

**RESCINDED**

# Examination Scheduling, Scoping, and Management Program

This document and any attachments are superseded by the Comptroller's Handbook - Bank Supervision Process.

## EXAMINATION OBJECTIVES

To ensure that OTS conducts a full-scope, on-site examination according to scheduling requirements:

- Analyze agency records and Preliminary Examination Response Kit (PERK) materials, and conduct interviews with management.
- Develop a risk profile.
- Select examination procedures appropriate to the risks identified.
- Modify the scope and level of review as appropriate based on examination findings.

To ensure that the examination makes efficient use of resources:

- Combine areas of review where appropriate.
- Ensure the appropriate staffing and levels of expertise.
- Conduct off-site work where appropriate.
- Dedicate more resources to higher-risk areas and fewer resources to areas of less risk.
- Supplement formal education programs through on-the-job training.

To ensure that the examination is well-managed:

- Timely receipt of information.
- Open and timely communication with association management, agency staff, and other regulatory staff.
- The examination proceeds as scheduled or the schedule is revised based on adverse examination findings.
- Appropriate examiner conduct.
- Timely identification of material issues.

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- Appropriate documentation of work.
- To provide useful information for future planning, scoping, monitoring, and management.

## SCHEDULING

The regional office will determine the examination schedule on a 12- or 18-month cycle according to the criteria outlined in this Handbook Section.

## SCOPING PROCEDURES

Generally, you should follow the procedures below, however, you must modify these procedures based on the size and complexity of the savings association. For example, for smaller, well-rated associations with strong management and no changes in business operations, it may not be necessary to conduct an extensive review of records and interviews to determine the appropriate examination scope.

1. Prior to the examination, review the Electronic Continuing Examination Folder (ECEP) and, if applicable, the Regulatory Profile for the savings association.  
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2. Ensure the PERK is tailored to the savings association and type of examination. Send the PERK to the association at least four weeks prior to the examination start date.  
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3. Review the most recent scoping materials available (those available in advance of the examination) and any relevant PERK materials received prior to the examination. This Handbook Section provides a list of scoping and PERK materials.  
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4. If applicable, coordinate with the OTS specialty (information technology, etc.) EIC, and the FDIC EIC or FDIC regional office for joint scoping.

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5. Review the Matters Requiring Board Attention and Corrective Actions from the previous three or four ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.

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6. Conduct management and compliance interviews. See this Handbook Section for interview discussion topics. Conduct interviews with management by phone, if possible.

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7. Formulate an initial risk assessment based on the following:

- The association's current financial condition.
  - Management and the BOD's prior track record in managing risk and taking corrective action.
  - Material changes in risk profile or operating strategy and management's response to those changes.
  - Quality of internal controls, technology controls, risk management, and compliance management systems.
  - Responsiveness of management and the board in implementing corrective action to risk management and compliance management deficiencies since the previous examination, audits or reviews.
  - Association's efforts to stay abreast of and train the board, management, and staff on safety and soundness and regulatory compliance developments.
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8. Establish and document the detailed scope for the examination in a scoping memo. Your field manager should review and sign the memo. Retain a copy in the work papers.

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*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 the association can send credit files and other information to the office where the examiners are working.*

9. Finalize staffing and examination dates. Contact assistants and inquire whether they have scheduled any time off or will be attending any training seminars during the examination.

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10. Prepare assignments for assistants (before commencing the examination, if possible) based on the scope and areas of expertise. Assign examiners S&S and consumer compliance review in areas where there is overlap, such as lending and deposit areas. You should prepare an Examination Scope Worksheet (see [Appendix B](#)) and budget exam hours accordingly.

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

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

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- 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.
- 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.
  - External auditor's exceptions.
  - Internal auditor's exceptions.
  - Any enforcement actions and directives.
- 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.

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12. Make adjustments to the examination scope as necessary, but preferably as early as possible. Notify a supervisor if you anticipate significant changes in scope, staffing needs, duration, etc. Revise the initial risk assessment, as appropriate.

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13. Select exam procedures appropriate to the risk profile of the association.

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## EXAMINATION MANAGEMENT PROCEDURES

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

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14. 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. Discuss the administrative aspects of the examination. Notify the appropriate office when the examination begins.

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15. Discuss scope and assignments with assistants including estimated time for completion. Determine that assistants are aware of the specific activities included in the exam scope. Assist in establishing the scope for each of the assigned programs.

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16. As necessary, review with the examiners assigned lending and deposits the specific areas requiring review for interrelated S&S and compliance issues.

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17. If applicable, coordinate with the FDIC dedicated examiner to observe and participate in particular exam activities, and in the review and assessment of the risk of credits in the Shared National Credit Program.

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

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19. 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. Consider your assistants' task records, if applicable.

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- 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.
- Ensure that your assistants are preparing examination work in accordance with policies, including: work papers, interim reports, exception sheets, draft comments, report pages, time sheets, and administrative reports. Refer to [Examination Handbook Section 070](#), Ratings: Developing, Assigning, and Presenting, for a discussion of report content.

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20. 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 [Examination Handbook Section 010](#), Handbook and Program Use.)

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

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## EXAMINATION CLOSING PROCEDURES

22. Schedule a closing conference and incorporate comments in the report. (For further instructions see [Examination Handbook Section 070](#), Ratings: Developing, Assigning, and Presenting.) Notify all attendees of the closing conference date and time, and prepare an agenda.

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

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24. Make appropriate entries into the EDS/ROE system. You should verify all totals in the examination report and other reports. Refer to Examination [Handbook Section 070](#), Ratings: Developing, Assigning, and Presenting; and the ROE Instructions.

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25. Ensure the completion and upload of the General Administrative documents to the Administration folder of the electronic work papers.

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26. The EIC should conduct a final review of the work paper content and conclusions before finalization of the conclusions and comments.

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27. Prepare, if appropriate, evaluations of assistants. Sign off on their task records. 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.

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28. Initiate the PERK PAC for the next examination. Summarize any other information useful to the planning, scoping, and control of future examination activities and include the information in ECEF. Compare actual and budgeted exam hours.

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29. If applicable, create or update the Regulatory Profile with any significant data obtained from the examination. In large bank cases, update the supervisory plan.

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30. Transmit the completed report and return any hard copy documents and files to the regional office in accordance with established procedures. Finalize electronic work papers.
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## EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

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