Federal Housing Finance Agency
Office of Inspector General

Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations

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Executive Summary

The Federal Housing Finance Agency (FHFA or the Agency) acts as both the conservator for and regulator of Fannie Mae and Freddie Mac (collectively, the Enterprises). The Enterprises are the two largest institutions issuing mortgage-related securities in the secondary mortage market in support of the nation's housing industry. As regulator of the Enterprises, FHFA issues rules and conducts examinations to protect the safety and soundness of the Enterprises. As part of its examination activities, FHFA conducts targeted examinations of the Enterprises that probe deeply into strategically selected areas of high importance or risk. FHFA has long recognized that targeted examinations are vital to its effectiveness as a safety and soundness regulator.

FHFA's Office of Quality Assurance (OQA) is tasked with conducting internal reviews of the divisions that perform the Agency's statutory examination and regulatory functions. FHFA uses the OQA reviews to enhance the effectiveness of its supervision of the Enterprises. In 2011, OQA recognized the value of a quality control review process for FHFA examinations and recommended that FHFA establish such a process. Thus began a multi-year journey to develop a comprehensive quality control review process:

- October 2011: OQA published a report that reviewed FHFA's 2010 Reports of Examination of the Enterprises and found five weaknesses with FHFA's examination processes. One of the findings was the lack of a comprehensive quality control review process. OQA recommended that FHFA establish such a process for examination reports and associated workpapers to ensure adequacy and quality of its examinations. Almost one year later, FHFA's Division of Enterprise Regulation (DER), the office responsible for conducting targeted examinations, committed to remediate this deficiency and reported that a quality control program would be developed by December 31, 2012.

- March 2013: FHFA issued Supervision Directive (Directive) 2013-01, requiring that examination findings, conclusions, ratings, supporting workpapers, and related documents be subject to a formal quality control review process with defined standards. In this Directive, FHFA underscored the OQA finding that formal quality control reviews are a critical internal control for the Agency's examinations of the Enterprises because they "ensure examination quality, consistency and reliability."

- July 2013: OQA completed its review of DER's process to resolve Matters Requiring Attention (MRAs) and made a number of findings. Among other things, OQA again underscored the need for DER to

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implement a comprehensive quality control review process to ensure the accuracy, completeness, and quality of examinations. FHFA's attempts to develop and implement such a process stalled in 2013 and into 2014 after strong staff resistance.

- December 2014: OQA closed the recommendation regarding quality control from its 2013 report, based on representations from DER that it assigned responsibility for quality control to a dedicated employee and drafted (but did not finalize) a procedures document addressing quality control.

OIG conducted this evaluation to determine whether FHFA has now established a formal quality control review process for its targeted examinations of the Enterprises, as recommended by OQA in 2011, agreed to by DER in 2012, and required by Agency Directive in 2013. Without a formal internal quality control review process, FHFA lacks adequate assurance that its targeted examinations or other examination work are accurate, complete, and of uniform high quality, which puts the credibility of its examination program at risk. Almost four years after OQA issued its recommendation and more than two years after FHFA issued its Directive, OIG found that FHFA had not established such a process. After OIG completed its work on this evaluation, FHFA advised us that DER finalized its quality control review process on July 28, 2015. OIG has not assessed whether the new procedures, as drafted, satisfy the requirements in the Directive. We make two recommendations to enhance the efficacy of the newly adopted quality control program. FHFA agreed with our recommendations.

This report was prepared by Nicole Mathers, Management Analyst, and Philip Noyovitz, Senior Auditor, with assistance from Adrienne Freeman, Investigative Counsel, Minh-Tu Greenberg, Investigative Counsel, and Jacob Kennedy, Investigative Evaluator. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.

This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaoig.gov.

Angela Choy
Assistant Inspector General for Evaluations

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ABBREVIATIONS

DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
Fannie Mae	Federal National Mortgage Association
FHFA or Agency	Federal Housing Finance Agency
FHLBanks	Federal Home Loan Banks
Freddie Mac	Federal Home Loan Mortgage Corporation
HERA	Housing and Economic Recovery Act of 2008
MRA	Matter Requiring Attention
OIG	Federal Housing Finance Agency Office of Inspector General
OPB	Operating Procedures Bulletin
OQA	Office of Quality Assurance
Directive	Supervision Directive

BACKGROUND

The Enterprises are the two largest institutions issuing mortgage-related securities in the secondary mortgage market, providing more than $5 trillion in funding for the U.S. mortgage markets and financial institutions. In September 2008, FHFA placed Fannie Mae and Freddie Mac into conservatorships pursuant to its authority under the Housing and Economic Recovery Act of 2008 (HERA). HERA vested FHFA with sweeping powers as conservator. HERA also granted FHFA supervisory authorities comparable to those of other federal financial safety and soundness regulators and enhanced resolution authority. FHFA serves a unique role as both conservator and regulator of the Enterprises.

Four federal financial regulators with examination programs have disclosed in publicly available information or have confirmed to OIG that they rely on formal internal quality control reviews as an important internal control. Such reviews assess whether the examinations: meet the regulator's established standards for quality and procedures; are being performed with consistency; include workpapers that support the findings and conclusions; and undergo quality control reviews before reports are issued in final form to the examined entity. When properly conducted, such reviews provide the regulator with assurance that its examinations, which are critical to its supervisory mission, are accurate, complete, and of uniform high quality.[1] Most of these regulators require that internal quality control reviews be completed prior to issuance of a report of examination to ensure that the conclusions, findings, and recommendations in the report are supported by adequate and sufficient documentation. Most of these federal financial regulators also require the quality control reviewer to be independent. Appendix C summarizes aspects of these quality control programs.

Like its fellow federal financial regulators, FHFA issues rules and conducts examinations to protect the safety and soundness of the Enterprises. Indeed, FHFA maintains that its authority over the Enterprises pursuant to HERA includes the powers of federal bank examiners, and has successfully asserted the bank examination privilege to shield from discovery materials relating to its regulation of the Enterprises.[2] DER is responsible for ensuring that the targeted examinations it conducts comply with FHFA standards and policies, including supervision directives. In March 2013, FHFA issued a Supervision Directive announcing that its

[1] The four financial regulators are the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, National Credit Union Administration, and the Consumer Financial Protection Bureau.

[2] See *Federal Housing Finance Agency v. J.P. Morgan Chase & Co.*, 978 F.Supp.2d 267 (S.D.N.Y Oct. 16, 2013).

examinations of its regulated entities—the Enterprises and the Federal Home Loan Banks (FHLBanks)—were subject to a quality control program.

HERA also amended the Inspector General Act of 1978 to establish an Office of Inspector General for FHFA. OIG began operations on October 12, 2010, when its first Inspector General was sworn in. OIG is dedicated to promoting the economy, efficiency, and effectiveness of the programs and operations of FHFA; preventing and detecting fraud, waste, and abuse in FHFA's programs and operations; reviewing and commenting on pending legislation and regulations; and bringing civil, criminal, and administrative actions against those, whether inside or outside of the government, who commit fraud, waste, or abuse in connection with the programs and operations of FHFA. OIG strengthened its oversight by leveraging resources and focusing on programs and operations that pose the greatest financial, governance, and/or reputational risk to the Agency, the Enterprises, and the FHLBanks. One of the areas of greatest risks identified by OIG in its 2015 Annual Audit and Evaluations Plan was FHFA's rigor in examinations of the Enterprises. OIG conducted this evaluation to determine whether FHFA has now established a formal quality control review process for its examinations of the Enterprises. Subsequent audits and evaluations will assess other aspects of FHFA's effectiveness as regulator of the Enterprises.

FACTS

Nearly four years have passed since the need for a comprehensive quality control review process for examinations was recognized at FHFA. No comprehensive quality control review process was in place for FHFA's examinations of the Enterprises until July 28, 2015—after work on this evaluation was completed. We summarize below the lengthy history of FHFA's unsuccessful efforts to implement a quality control program.

October 2011: OQA Recommends that FHFA Establish a Comprehensive Internal Quality Control Review Process

As a federal agency, FHFA is required to implement internal controls that help it meet its mission, goals, and objectives and to minimize risks associated with its programs and operations. One such control established by FHFA is its internal OQA. OQA is charged with reviewing the work of FHFA divisions responsible for supervision of the Enterprises.[3]

OQA issued its first quality assurance report of DER on October 7, 2011, in which it reviewed the 2010 Reports of Examinations of the Enterprises. OQA identified five deficiencies with the existing Report of Examination process, including the lack of a comprehensive internal quality control review process. OQA recommended that DER establish a comprehensive quality control review process to "help ensure the adequacy of the examination reports and supporting work papers."

September 2012: DER Agrees to Establish a Quality Control Review Process

The former Deputy Director of DER submitted a written response to OQA in September 2012 in which he committed that DER would develop an internal quality control program by December 31, 2012, and represented that a draft document developing that program was circulating for management review.

OIG also learned that OQA was pressured by FHFA officials to close the recommendations in its October 2011 report. Although OQA recognized that DER had made little progress in implementing OQA's recommendation to establish a comprehensive quality control review, OQA closed that recommendation in October 2012.

[3] Pursuant to its charter, OQA is primarily responsible for evaluating the quality of work performed by DER, the Division of Federal Home Loan Bank Regulation, and the Division of Housing Mission and Goals.

March 2013: FHFA Issues a Supervision Directive Announcing a Quality Control Review Program for all FHFA Examinations

On March 25, 2013, FHFA issued **Supervision Directive** 2013-01 **(**Directive**)** titled "Quality Control Program for Examinations Conducted by the Division of Bank Regulation and Division of Enterprise Regulation" for all examinations. In the Directive, FHFA announced that, as a matter of FHFA policy, it is "particularly important that final examination findings and conclusions are subject to a quality control review before a report of examination or supervisory correspondence is communicated to the regulated entity…." Pursuant to this newly adopted policy, the Directive required DER and the Division of Federal Home Loan Bank Regulation (DBR), which examines the FHLBanks, to establish a quality control review program to "assess examination findings, conclusions, ratings, supporting workpapers, and related documents" and required that the quality control reviews:

Supervision Directive: FHFA internal guidance that notifies supervision staff of supervisory policy positions or internal process.

- Be performed by qualified reviewers who did not participate in the examination;
- Be documented in the examination workpapers; and
- Occur before examination results are communicated to the Enterprises.

According to a July 2013 OQA report, DBR had adopted and was using a quality control review process for its examination work.

July 2013: OQA Again Recommends that DER Establish and Implement a Comprehensive Quality Control Review Process

In July 2013, OQA issued a report in which it reviewed DER's follow-up processes for Matters Requiring Attention (MRAs), which are serious issues identified during an examination that require remediation by the Enterprises.[4] OQA identified a number of weaknesses in DER's follow-up processes, including that DER had not established and

[4] MRAs are issued by DER when it identifies practices during the course of an examination that deviate from sound governance, internal control, and risk management principles, which may adversely impact an Enterprise's earnings, risk profile, or reputation if not addressed, or which result in substantive noncompliance with laws and regulations, internal policies or processes, FHFA's supervisory guidance, or conditions imposed in writing in connection with FHFA approval of a proposed activity. FHFA, *Categories for Examination Findings*, AB-2012-01 (April 2, 2012) (online at www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/Pages/AB-2012-01-CATEGORIES-FOR-EXAMINATION-FINDINGS.aspx).

implemented a comprehensive quality control program for examinations, notwithstanding DER's commitment in September 2012 to develop such a program by December 31, 2012.[5] OQA again emphasized that "[m]any other examination programs have a process in which peers review each other's work or have a dedicated quality control staff to review exam products." Accordingly, OQA reissued its previously closed recommendation that the Agency "establish a comprehensive quality control process."

OIG learned that FHFA senior management directed OQA to refrain from further reviews of DER's work after its July 2013 report was issued because DER was subjected to scrutiny by OIG. It was reported to OIG that, as a result of this directive from senior FHFA management, OQA has conducted no further reviews of DER's work since its July 2013 report.

October 2013 to December 2014: DER's Efforts to Develop a Comprehensive Quality Control Review Process Stalled Following Strong Staff Resistance

Operating Procedures Bulletin: FHFA internal guidance that provides detailed division-level procedures to examiners.

After FHFA issued the Directive in March 2013, DER made several attempts to develop a comprehensive quality control review process. While DER drafted a number of **Operating Procedures Bulletins** (OPBs) in 2013 and 2014 in an effort to jump-start a comprehensive internal quality control program, DER's examination staff vigorously resisted the effort. That resistance is reflected in contemporaneous written comments by DER staff, meeting minutes, internal documents, and DER emails reviewed by OIG, and was confirmed in OIG interviews with DER staff. Some DER staff contended in emails that the proposed quality control review was redundant and contradicted FHFA policies and procedures. One staff member contended that the proposed program imposed controls more onerous than those imposed on banks in the former Soviet Union. Others questioned the scope of the proposed quality control review process and claimed that it would impede the examination program. DER never finalized an OPB for quality control reviews, even though multiple versions were drafted between 2013 and 2015.

Minutes of a February 2014 FHFA senior staff meeting reported that the attendees raised the "concern that we have asserted to OIG and in A123 [internal control assessment] documentation that quality control procedures are in place." A former senior DER official urged at this meeting that DER begin comprehensive quality control reviews for examinations commencing after January 1, 2014. Notwithstanding the recommendations of OQA, the

[5] The 2013 OQA report noted that soon after completing the fieldwork for its 2013 report, DER announced that it was establishing a quality control program to assess examination activities and workpapers. Because the announcement occurred after OQA fieldwork had completed, OQA noted that it had not reviewed or evaluated the program.

requirements of the Directive, and the concerns voiced by FHFA senior staff during a senior staff meeting in February 2014, DER did not establish or implement a quality control review process. In June 2014, a DER employee conducted "pilot" quality control reviews, which reviewed at least eight Freddie Mac and Fannie Mae targeted examinations to get a sense of how the quality control review process reports might work. The same employee reviewed an additional targeted examination in September 2014. Documents provided by DER to OIG show that no quality control reviews were conducted between October 2, 2014, and July 28, 2015.

OQA closed its July 2013 quality control finding and recommendation in December 2014 based on a draft OPB received from DER in December 2014, and on DER's representations in September 2014 that its comprehensive quality control review process would follow FHFA's Directive and that DER's Deputy Director would sign off on the draft OPB in the near future.

In June 2015, DER officials advised OIG that they no longer planned to issue a procedures bulletin to bring DER into compliance with FHFA's Directive. Instead, DER reported that it elected to draft quality control procedures and designated an office to oversee the quality control reviews. After work on this evaluation was completed, DER officials reported to OIG that they adopted quality control procedures on July 28, 2015—more than three and a half years after OQA initially recommended a quality control program—and that DER had begun conducting quality control reviews pursuant to those procedures. OIG has not assessed whether the new procedures, as drafted, satisfy the requirements in the Directive.

Notwithstanding the Lack of a Comprehensive Quality Control Review Process for DER Examinations, Public Disclosures by FHFA in 2013, 2014, and 2015 Affirmatively Represented that Such a Process Had Been Implemented Across the Agency

DER had not implemented a comprehensive quality control review process satisfying the criteria in FHFA's 2013 Directive. However, FHFA's public website reported in at least three places that FHFA had adopted a quality control review process for all of FHFA's examination work.

- FHFA published its examination manual on its website. That manual describes in detail a purported quality control review of examination work consistent with the Directive. See Appendix B. While an internal quality control review process is in place for DBR examinations of the FHLBanks, no equivalent quality control review process existed for DER examinations.

- FHFA's Annual Performance Plans for both 2014 and 2015, also published on FHFA's website, represent that FHFA will perform quality control on examination work, "consistent with internal Agency procedures." DER never performed quality

control reviews, consistent with FHFA's Directive, on its examinations conducted in 2014 and before August 2015.

FINDINGS .....

1. For almost four years, FHFA did not adopt a comprehensive internal quality control review process for its targeted examinations of the Enterprises.

In October 2011, OQA recommended that DER establish and implement a process for such reviews and DER agreed to that recommendation in September 2012. FHFA required formal internal quality control reviews to be conducted for its examinations of the entities it regulates in its March 2013 Directive.

Notwithstanding DER's commitment in September 2012 to establish and implement formal quality control reviews for its examinations of the Enterprises and FHFA's March 2013 requirement that such reviews be conducted for examinations, OIG's evaluation found that DER had not established and implemented a comprehensive internal quality control review process for its targeted examinations of the Enterprises. After completion of this evaluation, FHFA advised us that DER finalized a quality control review process on July 28, 2015.

2. FHFA's public disclosures erroneously represented that it had established and implemented a comprehensive internal quality control review process across the Agency.

On its website, FHFA made multiple representations that the Agency had adopted an internal quality control review process for all of its examination work. However, OIG found no evidence that such a process had been established and implemented by DER for its examinations of the Enterprises. DER officials confirmed to OIG that no such process existed for DER's examinations until July 28, 2015.

CONCLUSION

Federal financial regulators, including FHFA, have long recognized that comprehensive internal quality control reviews of examinations are a critical internal control to ensure that examination findings and conclusions are adequately supported and to assure the regulator that its examinations are accurate, complete, and of uniform high quality. FHFA has required formal internal quality control reviews for examinations of its regulated entities since March 2013. DBR, which is charged with supervision of the FHLBanks, established the procedures for formal internal quality control reviews and conducts such reviews. Notwithstanding multiple representations by DER since September 2012 that it would establish and implement a quality control review process for its examinations in the near future, DER had not established or implemented this critical internal control at the time of this evaluation. Absent such a control, FHFA lacks adequate assurance that DER's targeted examinations are accurate, complete, and of uniform high quality, which puts the credibility of its examination program at risk. FHFA advised OIG after completion of this evaluation that DER finalized a quality control review process on July 28, 2015, and has begun conducting quality control reviews. OIG has not evaluated the new process.

RECOMMENDATIONS

We recommend FHFA:

1. Ensure that DER's recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.

2. Evaluate the effectiveness of the new quality control procedures, as implemented, one year after adoption.

OIG provided FHFA an opportunity to respond to a draft report of this evaluation. In its comments, which are reprinted in their entirety in Appendix A, FHFA agreed with the recommendations. FHFA also provided technical comments on the draft report, which were incorporated as appropriate.

OBJECTIVE, SCOPE, AND METHODOLOGY .....

The objective of this evaluation was to determine whether FHFA established a formal quality control review process for its targeted examinations of the Enterprises. To achieve the objective, OIG interviewed FHFA officials and reviewed documents provided by FHFA. These documents included targeted examinations workpapers, examination manuals and guides, supervision directives, DER's processes and procedures, and other guidance in effect from 2013 to present. Additionally, we reviewed related reports from OQA and OIG from 2011 through 2014.

This evaluation was conducted under the authority of the Inspector General Act and is in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency. These standards require us to plan and perform an evaluation that obtains evidence sufficient to provide reasonable bases to support its findings and recommendations. We believe that the findings and recommendations discussed in this report meet these standards.

Fieldwork for this evaluation was conducted from February to June 2015.

APPENDIX A .....

FHFA's Comments on OIG's Findings and Recommendations

Federal Housing Finance Agency

MEMORANDUM

TO: Angela Choy, Assistant Inspector General for Evaluations

FROM: Nina A. Nichols, Deputy Director, Division of Enterprise Regulation
Lawrence Stauffer, Acting Chief Operating Officer

SUBJECT: Evaluation Report: *Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations*

DATE: September 24, 2015

This memorandum transmits the management response of the Federal Housing Finance Agency (FHFA) to the recommendations in the draft report prepared by FHFA OIG, *Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations* (Report).

FHFA agrees with the Report that a process for independent quality control of examination documentation is important to the supervision of Fannie Mae and Freddie Mac and that an independent quality control process was not timely developed and implemented by FHFA's Division of Enterprise Regulation (DER). In November 2014, DER established the Office of Enterprise Supervision Operations (OESO), whose responsibilities specifically include quality control for examination work products. From late 2014 to mid-2015, OESO has been working to develop a detailed process for the performance of independent reviews of examination work products. This process became effective in July 2015 and several reviews have been completed to date.

Recommendation 1:

FHFA-OIG recommends FHFA ensure that DER's recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.

Management Response to Recommendation 1:

FHFA agrees with this recommendation. DER will perform a review of the procedures, including the templates for documentation of quality control reviews, to determine whether they

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enable the independent quality control function to meet all requirements of SD 2013-01 and require DER to document the results and findings of quality control reviews. Any changes to current documentation required to ensure that these purposes are being met will be implemented by December 31, 2015.

Recommendation 2:

FHFA-OIG recommends FHFA evaluate the effectiveness of the new quality control procedures, as implemented, one year after adoption.

Management Response to Recommendation 2:

FHFA agrees with this recommendation and will evaluate the effectiveness of the new quality control procedures, as implemented by DER, on or before the end of July 2016, one year after the new quality control procedures were adopted. This evaluation will be conducted by FHFA's Office of Quality Assurance.

cc: John Major, Internal Controls and Audit Follow-up Manager

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APPENDIX B.....

Table of References to FHFA's Quality Control Review Process

Public Document on FHFA.gov	Reference of Quality Control Review Process
Annual Performance Plan FY 14	"During FY 2014, FHFA will use the following means and strategies in support of Performance Goal 1.2: > Perform Quality Control of examination work, consistent with internal Agency procedures."
Annual Performance Plan FY 15	"During FY 2015, FHFA will use the following means and strategies in support of Performance Goal 1.1: > Perform quality control of examination work, consistent with internal Agency procedures."
Examination Manual	"Quality control ensures that examination activities comply with FHFA examination standards and procedural requirements, which are included in the FHFA examination manual, supplemental modules, supervision directives, and division operating procedures bulletins. Effective quality control ensures that examination conclusions, findings, and ratings are adequately supported and documented in accordance with FHFA standards and any significant deficiencies are identified and resolved prior to their communication to the regulated entities. FHFA's quality control program is described in a supervisory directive (Supervision Directive 2013-01 (Quality Control Program for Examinations Conducted by the Division of Bank Regulation and the Division of Enterprise Regulation)) and is designed to provide the EIC with actionable information regarding significant deviations from FHFA policy/procedure in a manner that allows the EIC to take appropriate corrective action. Generally, quality control reviews should evaluate whether: (1) workpapers support examination findings, conclusions, and ratings; (2) examination work products are consistent with FHFA examination standards and supervision policy; and (3) examination procedures were consistent with the examination scope. Quality control reviews will be conducted by FHFA personnel who have experience with, and are knowledgeable of, FHFA examination requirements, but have not participated in the examination activity under review."

APPENDIX C.....

Analysis and Summary of Four Financial Regulators' Quality Control Review Processes

OIG staff obtained publicly available information on examination programs of four federal financial regulators that employ a form of quality control to ensure their examinations and processes are conducted with reasonable efficiency and effectiveness, and according to applicable standards. The four federal financial regulators include the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, National Credit Union Administration, and the Consumer Financial Protection Bureau. An analysis of the information shows the following:

- All four of the federal financial regulators have some form of quality control review process for their examination programs;
- Three of the four regulators have an independent internal reviewer perform a quality control review;
- Three of the four regulators conduct the quality control review before a final report is issued to the examined entity;
    - All three regulators state that the quality control review process ensures that findings, conclusions, and recommendations described in their respective final examination reports are supported by sufficient and adequate documentation;
    - The fourth regulator conducts a quality control review after submitting its final report to the examined entity, however, it is substantial in that it reviews findings, conclusions and recommendations for supporting documentation, and procedures for efficiency and effectiveness;
    - In addition, the same regulator explained that its supervisory review process is directly tied to the examination staff's individual annual performance appraisals, which places greater significance on the quality of work being conducted;
- Three of the four financial regulators also have post-examination quality assurance processes that include reviews of their examination processes to identify patterns indicative of errors or flaws in order to improve their process.

ADDITIONAL INFORMATION AND COPIES.....

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