time requirement.
 12. Subsequent to the completion of our fieldwork, CFPB management informed us that the agency plans to change the name of the Performance Improvement Plan to the Commissioning Development Plan. This plan may include course study, examiner assignments, individualized training or coaching, online course materials, or any other developmental aids that may assist the individual as necessary.
 13. The *CFPB Supervision and Examination Manual*, version 2, was issued in October 2012 and updated in June 2017; it is available at <https://www.consumerfinance.gov/policy-compliance/guidance/supervision-examinations/>.
 14. A module is a subcomponent of an examination procedure.

guidance indicates that the program must (1) be easily accessed by examiners; (2) prepare examiners consistently for their onsite activities; and (3) be tracked, by module, at the regions and headquarters.

In 2015, SL&D solicited feedback on the OJT program and determined that it needed to update the OJT program. SL&D plans to implement an update to the OJT program over a 4-year period through 2019. Updates include the development of OJT modules and the requirement to track completion of OJT modules in the Treasury Learning Management System (TLMS).¹⁵ SL&D has implemented the tracking component and is still in the process of developing OJT modules. SL&D estimates that the modules will be complete by December 31, 2019.

Commendable Action: SL&D Has Solicited Feedback and Implemented Enhancements to the ECP

We found that SL&D has been actively soliciting feedback from various internal stakeholders regarding the ECP through measures such as distributing ECP surveys to supervision staff after courses and holding question-and-answer segments during regional conferences. As a result of this feedback, SL&D has implemented several changes to the ECP in an effort to enhance the program. For example, SL&D introduced the EIC case study simulation in 2016 as part of the capstone course. The EIC case study simulation provides examiners with an opportunity to participate in a practice version of the EIC case study. Several interviewees noted that the simulation was a helpful addition to the ECP and allowed examiners to better prepare. In addition, SL&D introduced the EIC preparation course to help better prepare examiners for the EIC role prior to their acting EIC assignments. SL&D also extended the time allotted for the EIC case study after receiving feedback that the original time allotment was not sufficient. Several interviewees expressed that these updates have improved the ECP experience.

15. TLMS is the U.S. Department of the Treasury's system for employees and contractors to register for onsite training courses, complete online training, and request external training.

Finding 1: Examiners Are Pursuing ECP Components Before Being Fully Prepared

We determined that some examiners proceeded to certain components of the ECP without adequate preparation. For example, the ECP policy anticipates that most qualified examiners will pass the EIC case study on their first attempt; however, during the scope period of this evaluation, many examiners did not pass the EIC case study on the first attempt and the overall pass rate was approximately 49 percent. We attribute examiners proceeding before being fully prepared to several factors, including management's need for commissioned examiners to lead examinations and carry out the CFPB's mission, examiners' advancement incentives, and ineffective controls. We believe that examiners proceeding through certain components of the ECP before being fully prepared limits their likelihood of success, which can affect employee morale. Further, when examiners require multiple attempts to pass ECP components, they are not available to work on examinations, putting a strain on staffing resources.

Management's Workforce Needs, Staff Incentives, and Ineffective Controls Contributed to Examiners Proceeding Before They Were Fully Prepared

We determined that some examiners attempted certain components of the ECP, particularly the EIC case study, before they were fully prepared. We attribute this issue to management's workforce need for commissioned examiners, examiners' advancement incentives, and ineffective controls.

Management's Workforce Needs and Staff's Incentives for Advancement Contributed to Examiners Proceeding Before Being Fully Prepared

We determined that management may have encouraged examiners to proceed through certain components of the ECP before being fully prepared in an effort to fulfill workforce needs. SL&D's 2022 strategic plan notes that the CFPB requires a sufficient quantity of commissioned examiners to conduct its examinations and supervise financial institutions.¹⁶ To achieve this goal, SEFL required more commissioned examiners to lead examinations and to have increased flexibility in deploying staffing resources to execute its supervisory program. We found that these resource constraints contributed to regional management allowing and, in some instances, encouraging examiners to proceed through the ECP before they were ready. Several interviewees stated that regional management encouraged examiners to begin the ECP without assessing whether the examiners were fully prepared. For example, we learned the following:

- One noncommissioned examiner noted that there was a particular push in this individual's region to get examiners through the ECP when the policy was first

16. As of August 2016, the CFPB's supervision staff consisted of 192 commissioned and 225 noncommissioned individuals.

implemented, regardless of whether they were ready, to increase the number of commissioned examiners.

- Another noncommissioned examiner noted that his or her region had been trying to push him or her through the ECP, but this individual did not feel ready and, therefore, did not proceed.
- Another interviewee expressed concern that regional management was putting examiners through the ECP process before examiners were ready, which ultimately lowered their chances of success.

In addition, we identified incentives that resulted in some examiners wanting to proceed through certain ECP components before being fully prepared. ECP policy requires that examiners earn their commissions to be promoted to the CN-52 grade level. We found that some examiners attempted the ECP prematurely due to this advancement incentive. For example, we learned the following:

- A senior CFPB official noted that there had been a high demand from examiners to pursue the ECP; however, many examiners may have not been prepared.
- Several managers and commissioned examiners stated that some examiners tried to rush through the process to be promoted from the CN-51 to CN-52 grade level.
- Other interviewees noted that certain candidates were not realistic about whether they were ready to successfully complete the ECP.

Certain Controls to Manage Examiners' Progression Through ECP Components May Be Ineffective

Although SL&D has established certain controls to manage examiners' progression through ECP components, some controls may require enhancement. For example, the ECP policy describes a notional sequence for examiners to complete the components of the ECP and states that all elements must be completed, or waived if permissible, before attending the EIC case study. As described in table 1 above, examiners must complete the following requirements to become commissioned:

1. core coursework
2. at least 1 year of on-the-job experience at the CN-51 grade level or higher
3. two completed acting EIC assignments, under supervision
4. the capstone course
5. the multiple-choice test
6. the EIC case study

As we describe in finding 2, examiners may not be receiving adequate developmental experiences through the acting EIC assignments, which contributes to insufficient preparedness. Further, the ECP policy requires examiners to obtain the recommendation of their supervisor and the approval of their Regional Director to complete the capstone course, the multiple-choice test, and the EIC case study. We found, however, that this control does not consist of a formal

recommendation; rather, it consists of regional management registering the examiners in TLMS for these components and SL&D verifying the registration with a regional point of contact.

Some members of management noted that they may have advised candidates to hold off on proceeding to the next step of the ECP, but they did not actually prevent examiners from proceeding if they had met the requirements at each step. In addition, based on our interviews, we identified no instances in which management held examiners back from proceeding to any of the components of the ECP.

We believe there are opportunities to strengthen this control by formalizing the recommendation process, which may lead to more candid assessments of candidate readiness. For example, SL&D could issue guidance that requires a brief written recommendation from regional management documenting a candidate's readiness for the EIC case study. This guidance should include specific criteria to be consistently applied when determining a candidate's readiness, such as feedback from assessors on the candidate's EIC case study simulation performance and the candidate's multiple-choice test results.¹⁷

Examiners Proceeding Before Ready Presents Various Challenges for SEFL

We reviewed the pass rates for the two main assessment components of the ECP—the multiple-choice test and the EIC case study. As of August 2016, the overall pass rate for the multiple-choice test was 90.6 percent, but the pass rate for the EIC case study was 49.1 percent, suggesting that candidates may be moving to the EIC case study before they are fully prepared. Several interviewees confirmed that candidates proceeding to the EIC case study before they are fully prepared contributed to the lower pass rate for the EIC case study, which reduced employee morale. An interviewee expressed that employee morale was a significant challenge and related to managing expectations; this interviewee indicated that just because a candidate had satisfied the requirements of the ECP at a particular level did not mean the candidate was ready to move forward in the ECP process. Another interviewee noted that the ECP initially lowered morale because many candidates were not passing the EIC case study due to their lack of readiness. However, interviewees indicated that employee morale appears to be improving as more examiners are successfully passing the EIC case study and becoming commissioned.

In addition, although we recognize the importance of the commissioning process to meet staffing needs for commissioned examiners, multiple attempts at certain components of the ECP consume the time of the examiners and ECP facilitators, which reduces their availability to work on examinations. For example, a member of CFPB management noted that repeating the capstone course took some examiners away from their examination work for an additional week. This individual also explained that the EIC case study is a week-long commitment and requires the efforts of several managers from each region, depending on the needs of each assessment—a significant drain on resources. We believe that enhanced controls can help mitigate these challenges and increase the likelihood that examiners are prepared for the ECP.

17. Interviewees informed us that candidates who score above a certain percentage on the multiple-choice test are more likely to succeed at the EIC case study.

Assessing Examiner Readiness Can Help Sustain Improving Pass Rates

Following the completion of our fieldwork, CFPB management provided updated data on the EIC case study pass rates. The overall EIC case study pass rate for April 2015 through June 2017 increased slightly, to approximately 51 percent. When looking at the combined 2017 results of the April and June EIC case study sessions, 17 individuals attempted the EIC case study and 12 were successful, resulting in a pass rate of approximately 71 percent for that period. To sustain this improvement in pass rates, we believe that it remains important to assess examiner readiness before they proceed through ECP components.

Recommendation

We recommend that the Associate Director of SEFL

1. Issue guidance that requires a written recommendation from regional management documenting a candidate's readiness for the EIC case study. This guidance should include specific criteria to be consistently applied when determining a candidate's readiness, such as feedback from assessors on the candidate's EIC case study simulation performance and the candidate's multiple-choice test results. This guidance should also include a formal process to share feedback with the candidate in the event regional management determines that a candidate is not ready to proceed to the EIC case study.

Management's Response

In its response to our draft report, the CFPB concurs with recommendation 1. The agency notes that SL&D will work with the Regional Directors, OSE leadership, and the Office of Human Capital to develop a written recommendation form that can be used both to document key factors that are considered when recommending an examiner, in accordance with the ECP, and to assist in notifying an individual if they are not recommended.

OIG Comment

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

Finding 2: Various Factors Contribute to Insufficient Examiner Preparedness for the ECP

The ECP policy states that the ECP provides examiners with sufficient technical training and experience with the applicable laws and the responsibilities of an EIC, as well as an understanding of the internal CFPB processes that support the examination process. We found, however, that examiners may not be receiving adequate training opportunities. For example, many examiners were assigned to perform follow-up on Matters Requiring Attention (MRA) identified during prior CFPB supervisory activities for their acting EIC assignments. These follow-up assignments may not provide exposure to all aspects of the EIC responsibilities as outlined in an ECP guidance document, including planning, scoping, managing, and executing the examination as well as supervising a team of examiners. In addition, regional inconsistencies in examination practices have limited examiners' exposure to certain examination procedures. These factors appear to have led to insufficient developmental experiences and preparedness for the ECP, which may have contributed to lower pass rates for the EIC case study and decreased employee morale.

Inconsistent Training Opportunities Affect Employee Developmental Experiences

According to the ECP policy, an examiner must complete two acting EIC assignments. For an acting assignment to qualify, an examiner must fulfill all the EIC responsibilities for the examination, including planning, scoping, managing, and executing the examination, as well as supervising a significant number of examiners, presenting findings to the institution's management or board of directors, writing the examination report, recommending necessary corrective actions, and otherwise managing the examination. During our interviews, we learned that many examiners were assigned to perform follow-up on MRAs for one or both of their acting EIC assignments, while others were completing examinations. We attribute this inconsistency to the limited number of developmental opportunities appropriate for acting EIC assignments.¹⁸

According to the *CFPB Examination Report Template*, MRAs describe corrective actions for the supervised entity to address violations or weaknesses. When performing follow-up on MRAs, examiners evaluate whether the supervised entity has addressed the required corrective actions. Interviewees indicated that performing follow-up on MRAs may not require the same level of planning and preparation or have the same level of complexity as examinations; therefore, they may not provide examiners with sufficient developmental experience. For example, performing follow-up on MRAs may not require an examiner to conduct planning, determine the scope, supervise a significant number of examiners, or perform other activities associated with an examination. Interviewees noted that it is a common practice to have

18. The ECP policy notes that in the event there is a limit on the number of slots available for employees to meet requirements of the ECP, examiners will be given priority based on their (1) seniority at the CFPB, (2) time in grade at the current level, and (3) availability in terms of personal schedule. Subsequently, other personnel who desire to take courses or complete ECP components may fill any remaining slots.

examiners perform follow-up on MRAs for their acting EIC assignments and some described potential ramifications of this approach. For example, we learned the following:

- One Field Manager stated that he or she views assigning ECP candidates to follow-up on MRAs for their acting EIC assignments as a disservice and actively tries to avoid doing so because these types of assignments do not follow the natural flow of a regular examination.
- One examiner stated that acting EIC assignments can influence how an examiner performs in the ECP; this individual expressed that performing follow-up on MRAs as opposed to examinations for both acting EIC assignments hindered his or her chances for success.

We believe that the variability in examiners' acting EIC assignments could lead to insufficient developmental experiences and preparedness for the ECP, which could contribute to lower pass rates and decrease employee morale.

Inconsistent Exposure to Examination Procedures Affects Employee Preparedness for the ECP

Although the *CFPB Supervision and Examination Manual* outlines agencywide expectations for activities throughout the examination process, we determined that the four regional offices have adopted their own approaches to execute certain examination procedures. Accordingly, there are inconsistencies across the regions. As a result, we found that examiners may not be receiving similar exposure to certain CFPB internal procedures that may be helpful to achieving commissioning.

As previously noted, the capstone course is intended to enable participants to demonstrate competencies as an EIC. Interviewees indicated that during the capstone course, examiners raised questions and expressed confusion when the course content did not align with their respective region's practices. In addition, a Field Manager stated that questions about regional differences sometimes put instructors in a difficult position because there was no clear way to interpret how the process in question should have been performed. Further, another interviewee noted these regional differences and stated that when an examiner had a question concerning one of these differences during the capstone course, the answer tended to be "it depends" based on the region.

Interviewees noted that examiners may not have had consistent exposure to or experience with certain examination procedures and identified the risk assessment and Action Review Committee (ARC) memo as examples of such procedures; however, according to the *FAQs: Examiner Commissioning Program* guidance, preparing both of these documents is a part of the skillset to achieve commissioning. According to the *CFPB Supervision and Examination Manual* and the *Definition of Examiner in Charge* guidance, one of the EIC's responsibilities is to complete the risk assessment for a supervised institution. The risk assessment provides the basis for the CFPB's plan for supervising an institution and its affiliates and for allocating supervision resources to the institution. An interviewee noted that examiners in his or her region did not prepare risk assessments, so the individual was unfamiliar with that process. However, during the capstone course, it was evident to this individual that examiners from other regions seemed more familiar with this process. In addition, a Field Manager stated that the capstone

course addressed how to complete a risk assessment, but most examiners were not familiar with the risk assessment because only one CFPB region had its examiners complete the risk assessment. Further, the *Examiner Role Descriptions* document indicates that the EIC's duties include contributing to drafting the ARC memo. The ARC memo supports management's evaluation of relevant facts and law in determining whether a public enforcement action is appropriate. Several interviewees informed us that in one region, the same designated individual completed all ARC memos, but other regions had the assigned EIC complete the ARC memo. One interviewee noted that, as a result, some supervision staff had expressed concerns about the ARC memo being included in the ECP because they were not familiar with it.

We believe that regional differences in examination procedures, such as the examples highlighted above, could lessen the effectiveness of the capstone course and the overall ECP process. These differences can also affect the adequacy of certain employees' preparedness for the capstone course, because they may not have had exposure to or experience with certain procedures.

Recommendations

We recommend that the Associate Director of SEFL

2. Specify which types of examinations provide examiners in the acting EIC capacity with exposure to all aspects of an EIC's roles and responsibilities. Update the ECP guidance to include the requirement that examiners receive the opportunity to lead at least one such examination in order to fulfill the acting EIC requirements.
3. Identify the regional variances in examination practices that may result in examiners' limited exposure to ECP subject-matter areas and develop an approach to address these variances to help better prepare examiners for the ECP.

Management's Response

In its response to our draft report, the CFPB concurs with recommendations 2 and 3. For recommendation 2, the agency notes that OSE will issue guidance to ensure that examiners are consistently exposed to all facets of the EIC responsibilities before they attempt the EIC case study. With respect to the acting EIC assignments, the CFPB notes that two MRA follow-up examinations will not be acceptable. For recommendation 3, the CFPB notes that SL&D has instituted a process to note regional variances uncovered during the capstone course and notify the responsible parties. The CFPB also notes that the Quality Management Program reviews can identify regional variances in examination practices. According to the agency, the CFPB will analyze the variances uncovered through these processes and take corrective action as warranted.

OIG Comment

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

Finding 3: SL&D Does Not Have a Formal Method to Evaluate and Update the ECP

We identified certain efforts that SL&D has made to evaluate and update aspects of the ECP; however, we also identified areas for further improvement and determined that SL&D has not yet implemented a formal method for evaluating the effectiveness of the ECP and updating the program. The ECP policy states that successful completion of the ECP signifies an examiner's attainment of the broad-based technical expertise, knowledge, skills, and tools necessary to perform the duties of a commissioned examiner. Accordingly, we believe that it is essential for SL&D to periodically evaluate the effectiveness of the ECP and implement updates to the program. We attributed the lack of a formal approach to evaluating and updating the ECP to the relative newness of the ECP as well as to resource challenges in SL&D. A lack of a formal method for evaluating and updating the ECP may increase the risk that the program is not operating effectively and best developing supervisory staff to support SEFL's mission.

Limited Processes for Evaluating Effectiveness and Updating the ECP

SL&D's mission is "to prepare and support the best trained and most proficient commissioned examiners as well as to provide professional development to support the SEFL mission." As previously noted, the ECP policy states that successful completion of the ECP signifies an examiner's attainment of the broad-based technical expertise, knowledge, skills, and tools necessary to perform the duties of a commissioned examiner. Accordingly, we believe that it is essential for SL&D to periodically evaluate the effectiveness of the ECP and update the program as needed.

For informational purposes, we sought to understand how other federal financial regulatory agencies approach evaluating the effectiveness of, and updating, their respective examiner commissioning programs. We obtained the following information from three other federal financial regulatory agencies:

- One federal financial regulatory agency evaluates its examiner commissioning program on an ongoing basis. This agency reviews all new policy and guidance quarterly for potential inclusion in the curriculum and involves business line leaders to evaluate the effectiveness of the curriculum. Further, this agency evaluates assessment questions that candidates frequently answer incorrectly to identify the need for updates. In addition, the agency conducts an internal assessment of the commissioning program as a whole to evaluate whether the program is effective.
- Another federal financial regulatory agency revalidates its examiner commissioning program periodically. Specifically, this agency employs a vendor to evaluate the administration and management of the commissioning program, and through this process, the agency determines whether enhancements to the program are necessary.

- A third federal financial regulatory agency assesses whether the technical evaluation within its commissioning program aligns with necessary job skills through a formal job analysis. This agency reviews and updates the technical evaluation on a regular basis to ensure the evaluation remains current and is an appropriate assessment of expected knowledge.

Based on this information as well as our interviews with CFPB personnel and review of relevant guidance, we determined that various factors may influence the effectiveness of the ECP and drive the need for potential updates to the ECP. Such factors may include legislative, regulatory, or environmental changes; updates to CFPB policies, procedures, or examination practices; feedback from internal stakeholders; results from cost assessments; and metrics or other indicators regarding the effectiveness of the program. We identified certain efforts that SL&D has taken to evaluate and update aspects of the ECP in light of these factors. In addition, we identified areas where further efforts may be needed.

Legislative, Regulatory, or Environmental Changes

With respect to regulatory changes, SL&D informed us that it develops courses to familiarize SEFL supervision staff with major new regulations and then incorporates the course materials into existing courses. For example, we learned that SL&D updated the curriculum of the Lending Principles course to reflect the issuance of regulations related to mortgage origination in accordance with title XIV of the Dodd-Frank Act. However, a member of CFPB management acknowledged the need to update the multiple-choice test because new regulations have been issued since its development. Although we did not hear of any instances of inaccurate ECP curriculum or assessment content due to legislative, regulatory, or environmental changes, interviewees described potential challenges with updating the ECP curriculum and components. For example, we learned the following:

- One interviewee described regulatory and environmental changes as the biggest challenges for the ECP in the coming years and the risk that the ECP assessment may become stale or unusable.
- Another interviewee noted the challenge of determining when to update the ECP to reflect the changing regulations.

Updates to CFPB Policies, Procedures, or Examination Practices

SL&D informed us that it makes routine changes to elements of the ECP; however, there may be an opportunity for SL&D to assess the ECP's alignment with current examination practices when considering updates to the program. An interviewee noted that there have been changes to how examiners conduct supervision activities in practice, but these updates had not yet been reflected in applicable policies. In addition, a Field Manager noted that he or she is sometimes concerned with the content he or she has to teach in the capstone course, such as the preparation of the risk assessment, because it did not necessarily align with how examiners actually conduct examinations in certain regions. This individual further suggested that it would be beneficial for SL&D to regularly calibrate the program so that it aligns with CFPB management's current expectations.

Feedback From Internal Stakeholders

SL&D solicits feedback from various internal stakeholders with which to evaluate and update aspects of the ECP. For example, SL&D solicits feedback through measures such as distributing ECP surveys to supervision staff following courses and holding question-and-answer segments during regional conferences. In addition, SL&D uses the results of the annual employee survey to assess examiner sentiments about the ECP. As mentioned in the Commendable Action section, in response to examiner feedback, SL&D has incorporated updates to the ECP, such as adding the EIC case study simulation as a part of the capstone course to better prepare examiners for the EIC case study. Several interviewees expressed that these updates have improved the ECP experience.

Results From Cost Assessments

Assessing program costs can be a useful tool for evaluating the program's effectiveness and can help inform management decisions regarding potential updates to that program.¹⁹ We determined that SL&D is maintaining cost information for aspects of the ECP, such as costs associated with the vendor used for developing and maintaining the EIC case study. However, it appears that SL&D may not be currently aggregating total ECP costs on a recurring basis. In addition, SL&D informed us that it has not yet conducted a cost assessment of the program overall. OSE identified the lack of management dashboards as a gap and is currently in the process of developing dashboards to track actual costs versus budgeted costs.

Metrics or Other Indicators

Leveraging outcome-based metrics can help management demonstrate the program's contribution to organizational results.²⁰ In its 2022 strategic plan, SL&D identified as a gap the lack of metrics for measuring the effectiveness of its initiatives and noted the need to review the ECP curriculum. During our review period, a senior CFPB official noted that SL&D plans to focus on developing metrics for measuring the effectiveness of the ECP in the upcoming year. Similarly, SL&D's 2022 strategic plan notes that SL&D must develop metrics for assessing the effectiveness of its initiatives, and effectiveness should be measured (1) against SL&D's goals and (2) against the level of performance improvement of the organizations that SL&D serves.

Summary

As outlined above, although SL&D has made certain efforts to evaluate and update aspects of the ECP, we identified areas where further efforts may be needed. We determined that SL&D has not yet implemented a formal method for evaluating the effectiveness of and updating the ECP. We attributed the lack of a formal approach for evaluating and updating the ECP to the

19. The U.S. Government Accountability Office highlights the importance of monitoring costs to evaluate and enhance training programs. U.S. Government Accountability Office, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G, March 2004.

20. The U.S. Government Accountability Office notes the importance of identifying reliable indicators of progress that align with agency outcomes. U.S. Government Accountability Office, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G, March 2004.

fact the ECP was implemented in October 2014 and is a relatively new program. In addition, multiple CFPB interviewees explained that SL&D has experienced resource challenges. SL&D recently hired two commissioned examiners with requisite subject-matter expertise that may be able to help with making future updates to the ECP.

We believe that SL&D should consider implementing a formal written method to evaluate and update the ECP given the importance of the ECP in developing examiners and in preparing them to conduct examinations and supervise financial institutions. A lack of a formalized method for evaluating the effectiveness of and updating the ECP may increase the risk that the program is not operating effectively and is not developing supervisory staff to support SEFL's mission as effectively as possible.

Recommendation

We recommend that the Associate Director of SEFL

4. Implement a formal written method for evaluating the effectiveness of and updating the ECP. In implementing a formal method, some factors to consider include defining
 - a. key stakeholders to be involved in evaluating and updating the program.
 - b. key inputs, factors, and considerations.
 - c. processes for conducting cost assessments.
 - d. metrics for assessing the effectiveness of the program.
 - e. frequency of evaluating and updating the program.
 - f. processes for communicating updates to relevant stakeholders.

Management's Response

In its response to our draft report, the CFPB concurs with recommendation 4. The agency notes that SL&D will develop a written method for evaluating and updating the ECP that will include the use of condition-based factors to trigger reviews.

OIG Comment

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

Finding 4: The CFPB Did Not Consistently Communicate ECP Requirements to Prospective Employees

Although we determined that the CFPB has a process for communicating the ECP requirements to incoming employees after they have accepted a position, the CFPB did not consistently communicate information about the ECP to prospective employees before they accepted an offer. The ECP policy highlights the importance of the program to the role of an examiner and the examiner's advancement and outlines a series of requirements, including core coursework, training, and formal assessments. Further, the policy anticipates that examiners will take an average of 3 to 5 years to complete the program, assuming the examiner begins at the CN-30 grade level. We attribute the variation in the information candidates are receiving about the ECP to the lack of a formal process or defined guidelines for communicating this information during the interview stage. Communicating this information more consistently as part of the interview process could improve morale by ensuring that individuals are sufficiently informed of the ECP requirements before accepting the position.

Communication of ECP Requirements Appears Inconsistent and Requires Formalization

We determined that the CFPB has a process for communicating the ECP requirements to incoming employees after they have accepted the offer of employment. Specifically, a member of CFPB management informed us that the CFPB required new hires to sign the *Agreement Relating to the Appointment as an Examiner*, acknowledging requirements related to the ECP. However, the CFPB did not consistently communicate this information to prospective employees before they accepted the examiner position. Based on our review of job announcements for examiners at the CN-40 and CN-51 grade levels, we determined that the announcements listed the promotion potential as CN-52 but did not include references to the ECP or its requirements.

In addition, interviewees described different approaches to communicating information about the ECP to candidates during the recruiting process. For example, several Field Managers stated that they discussed the ECP during the interview process, but their approaches for communicating this information varied. We learned the following:

- One Field Manager indicated that during the interview process, he or she shared detailed information about the ECP requirements, such as the multiple-choice test and other components. This Field Manager also communicated that examiners have three attempts to complete the program, as well as that examiners are required to obtain the commission within 5 years.
- Another Field Manager indicated that he or she provided candidates with a high-level overview of the ECP and did not delve into details.

- A member of CFPB management indicated that he or she shared some information about the ECP but did not discuss the three-attempts clause.²¹
- A supervision staff member stated that job candidates were not informed about the ECP until after they accepted the examiner position.

We attribute the variation in the communications about the ECP to the lack of a formal process or defined guidelines for communicating this information. A member of CFPB management informed us that hiring managers are urged to emphasize the ECP process during interviews. However, we did not identify any formal procedures related to informing job applicants about the ECP. A member of CFPB management indicated that there was no requirement to discuss the ECP during the interview process and there were no scripts or guidelines on what information should be communicated, but he or she elected to discuss the ECP with candidates due to its importance.

We believe that examiners should receive information about the ECP early in the application process. Communicating this information more consistently as part of the interview process could improve morale by ensuring that individuals are sufficiently informed of the ECP requirements before accepting the position.

Recommendation

We recommend that the Associate Director of SEFL

5. Develop formal guidelines for informing job applicants of key ECP requirements, including expectations concerning when to communicate information about the ECP and the information to convey.

Management's Response

In its response to our draft report, the CFPB concurs with recommendation 5. The agency notes that SL&D will work with OSE leaders and the Office of Human Capital to make appropriate changes to job announcements and standardize information provided about the ECP to prospective applicants and interviewees.

OIG Comment

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

21. As previously noted, the ECP policy states that three failures of any component of the ECP “will be reason for dismissal.”

Finding 5: The 5-Year Time Requirement in the ECP Policy Is Unclear

The ECP policy states that the ECP establishes transparent criteria and a training plan that will provide every examiner the opportunity to pursue their commission; however, several interviewees indicated that there was confusion regarding the starting point for the 5-year requirement for completing the ECP. We attribute this confusion to unclear language within the ECP policy regarding when the 5-year requirement begins. Although an interviewee noted that SL&D clarified the policy expectation in a verbal communication to examination staff at a recent regional conference and explained that the time requirement begins at the CN-51 grade level, we found that individuals still may not be clear on the starting point. A lack of understanding of the time requirement may cause examiners to begin the ECP process before they are ready.

ECP Policy Contains Unclear Language Regarding the Time Requirement

The ECP policy states that the “inability to meet the requirements and earn a commission will be reason for dismissal of an examiner after three failures of any component of the ECP, or five years as a CN-51 or above regardless of the number of attempts.” However, the ECP policy also states that “examiners at the CN-51 grade level and below are expected to complete all commissioning requirements within 5 years of their date of hire.”

Several interviewees indicated confusion regarding the trigger for the 5-year requirement; some believed it is the hire date, others indicated it is the date on which an examiner begins at the CN-51 grade level, and many were unsure. During an interview, a member of CFPB management clarified that the starting point for the 5-year requirement for completing the ECP starts when an examiner reaches the CN-51 grade level. An interviewee noted that SL&D verbally communicated this clarification during a recent regional conference; however, many interviewees indicated that they were unclear on when that starting point for the 5-year requirement for completing the ECP begins. A lack of understanding of the time requirement may cause examiners to begin the ECP before they are ready.

Recommendation

We recommend that the Associate Director of SEFL

6. Update the ECP policy or issue supplemental guidance to clarify the starting point for the 5-year requirement for examiners to complete the ECP and communicate the updated policy or supplemental guidance to SEFL supervision staff.

Management's Response

In its response to our draft report, the CFPB concurs with recommendation 6. The agency notes that SL&D has added this topic to its Frequently Asked Questions on its internal website to clarify the 5-year time requirement for examiners to complete the ECP.

OIG Comment

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

Finding 6: Implementation of On-the-Job Training Can Be Enhanced

The OJT program is an additional tool to develop SEFL supervision staff; according to OJT guidance, the program is intended to provide a standardized program that ensures examiners are being trained on how to conduct examinations uniformly across all regions. We determined that CFPB regions had not consistently implemented the OJT program. In addition, while SL&D has communicated information about the OJT program to SEFL supervision staff through regional conferences and webinars, examiners may not have clearly understood the requirements, expectations, and purpose of OJT. We attribute the inconsistent implementation of the OJT program to the limited number of fully developed OJT modules and certain CFPB management and staff perceptions of the program. In addition, we determined that examiners' lack of clarity may have been a result of ineffective communication of the program's purpose and developmental benefits. Without consistent implementation and a clear understanding of the purpose or expectations of OJT, examiners may not view it as important or consider it a priority.

Regions Have Not Consistently Implemented OJT

OJT guidance states that the program must (1) be easily accessed by examiners; (2) prepare examiners consistently for their onsite activities; and (3) be tracked, by module, at the regions and headquarters. Although the OJT program is intended to provide a standardized training approach for examiners, we determined that the CFPB regions have not implemented it consistently. For example, one region had not started tracking OJT in TLMS as required. In addition, a CFPB official in a second region described the implementation in that region as "spotty." Interviewees from the third and fourth regions noted that OJT was not really "set in stone" and that OJT was not being completed as intended, respectively.

We attribute the inconsistent implementation of the OJT program to the limited number of fully developed OJT modules and certain CFPB management and staff perceptions of the program. According to SL&D's 2022 strategic plan, SL&D plans to have all OJT courses fully developed by December 31, 2019. We learned the following:

- A member of CFPB management indicated that the CFPB had a lot of work to do to further its OJT program and explained that the OJT modules had not been fully developed.
- Interviewees indicated examiners had difficulty understanding how to do OJT when modules have not been developed and that the limited number of OJT modules hindered the effectiveness of the program.
- A Field Manager stated that the OJT program was off to a good start, but not enough modules had been developed for it to be effective.
- A noncommissioned examiner stated that if examiners were working on a new examination product line, there often were no OJT modules associated with it.

- Another interviewee noted challenges with the OJT process because people did not understand that SL&D had yet to fully develop the OJT program.
- Others noted that OJT did not happen on every examination, and that OJT was viewed as optional and “busy work.”
- Some interviewees perceived the OJT program to be an administrative burden and noted that examiners did not have time to complete OJT.

A lack of consistency in the implementation of OJT could contribute to the perception that OJT is not a priority.

Examiners May Not Clearly Understand OJT Requirements and Expectations

SL&D has communicated information about the OJT program to SEFL supervision staff through regional conferences and webinars; however, several interviewees indicated that examiners may not have clearly understood the OJT requirements, expectations, and purpose. For example, one interviewee noted that SL&D could enhance the OJT program by clarifying the expectations for OJT for examiners. An ECP guidance document lists OJT as a way to develop examiners’ abilities to apply knowledge; however, as previously noted, there is no explicit OJT requirement, such as a specified number of OJT lessons, for commissioning. We learned the following:

- One interviewee noted that the CFPB had not explained where OJT fits within the ECP or the effect OJT has on completing the ECP.
- Interviewees also expressed that they did not understand how OJT related to their job or their career advancement.
- A CFPB official stated that he did not think examiners understood how OJT relates to their job and being promoted and where it falls in their priorities.
- Another interviewee indicated that examiners did not perceive OJT to be important or care about completing OJT because it does not affect one’s compensation or career advancement.
- Many interviewees commented that they did not know enough about OJT to share their perspectives on the program.

We attribute these perceptions to ineffective communication of the program’s purpose and developmental benefits. Although SL&D has communicated information about the OJT program to supervision staff, it appears SL&D may not have clearly articulated the purpose of the program, how OJT fits into the ECP and an examiner’s career development, and the expectations for implementing OJT. Without a clear understanding of the purpose or expectations of OJT, examiners may not view it as important or consider it a priority. Effectively implemented, OJT could be a useful tool in the continual development of noncommissioned examiners and could potentially help prepare examiners for the ECP.

Recommendations

We recommend that the Associate Director of SEFL

7. Reassess the current timeline for fully developing the OJT modules and determine whether an accelerated timeline is warranted.
8. Communicate guidelines to regional management to support the effective execution of OJT at each of the regional offices.
9. Develop guidance for SEFL supervision staff addressing the expectations for and importance of completing OJT. In this guidance document, communicate the purpose of OJT and how OJT relates to career development and the ECP.

Management's Response

In its response to our draft report, the CFPB concurs with recommendations 7, 8, and 9. For recommendation 7, the agency notes that OSE leadership will reassess the timeline in light of current priorities and resources. For recommendation 8, the agency notes that following the reassessment, OSE leadership will provide updated information to regional offices for more effective execution of OJT. For recommendation 9, the agency notes that it will develop and document more specific OJT guidance with regional input. The agency also notes that it will conduct another series of OJT briefings to the regions beginning on October 25, 2017.

OIG Comment

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

Appendix A

Scope and Methodology

Our objective was to determine whether the CFPB is effectively managing examiner commissioning and OJT. The scope of our evaluation included the design, implementation, and execution of the ECP and the OJT program, from January 1, 2015, to June 30, 2016. Our scope did not include the Interim Examiner Commissioning Program.

To accomplish our objective, we reviewed documentation, including the strategic plans for the CFPB, SEFL, and SL&D; the *CFPB Supervision and Examination Manual*; examiner position descriptions; policies, procedures, guidance, and formal communications addressing the ECP and the OJT program; the ECP curriculum, including training course materials; staff pass rates for ECP assessment components; cost-related information for ECP components; and annual employee survey and exit survey results for fiscal years 2015 and 2016. We also reviewed examiner commissioning program materials from other federal financial regulatory agencies for informational purposes.

We interviewed CFPB officials at headquarters and at each of the four regions to understand the implementation and management of the ECP. In addition, we interviewed SL&D management and program staff responsible for developing and overseeing the ECP and OJT program as well as regional training leads for each of the four regions.²² To gather additional perspectives on the ECP, we obtained a list of CFPB employees involved in supervision activities and selected a nonrandom sample of interviewees from all four regions. We interviewed a sample of employees, including noncommissioned examiners, examiners commissioned through the ECP, Field Managers, and ECP training instructors and assessors. In total, we interviewed 49 CFPB employees.

We conducted our fieldwork from October 2016 through May 2017. We performed our evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency in January 2012.

22. Regional training leads are regional personnel who assist SL&D with course development and delivery.

Appendix B

Management's Response



1700 G Street NW, Washington, DC 20552

September 8, 2017

Ms. Melissa Heist
Associate Inspector General for Audit and Evaluations
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau
20th and Constitution Avenue
Washington, DC 20551

Dear Ms. Heist,

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report *The CFPB Can Enhance the Effectiveness of Its Examiner Commissioning Program*. The Bureau values the effort that the Office of the Inspector General (OIG) has put into this evaluation and the recommendations it has provided for improving the effectiveness of our Examiner Commissioning Program (ECP).

We are pleased that you recognized the "Commendable Actions" by the Supervision Learning and Development (SL&D) team regarding their management of the ECP. We note the majority of your recommendations involve improving communications and documentation. As you mentioned, with a new program these recommendations are not surprising, but you have helped us to focus on those areas as priorities, which is very helpful.

The Bureau agrees with each of the recommendations, and expects to implement a third of them within the next 30 days. We have outlined our specific plan in response to each of your recommendations below.

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

Sincerely,

Christopher D'Angelo
Associate Director,
Division of Supervision,
Enforcement, and Fair Lending

Chris DAngelo Digitally signed by Chris DAngelo
Date: 2017.09.07 15:47:59 -04'00'

Paul Sanford
Assistant Director for Office of Supervision Examinations
Division of Supervision,
Enforcement, and Fair Lending

Gena Chicco
Executive Secretary and Counsel to the Director
Office of the Director



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Responses to Specific Recommendations:

1. SL&D will work with the Regional Directors (RDs), Office of Supervision Examinations (OSE) leadership, and the Office of Human Capital (OHC) to develop a written recommendation form that can be used to both document key factors that are considered when recommending an examiner, in accordance with the ECP, and to assist in notifying an individual if they are not recommended.
2. OSE will issue guidance to ensure that examiners are consistently exposed to all facets of the Examiner in Charge responsibilities before they attempt the Case Study. Two Matters Requiring Attention follow-up exams will not be acceptable.
3. There are two facets to this recommendation.
 - a. First, there is the identification of regional variances in exam practices. SL&D has instituted a process to note of all such variations that are uncovered during the Capstone course (where the examples of the cited variances came to light) and provide them to the responsible parties for consideration. This, along with reviews by the Quality Management Program which can identify differences between regional outputs, will capture any variations of consequence in exam practices.
 - b. Second, there are two paths to address these variances. The variances uncovered through either of the above processes will be analyzed and corrective action taken as warranted. Additionally, these variations emphasize the importance of a high level event to ensure all examiners are exposed to key job skills, regardless of which exams they are assigned to or differences in regional practices, before those examiners are commissioned. That is one of the designed purposes of the Capstone course and based on the investigation results it is functioning well in that role.
4. SL&D will develop a written method for evaluating and updating the ECP, including use of condition based factors to trigger reviews.
5. SL&D will work with OSE leaders and OHC to make appropriate changes to job announcements and standardize information provided about the ECP to prospective applicants and interviewees.
6. Despite memorandum language vetted with CFPB staff and the union, it appears based on this investigation and recommendation, that some examiners may still be confused about the 5-year requirement. As the report mentions, every region has been briefed on this requirement in an effort to remove any lingering questions. In response to this report, this topic has now been added to the SL&D Frequently Asked Questions (FAQ) portion of the CFPB Wiki. The FAQ states, "Per SEFL Staff Memorandum 2014-06, issued on October 27, 2014, examiners have five years as a CN-51 to complete commissioning. If an examiner is hired as a CN-30 or CN-40, that means they have more than five years total since their five year clock will not start until they are promoted to CN-51." During future negotiations OSE will attempt to clarify the memorandum's language.



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7. OSE leadership will reassess the timeline in light of current priorities and resources to complete the recommended consideration.
8. Once the reassessment is complete, OSE leadership will provide updated information to regional offices for more effective execution of OJT.
9. More specific OJT guidance will be developed with regional input and codified in a document. Another series of briefings on OJT, provided to the regions, is scheduled to begin on October 25, 2017.



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