

Why GAO Did This Study

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

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

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

What GAO Recommends

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

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

BANK SUPERVISION

Lessons Learned from Remote Supervision during Pandemic Could Inform Future Disruptions

What GAO Found

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

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

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

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

Source: GAO analysis. | GAO-22-104659

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