Examination Strategy, Scoping, and Management Program

Examination Objectives

To determine overall objectives for the on-site examination and ensure that the examination meets the objectives.

To determine the refined examination scope, the procedures to use, and the depth of testing and verification needed.

To determine personnel requirements, organize and coordinate human resources to attain optimum efficiency, and to supplement formal education programs through on-the-job training.

To facilitate clear and open communications between field staff, office staff, other regulatory bodies, and institution personnel.

To provide useful information for future planning, scoping, monitoring, and management.

Scoping Procedures

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1. Prior to the examination, review the objectives, strategies, and preliminary scope outlined in the Regulatory Profile for the institution.

_____ _____

2. If applicable, coordinate with the OTS specialty (compliance, information systems, etc.) examiner in charge and the FDIC examiner in charge or FDIC regional office for joint scoping.

_____ _____

3. Review the most recent scoping materials available (those available in advance of the examination). This Handbook Section provides a list of scoping materials.

_____ _____

4. Ensure that the PERK requests on the summary schedule are tailored to the institution and type of examination. Send the PERK to the institution at least four weeks prior to the examination start date.

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5. Establish and document the detailed scope for the examination.

Note: For branch reviews, evaluate internal controls, management reporting, and audit coverage and findings before establishing scope. It may be necessary to perform only limited reviews of branches, particularly if credit files and other information can be sent to the office where the examination is being conducted.

6. Finalize staffing and examination dates.

7. Prepare assignments for assistants (before commencing the examination, if possible). If helpful, prepare time management forms. Contact assistants and inquire whether they have scheduled any time off or will be attending any training seminars during the estimated duration of the examination.

Examination Procedures

Level I

The EIC should perform the following procedures as soon as possible to ensure that the examination is properly managed.

1. Meet with the CEO or designee as soon as possible at the beginning of the examination. Refer to this Handbook Section for a list of recommended items to discuss. Notify the appropriate office when the examination has begun.

2. Discuss assignments with assistants including estimated time for completion. Determine that assistants are aware of the objectives stated in the Regulatory Profile and the specific activities included in the scope. Assist in establishing the scope for each of the assigned

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programs. Reiterate that material revisions to planned scopes should be approved by the EIC first.

3. Ensure the timely receipt and dissemination of information requested from management. Discuss problems with the appropriate contact person and establish revised deadlines for receipt of materials, if necessary.

4. Coordinate and oversee the review of materials obtained from the institution that might give an early indication of a need to change the scope (refer to this Handbook for a list of these materials). This review should include the following procedures:

   a. Review the institution's current Thrift Financial Reports (TFR) and Management Information Systems (MIS) reports and determine if there have been significant changes in the level of capital, lending or investment activity, earnings, or nonperforming assets.

   b. Review the minutes of the board of directors' meetings. Focus attention on significant changes in the institution's business activities (lending, investment, joint ventures, etc.). Assess the level of oversight performed by the directorate.

   c. Discuss with management any changes in key management, the directorate, or business activities that have occurred since the preceding examination. Also inquire as to any proposed changes or pending litigation that may affect earnings and capital.

   d. Determine through a review of correspondence, discussions with management, and other appropriate verification methods, if management corrected any problems related to the following areas:

      - Prior examination report comments and supervisory letters;
      - Eternal auditor's exceptions;
      - Internal auditor's exceptions; and
      - Any enforcement actions and directives.

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e. Determine if there are written policies governing key areas such as lending and investments. Evaluate the adequacy of new or revised written policies, procedures, and strategic plans. These guidelines should adequately address safety and soundness (including internal controls), profitability, and compliance with laws and regulations.

5. Make adjustments to the examination scope as necessary, but preferably as early as possible. Notify a supervisor if significant changes are anticipated in scope, staffing needs, duration, etc.

6. Throughout the examination:

- Review on a regular basis the workflow, findings, and actual versus budgeted time.
- Take appropriate steps to include on-the-job training.
- Discuss all items of concern with the assistants to ensure that the OTS presents accurate information at the closing conference with the CEO.
- Keep the supervisor and the CEO abreast of any developing significant issues.
- Determine that all examination work is being prepared in accordance with policies, including: work papers, interim reports, exception sheets, draft comments, report pages, time sheets, administrative reports, and transmittal file information. Refer to Thrift Activities Regulatory Handbook Section 070, Overall Conclusions, for a discussion of report content.

7. If you need additional verification, review, or analysis of any areas, complete or assign the completion of selected procedures from Levels I, II, and III for the particular area of review. (Refer to instructions for selecting Levels I, II, and III procedures in Thrift Activities Regulatory Handbook Section 011, Program Use.)

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8. Ensure that the examination meets the Examination Objectives of this Handbook Section.

Examination Closing Procedures

1. Schedule a closing conference and incorporate comments in the report. (For further instructions see Thrift Activities Regulatory Handbook Section 070, Overall Conclusions, and Section 071, CAMELS Ratings.) Notify all attendants of the closing conference date and time, preferably with the use of an agenda.

2. If appropriate, recommend any necessary administrative actions. Prepare a confidential memorandum if necessary.

3. If deemed constructive, provide a copy of Thrift Bulletin (TB) 68 to the CEO and discuss the process for resolving differences with examiners, including the TB 68 appeal process.

4. Complete the ROE and EDS (refer to Thrift Activities Regulatory Handbook Section 040, EDS/ROE and the ROE Instructions). Complete a time and planning summary to compare actual and budgeted hours. (You should verify all totals in the examination report and other reports with an adding machine or with the use of spreadsheet software.) Refer to Section 070, Overall Conclusions, and the ROE Instructions.

5. Ensure that the General File is completed.

6. Review work papers for completeness, proper indexing, date stamping etc. (The EIC may delegate this responsibility.) The EIC should have reviewed the work paper content and

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conclusions, and initialed all work papers, before finalization of the conclusions and comments.)

7. Prepare, if appropriate, evaluations of assistants. Recommend formal instruction and on-the-job experience that would further each of their careers. Discuss the evaluation with the individual and their supervisor, if applicable.

8. Complete a PERK summary schedule and summarize any other information that will be useful to the planning, scoping, and control of future examination activities and include in the General File.

9. Update the Regulatory Profile with any significant data obtained from the examination so that the plan is always current.

10. Transmit the completed report and return work papers and related files to the regional office in accordance with established procedures.

Examiner's Summary, Recommendations, and Comments

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