



# Offices of Inspector General

Department of the Treasury  
Federal Deposit Insurance Corporation  
Board of Governors of the Federal Reserve System  
and Consumer Financial Protection Bureau

## Status of the Transfer of Office of Thrift Supervision Functions

OIG-13-054  
AUD-13-008  
2013-AE-B-014

September 26, 2013



# Contents

---

## Audit Report

Results of the Joint Review ..... 2

## Appendices

Appendix 1: Joint Reports Issued Pursuant to Section 327 ..... 5  
Appendix 2: FRB Management Comments ..... 6  
Appendix 3: Major Contributors to This Report..... 7  
Appendix 4: Report Distribution..... 8

## Abbreviations

FDIC	Federal Deposit Insurance Corporation
FRB	Board of Governors of the Federal Reserve System
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
OTS	Office of Thrift Supervision
Plan	Joint Implementation Plan
Treasury	Department of the Treasury

---

**This Page Intentionally Left Blank.**



## Offices of Inspector General

---

September 26, 2013

Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System

Martin J. Gruenberg, Chairman  
Federal Deposit Insurance Corporation

Thomas J. Curry, Comptroller of the Currency  
Office of the Comptroller of the Currency

This report presents the results of our offices' sixth joint review of the transfer, pursuant to Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or the Act), of the functions, employees, funds, and property of the former Office of Thrift Supervision (OTS) to the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). In accordance with Title III of the Act, the transfer occurred in July 2011.

Our joint reviews are mandated by Section 327 of Title III. During our first review, we determined the Joint Implementation Plan (Plan) for the transfer prepared by FRB, FDIC, OCC, and OTS generally conformed to relevant Title III provisions.<sup>1</sup> Since then, in accordance with Section 327, we completed five joint reviews to report every 6 months on the status of the Plan's implementation. We jointly reported that the Plan has been implemented for the most part, as the functions, people, and property of OTS were

---

<sup>1</sup> We noted that the plan did not address the prohibition in Title III against the involuntary separation or the involuntary reassignment of a transferred OTS employee outside the employee's locality pay area for 30 months (except under certain circumstances). In response, the agencies amended the plan in April 2011.

---

transferred to FRB, FDIC, and OCC in accordance with Title III and the Plan.<sup>2</sup> We also reported that procedures and safeguards were in place at FDIC and OCC as outlined in the Plan to ensure that transferred employees are not unfairly disadvantaged, a key requirement in Title III. However, there remain certain open items and time-limited provisions impacting former OTS employees that we continue to monitor. Appendix 1 lists our prior reports on the transfer of OTS functions.

## Results of the Joint Review

For this 6-month period, we are reporting on one item—the rulemaking for FRB’s supervisory assessments pursuant to section 318 of the Dodd-Frank Act. As part of our work, we interviewed FRB Division of Banking Supervision and Regulation senior supervisory financial analysts and an FRB Legal Division attorney and reviewed relevant documentation. Consistent with our objective, we did not assess FRB’s overall internal control or management control structure, obtain data from its information systems, or assess the effectiveness of its information system controls. We conducted our fieldwork at FRB in Washington, DC, from July to August 2013.

As previously reported, for savings and loan holding companies and bank holding companies with consolidated assets of \$50 billion or more, and nonbank financial companies that FRB is required to supervise pursuant to section 113 of the Dodd-Frank Act, FRB is to collect assessments, fees, or other charges equal to the expenses FRB estimates are necessary or appropriate to carry out its supervisory and regulatory responsibilities. To address this requirement, FRB’s notice of proposed rulemaking for comment on the assessments, fees, and other charges was published in the Federal Register on April 18, 2013.<sup>3</sup> The comment period closed June 15, 2013. FRB’s final rule was published in the Federal

---

<sup>2</sup> No OTS employees transferred to FRB under Title III.

<sup>3</sup> 78 Fed. Reg. 23162, Supervision and Regulation Assessments for Bank Holding Companies and Savings and Loan Holding Companies With Total Consolidated Assets of \$50 Billion or More and Nonbank Financial Companies Supervised by the Federal Reserve (Apr. 18, 2013).

---

Register on August 23, 2013.<sup>4</sup> The initial collection of assessments, fees, and other charges is to begin in the fourth quarter of calendar year 2013. Accordingly, FRB's implementation of section 318 of the Dodd-Frank Act is completed.

We provided a draft of this report to FRB, FDIC, and OCC. In a written response, FRB stated that it has reviewed the report and agrees with the conclusions regarding the assessments, fees, and other charges required pursuant to the Dodd-Frank Act. We received no written comments from FDIC; however, FDIC agreed with the conclusions in the report that they implemented the actions required to date in the Plan. OCC reviewed the report and had no comments. FRB's written response is included in this report as appendix 2.

Please be advised that we plan to complete one more joint review under Section 327. As part of that joint review, we plan to assess the status of the safeguards accorded to transferred OTS employees.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

\* \* \* \* \*

We appreciate the courtesies and cooperation provided to our staffs during the audit. If you wish to discuss the report, you may contact Marla A. Freedman, Assistant Inspector General for Audit, Treasury Office of Inspector General (OIG), at (202) 927-5400; E. Marshall Gentry, Assistant Inspector General for Evaluations, FDIC OIG, at (703) 562-6378; or Melissa M. Heist, Associate

---

<sup>4</sup> 78 Fed. Reg. 52391, Supervision and Regulation Assessments for Bank Holding Companies and Savings and Loan Holding Companies With Total Consolidated Assets of \$50 Billion or More and Nonbank Financial Companies Supervised by the Federal Reserve (Aug. 23, 2013) (to be codified at 12.C.F.R. Part 246).

---

Inspector General for Audits and Evaluations, FRB OIG, at (202) 973-5024. Major contributors to this report are listed in appendix 3.

/s/

Eric M. Thorson  
Inspector General  
Department of the  
Treasury

/s/

Jon T. Rymer  
Inspector General  
Federal Deposit Insurance  
Corporation

/s/

Mark Bialek  
Inspector General  
Board of Governors of the  
Federal Reserve System  
and Consumer Financial  
Protection Bureau

*Review of the Joint Implementation Plan for the Transfer of Office of Thrift Supervision Functions; OIG-11-064, Department of the Treasury (Treasury) Office of Inspector General (Treasury OIG); FRB OIG 2011-02, Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau OIG (FRB OIG); EVAL-11-002, Federal Deposit Insurance Corporation OIG (FDIC OIG) (Mar. 28, 2011)*

*Status of the Transfer of Office of Thrift Supervision Functions, OIG-11-109, Treasury OIG; FRB OIG 2011-04, FRB OIG; EVAL-11-005, FDIC OIG (Sep. 28, 2011)*

*Status of the Transfer of Office of Thrift Supervision Functions: OIG-12-046, Treasury OIG; FRB OIG 2012-01, FRB OIG; EVAL-12-004, FDIC OIG (Mar. 21, 2012)*

*Status of the Transfer of Office of Thrift Supervision Functions; OIG-12-075, Treasury OIG; FRB OIG 2012-09, FRB OIG; AUD-12-015, FDIC OIG (Sep. 26, 2012)*

*Status of the Transfer of Office of Thrift Supervision Functions; OIG-13-035, Treasury OIG; 2013-IE-B-003, FRB OIG; AUD-13-005, FDIC OIG (Mar. 27, 2013)*



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D.C. 20551

September 25, 2013

Mr. Mark Bialek  
Inspector General  
Board of Governors  
of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Mark:

Thank you for providing the Federal Reserve with the opportunity to review and comment on the Office of Inspector General's draft report of the *Status of the Transfer of Office of Thrift Supervision Functions*. We have reviewed the report and agree with the conclusions regarding the assessments, fees, and other charges required pursuant to the Dodd-Frank Act.

We appreciate your efforts and the professionalism extended to the officers and staff of the Federal Reserve throughout this review. Please let me know if you have any questions.

Regards,

/s/

Michael S. Gibson  
Director  
Division of Banking Supervision  
and Regulation

/s/

Scott G. Alvarez  
General Counsel  
Legal Division

**Board of Governors of the Federal Reserve System and Consumer  
Financial Protection Bureau Office of Inspector General (OIG)**

Kyle Brown, OIG Manager  
Jonathan Park, Auditor and Project Lead

**Federal Deposit Insurance Corporation OIG**

A. Michael Stevens, Evaluations Manager  
Travis Sumner, Auditor

**Department of the Treasury OIG**

Susan Barron, Audit Director  
Alicia Weber, Audit Manager  
John Tomasetti, Auditor-in-Charge  
James Lisle, Referencer

**Board of Governors of the Federal Reserve System**

Chairman

**Federal Deposit Insurance Corporation**

Chairman

**Department of the Treasury**

Deputy Secretary  
Office of Strategic Planning and Performance Management  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

**Office of the Comptroller of the Currency**

Comptroller of the Currency  
Liaison Officer

**Office of Management and Budget**

OIG Budget Examiner

**United States Senate**

Chairman and Ranking Member  
Committee on Banking, Housing, and Urban Affairs

**U.S. House of Representatives**

Chairman and Ranking Member  
Committee on Financial Services