



NCUA
National Credit Union Administration

OFFICE OF INSPECTOR
GENERAL

**AUDIT OF THE NCUA'S
CONSUMER COMPLAINT PROGRAM**

Report #OIG-21-01

February 9, 2021





National Credit Union Administration

Office of Inspector General

TO: Distribution List

FROM: Inspector General James W. Hagen

A handwritten signature in black ink, appearing to read "James W. Hagen".

SUBJ: Audit of the NCUA's Consumer Complaint Program

DATE: February 9, 2021

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess the NCUA's consumer complaint program. The objectives of our audit were to determine whether the NCUA processes consumer complaints: (1) efficiently and effectively; (2) in compliance with applicable laws, regulations, policies and procedures, and other requirements; and (3) uses consumer complaint information and trends data in its operations.

Results of our audit determined that overall, the NCUA processes consumer complaints efficiently and effectively and in accordance with applicable laws, regulations, policies, and procedures. We also determined examiners use consumer complaint information and trends data during pre-exam scoping activities. However, we noted some areas where the agency could improve internal controls over the consumer complaint program. Specifically, we found that the NCUA could improve internal controls over its complaint processing system and communications with external and internal stakeholders. In addition, we determined that NCUA management needs to better monitor the consumer complaint process. Therefore, we are making nine recommendations and three suggestions in our report to correct the issues we identified.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during the audit. If you have any questions, please contact me at 703-518-6350.

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EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess the NCUA's consumer complaint program. The objectives of our audit were to determine whether the NCUA processes consumer complaints: (1) efficiently and effectively; (2) in compliance with applicable laws, regulations, policies and procedures, and other requirements; and (3) uses consumer complaint information and trends data in its operations. The scope of our audit covered the period of August 24, 2015, through June 30, 2018.

Our audit determined that overall, the NCUA processes consumer complaints efficiently and effectively and in accordance with applicable laws, regulations, policies, and procedures. Our audit also determined examiners use consumer complaint information and trends data during pre-exam scoping activities. However, we noted some areas where the agency could improve internal controls over the consumer complaint program. Specifically, we found that the NCUA could improve internal controls over its complaint processing system and communications with external and internal stakeholders. In addition, we determined that NCUA management needs to better monitor the consumer complaint process. We are making nine recommendations and three suggestions in our report to correct the issues we identified.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during this audit.



BACKGROUND

The NCUA is an independent federal agency that regulates, charters, and supervises federally insured credit unions. The NCUA's organizational structure consists of a Central Office, Asset Management and Assistance Center, and three regional offices.¹ The NCUA has statutory authority to enforce a broad range of federal consumer protection laws and regulations in federal credit unions (FCUs),² and in certain instances, federally insured state chartered credit unions (FISCUUs).³ The NCUA is required to report to Congress and other federal agencies on credit union compliance with certain laws and regulations.

NCUA's Office of Consumer Financial Protection

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) was enacted, in part, to protect consumers from abusive financial services practices.⁴ In response to an earlier related federal regulatory restructuring plan entitled *Financial Regulatory Reform: A New Foundation*, the NCUA Board established the Office of Consumer Protection (OCP) on November 19, 2009. The new office, located in the NCUA's headquarters in Alexandria, VA, became fully functional in 2010. OCP contained two divisions, the Division of Consumer Protection and the Division of Consumer Access. OCP's responsibilities included: (1) providing consumer services, including consumer education and complaint resolution; (2) establishing, consolidating, and coordinating consumer protection functions within the agency; (3) acting as the central liaison on consumer protection with other federal agencies; (4) nationalizing field of membership processing; (5) absorbing centralized chartering activities; and (6) assuming the activities of the agency's Ombudsman.⁵ In 2016, OCP was renamed the Office of Consumer Financial Protection and Access, which, in 2018, was renamed the Office of Consumer Financial Protection (OCFP). The NCUA rebranded OCFP to focus solely on federal consumer financial protection matters.

OCFP consists of two divisions: the Division of Consumer Compliance Policy and Outreach and the Division of Consumer Affairs (DOCA). DOCA, the focus of our audit, is responsible for consumer complaints, congressional inquiries, interagency coordination on federal financial services consumer protection issues, financial literacy and outreach programs, and the agency's consumer protection website MyCreditUnion.gov.⁶ Its functions are divided into three programs: (1) NCUA Consumer Assistance Center (CAC), (2) Financial Literacy and Outreach, and (3) Digital Outreach. The CAC responds to inquiries about federal financial consumer protection laws and regulatory matters and to consumer complaints. The CAC addresses

¹ The three regional offices are the Eastern, Southern, and Western regions. However, during our audit's scope period, the NCUA operated five regional offices, regions 1 through 5. The agency closed two of those offices at the end of 2018, and the current three-region structure became effective on January 7, 2019.

² 15 U.S.C. § 1607.

³ 12 U.S.C. § 1786.

⁴ Pub. L. 111-203, 124 Stat. 1376-2223 (2010).

⁵ The Ombudsman investigates complaints and recommends solutions on regulatory issues that cannot be resolved at the regional level.

⁶ www.mycreditunion.gov



consumer complaints involving FCUs with total assets up to \$10 billion, and in certain instances, federally insured state-chartered credit unions. The CAC receives complaints online and by email, fax, and regular mail.⁷ As required by the Act, OCFP refers complaints related to credit unions with assets over \$10 billion to the Consumer Financial Protection Bureau (CFPB).

The Act established the CFPB to regulate the offering and provision of consumer financial products and services under the federal consumer financial laws and required that the CFPB Director establish a unit whose functions included establishing a toll-free telephone number, a website, and a database to facilitate the centralized collection of, monitoring of, and response to consumer complaints regarding consumer financial products or services. In addition, the Act required the CFPB to coordinate with and route complaints to other federal agencies where appropriate. The CFPB shares consumer complaint information with other agencies and federal regulators, including the NCUA. The Act also required the NCUA to share consumer complaint data related to consumer financial products and services with the CFPB. In August 2011, the NCUA entered into an agreement with the CFPB regarding this requirement. The NCUA also maintains agreements with State Supervisory Authorities (SSA).⁸

Consumer Assistance Center Complaint Process

The NCUA's CAC maintains an online presence on its consumer protection website, MyCreditUnion.gov. On August 24, 2015, the NCUA launched a secured web portal on MyCreditUnion.gov to facilitate secure communications with NCUA's CAC about complaint matters and allows consumers to submit complaints to the CAC, check on their status, and receive correspondence from the CAC. The portal also allows credit unions to receive correspondence about complaints concerning the credit union, send responses and complaint information, and check the status of complaints. To gain access to the portal, a credit union must first register with the CAC to become an authorized portal user. Although not required, the CAC encourages credit union registration and use of the portal.

The CAC complaint handling process involves two phases: (1) attempted resolution by the credit union, as appropriate, and (2) investigation by the CAC, when necessary. The CAC provides credit unions with 60 days to resolve most consumer complaints before it intervenes. After the credit union adequately addresses and the CAC analyzes all issues associated with the complaint, the CAC notifies the consumer and the credit union with the outcome determination. If a complaint falls outside of the NCUA's authority, the CAC refers the complaint to the appropriate federal or state agency for handling and notifies the consumer of the referral.

⁷ The CAC also operates a call center with a toll-free phone number for consumers. However, the complaint process begins when the consumer submits a complaint using the online NCUA Consumer Assistance Form or the PDF version to the CAC.

⁸ SSA agreements include information such as shared examination guiding principles, retention of supervisory authority, and communication related to consumer complaints.



Phase 1 - Attempted Resolution by the Credit Union

The CAC encourages consumers to first contact the credit union directly regarding their complaint. If the credit union cannot resolve the issue, the consumer can contact the CAC by completing the NCUA Consumer Assistance Form and submitting it through the web portal. If a complaint involves more than one issue or credit union, the consumer must submit separate complaint forms. Within 10 business days of receiving a complaint form, a CAC specialist must send the consumer an acknowledgement that includes a unique case number and additional information about the complaint process. The specialist must determine whether the case involves a federal consumer financial protection law or a regulation within NCUA's authority or whether the CAC should forward the complaint to another regulatory agency.⁹ Before further processing, a CAC analyst checks the specialist's purview determination for accuracy. If the complaint involves a consumer protection law or regulation within the CAC's purview, the specialist will forward it with any documents to the chairman of the credit union's supervisory committee (or in cases involving FISCUs, the audit committee) with a copy to the credit union's chief executive officer.

The supervisory committee (or audit committee) will have the opportunity to review, and if appropriate, attempt resolution of the complaint within 60 calendar days of the date the CAC forwarded the letter. During this 60-day period, the CAC recommends the credit union attempt to resolve the complaint by reviewing the complaint; communicating directly with the consumer as needed and appropriate; and responding in writing to the consumer, with a copy to the CAC, referencing the case number and indicating whether the credit union has resolved the matter.

The CAC will close the case when the credit union notifies it within 60 days that the matter has been resolved. However, the CAC may begin a formal investigation, which the NCUA refers to as Phase 2 of the complaint process, when: (1) the CAC does not receive any written response from the credit union within the 60-day timeframe; (2) the credit union notifies the CAC in writing that it has not resolved the matter with the consumer; or (3) the consumer disputes the resolution of the complaint by contacting the CAC in writing within 30 calendar days of the date of the credit union's response.

Phase 2 - CAC Investigation

In Phase 2 of the consumer complaint process, OCFP's consumer complaint processing system assigns cases to a consumer complaint analyst who reviews the case information and informs

⁹ For complaints that are not related to consumer financial protection but are within the NCUA's purview, the specialist forwards them to the appropriate region for handling. For example, the CAC forwards to the regions complaints alleging violations of the Bank Secrecy Act, Patriot Act, Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), and Flood Disaster Protection Act, as well as whistleblower and anonymous complaints and complaints related to fraudulent credit. Also, as noted, when the complaint involves a credit union with assets over \$10 billion, CAC forwards the complaint to the CFPB. The CAC also forwards some cases involving federally insured state-chartered credit unions and state laws to the appropriate state supervisory authority; and forwards some cases not in their purview to other appropriate federal regulators for disposition. The CAC does not handle cases in litigation when the credit union is a named party.



both the consumer and the credit union about the investigation process.¹⁰ The CAC analyst sends a letter to the supervisory committee or audit committee with a copy to the credit union's CEO. The letter includes the consumer's original complaint and any documents provided by the consumer in support of the complaint; indicates that the CAC is investigating the complaint; and requests a written response to the CAC within 30 calendar days of the date of the letter. The analyst also sends a letter to the consumer indicating the CAC has begun an investigation of the complaint.

When the CAC receives the supervisory committee's response, the analyst reviews the response to ensure it adequately addresses issues raised in the complaint and that the action(s) taken, if any, are consistent with federal financial consumer protection laws and regulations. If the credit union did not address all of the consumer's concerns in its response, or if questions remain involving consumer financial protection issues, the analyst will request additional information or clarification from the credit union and notify the consumer that the investigation is still ongoing.

After the credit union adequately addresses and the CAC analyzes all issues associated with the complaint, the CAC analyst drafts a determination letter to the consumer and the credit union. The DOCA Director pairs each analyst with another analyst who reviews the final determination letter prior to sending it to the CAC Program Officer for a quality control review. Once the Program Officer approves the letter, the analyst sends the determination letter to the consumer and the credit union and closes the case.

In June 2015, the NCUA issued a Letter to Credit Unions¹¹ that stated the CAC will notify the consumer and the credit union of one of the five following potential outcome determinations:

- The complaint does not involve a federal financial consumer protection law or federal consumer compliance regulation for which the NCUA has enforcement authority, and therefore, the CAC has closed its case in this matter;
- The complaint is the subject of a pending lawsuit, and therefore, the CAC has closed its case in this matter;
- The credit union has resolved the complaint with the consumer, and therefore, CAC has closed its case in this matter;
- The credit union's actions in this matter either did not violate or were not inconsistent with a federal financial consumer protection law or federal consumer compliance regulation, and the CAC has closed its case in this matter; or
- The credit union's actions in this matter either violated or were inconsistent with a federal financial consumer protection law or federal consumer compliance regulation for which the NCUA has enforcement authority. To the extent the NCUA has any supervisory

¹⁰ In most cases, the CAC sends letter correspondence electronically via email; however, in the event an email address is not available or provided, the CAC will print and mail correspondence.

¹¹ Letter to Credit Unions, No. 15-CU-04, *Improving the Process for Consumer Complaints*.



concerns about the credit union's actions, the NCUA will follow up directly with the credit union to resolve them and ensure compliance with the applicable law or regulation.

When the CAC determines the credit union violated a consumer protection law, the analyst uploads the violation information into the Automated Integrated Regulatory Examination System (AIRES) to maintain an audit trail of the violation, for reporting purposes, and for examiner review.¹² When the upload occurs, AIRES sends a notification to the examiner.

Both the credit union and member have the option of appealing the CAC's determination. For appeals, the CAC will complete a second review of the facts and circumstances and issue an appeal decision letter.

Ombudsman Appeals

In the event the CAC does not resolve complaints to the consumers' satisfaction, consumers have the right to appeal to the NCUA's Ombudsman. The Ombudsman investigates complaints and recommends solutions. The consumer must submit a written appeal directly to the Ombudsman. After the Ombudsman reviews the complaint, the Ombudsman sends a final letter directly to the consumer with a response to the appeal.

Congressional Complaints

The CAC or the NCUA's Office of External Affairs and Communications (OEAC) may receive congressional correspondence.¹³ If the CAC receives the congressional correspondence directly or the correspondence has not been sent to the CAC by OEAC, the CAC forwards the complaint to OEAC for initial review and handling. If OEAC receives the correspondence, it forwards the case to the CAC for review. The DOCA Director determines whether the congressional correspondence is within the CAC's purview. If the Director determines the correspondence is not within the NCUA's purview, the Director will notify OEAC immediately. The CAC sends all cases identified within the CAC's purview for investigation to the credit union within 72 hours of receipt. For congressional cases, the response from the credit union must be received within 15 days. An assigned CAC analyst and specialist work directly with the DOCA Director to process these cases. The CAC drafts a response to the correspondence, which is reviewed for quality assurance. OEAC also reviews the final response and works with the CAC in cases where edits may be needed. OEAC sends the final response to the congressional member and provides a copy to the CAC.

¹² AIRES is the primary credit union examination tool that incorporates databases, Excel workbooks, Word documents, and other interfaces for documenting examinations or contacts.

¹³ In July 2019, after the scope period of our audit, the NCUA changed the name of the Office of Public and Congressional Affairs to OEAC. OEAC is responsible for sharing information with the public, credit unions, Congress, the media, and NCUA employees about the NCUA and its functions, including Board actions and other matters.



System of Record - Salesforce¹⁴

When a consumer enters a complaint or inquiry into the Salesforce web portal, the system randomly assigns the case, via a round-robin approach to a specialist, who then determines whether the case is a duplicate. If a case is a duplicate, the specialist integrates any new information with the initial received case. If it is not a duplicate, the specialist processes the case, and the Salesforce system assigns the next available sequential case number. If Salesforce has already assigned a case number to a particular complaint or inquiry, and the consumer includes this information in their email subject line, the new information provided by the consumer will then attach to the original Salesforce case and the system will notify the specialist that the case needs review. The Salesforce system also assists the CAC with maintaining segregation of duties by assigning tasks to the appropriate employee within the CAC, such as specialists, analysts, or program officers.¹⁵ Further, the system also includes a system administrator role, which OCFP assigned to three employees within the CAC – the DOCA Director, a Consumer Affairs Program Officer, and a Consumer Affairs Analyst. The CAC contracts with a service provider for system technical support.

The CAC maintains a log of all complaints received. The log contains, at a minimum, the following information:

- Credit union charter;
- Credit union name;
- Type of complaint;
- Complaint status – referred or resolved;¹⁶
- Violation record – no violation or violation found;¹⁷
- Date complaint received by the CAC; and
- Date complaint referred or resolved by the CAC.

¹⁴ OCFP's system of record is Salesforce, a customer relationship management (CRM) platform. CRM is a technology for managing relationships and interactions with customers and potential customers and helps to streamline processes. The CAC uses Salesforce to process consumer complaints and inquiries.

¹⁵ Segregation of duties is a control that prevents or detects errors and irregularities by assigning responsibility for initiating transactions, recording transactions, and custody of assets to separate individuals so that no one individual controls all critical states of a work process.

¹⁶ Complaint status includes but is not limited to (1) complaints not within the NCUA's purview referred to other regulatory agencies and (2) complaints resolved as a result of consumer nonresponses or consumers confirming resolution.

¹⁷ Violation records include complaints with no applicable regulation, complaints where no violation was found after the CAC's investigation, and violations attributed to specific regulations.



Table 1 below reflects complaint data by region and complaint type during the scope period of our audit. This data includes all complaints opened on or subsequent to August 24, 2015, and closed on or prior to June 30, 2018, exclusively.

Table 1

Complaint Cases by Region and Type - August 24, 2015 – June 30, 2018					
Region	Appraisal¹⁸	Congressional	Fair Lending¹⁹	All Other Complaints	Total
Region 1	2	10	9	2,474	2,495
Region 2	2	16	9	2,730	2,757
Region 3	3	9	3	3,361	3,376
Region 4	1	9	6	3,191	3,207
Region 5	3	10	9	2,787	2,809
Non-Federally Insured Credit Unions	0	0	0	602	602
Credit Unions with Assets over \$10 Billion	0	1	0	841	842
Other	0	0	0	40	40
Total	11	55	36	16,026	16,128

Table 2 below reflects the reasons the CAC closed the cases in Table 1.²⁰ The CAC referred approximately 44% of all complaints received because these complaints were not within the NCUA's purview. The CAC closed approximately 35% of all complaints received because the consumer resolved the complaint; the consumer confirmed the credit union resolved the matter; or the consumer did not respond to the CAC, indicating the credit union had resolved the complaint.

¹⁸ An appraisal complaint involves an entity that has failed to comply with real estate appraisal independence standards. When filing an appraisal complaint, the consumer uses the NCUA's Interagency Appraisal Complaint Form. This form is designed to collect information necessary for the CAC to take further action on a complaint from an appraiser, other individual, financial institution, or other entities. The CAC forwards the complaint to the appropriate federal or state agency if the entity is not within the NCUA's jurisdiction to investigate.

¹⁹ Fair housing or fair lending complaints are complaints alleging discrimination based on a prohibited basis.

²⁰ The CAC closes all cases after resolution. No cases remain open in perpetuity.



Table 2

Complaint Case Closure by Reason Type		
Reason for Case Closure	Total Cases	Percentage of Cases
Administrative Close	1,488	9.22%
Appeal Review Closed	102	0.63%
Consumer Resolved	107	0.66%
No Violation	1,378	8.54%
Not Referred – Not in Purview	344	2.13%
Not Resolved – Violation Determined	2	0%
Referred – Not in Purview	7,065	43.81%
Resolved – Violation Determined	103	0.64%
Resolved – Consumer Confirmation	254	1.57%
Resolved – No Consumer Response	5,263	32.63%
Other – No violation or applicable regulation	22	0.14%
Total	16,128	100%



RESULTS IN DETAIL

The objectives of our audit were to determine whether the NCUA processes consumer complaints: (1) efficiently and effectively; (2) in compliance with applicable laws, regulations, policies and procedures, and other requirements; and (3) uses consumer complaint information and trends data in its operations.

We determined that overall, the NCUA processes consumer complaints efficiently and effectively, and in accordance with applicable laws, regulations, policies and procedures. Our audit also determined examiners use consumer complaint information and trends data during pre-exam scoping activities. However, we noted some areas where the agency could improve internal controls over the consumer complaint program. Specifically, we found that the NCUA could improve internal controls over the complaint processing system and its communications with internal and external stakeholders. In addition, we determined that NCUA management needs to better monitor the consumer complaint process and implement performance goals. The detailed results of our audit follow.

Internal Controls Over the Salesforce System Need Improvement

We obtained an understanding of the Salesforce information system controls as it relates to the processing of consumer complaints through inquiries, observations, walkthroughs, and consumer complaint case testing. We assessed how well the information system protects the integrity and availability of data and its effect on program performance. Based on our

assessment of internal controls over this system, we determined that internal controls for processing complaints are overall properly designed, implemented, and operating effectively. However, we noted areas where management should improve internal controls over its system to include system access, permission controls, audit trails, and logs.²¹ Specifically, based on our work, we identified the following exceptions and internal control weaknesses: (1) the Salesforce system does not contain a complete population of cases; (2) an audit trail does not exist to determine why the system no longer includes these cases; (3) the system administrator access role provided to three CAC employees did not provide for the least privilege needed for performance of their assigned duties; and (4) OCFP management does not review available audit logs for unusual user activity.²²

Due to other competing priorities, management did not monitor the internal controls over the Salesforce system and could not account for missing Salesforce generated case numbers. In

²¹ Audit trails for a computer system can provide a means to help accomplish several security-related objectives, including individual accountability, reconstruction of events (actions that happen on a computer system), intrusion detection, and problem analysis. A log is a record of events occurring within an organization's networks or systems. It is a detective control that provides evidence of user activity (user logging in, number of failed logon attempts, password reset, etc.). Logs are composed of log entries; each entry contains information related to a specific event that has occurred within a system or network. These computer security logs are generated by many sources, including applications.

²² NIST Special Publication 800-12 (Rev 1): The System Administrator responsibilities include, but are not limited to installing, configuring, and updating hardware and software; establishing and managing users accounts; overseeing backup and recovery tasks; and implementing technical security controls.



addition, when we brought this to management's attention, they could not reconstruct events to determine the cause of the missing cases. As a result of these internal control weaknesses, we determined some Salesforce case numbers were deleted, including one confirmed consumer complaint case. This practice rendered cases unavailable for subsequent examiner review and for reporting purposes. NCUA management also did not maintain these records in compliance with the agency's records schedule. In addition, because OCFP management did not review audit logs, any unusual activities taken by the system administrators or other insider threats would have gone undetected.²³

Office of Management and Budget (OMB) Circular A-130, *Managing Information as a Strategic Resource*,²⁴ states to "reinforce the protection of federal information and information systems, agencies shall continuously monitor, log, and audit the execution of information system functions by privileged users (that ordinary users are not authorized to perform) to detect misuse and to help reduce the risk from insider threats." In addition, National Institute of Standards and Technology (NIST) Special Publication 800-53, *Security and Privacy Controls for Federal Information Systems and Organizations*,²⁵ states that organizations should have an internal control that "employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions." U.S. Government Accounting Office (GAO) Federal Information System Controls Audit Manual²⁶ states organizations should implement an effective audit and monitoring capability by ensuring "audit records are retained long enough to provide support for after-the-fact investigations of security incidents and to meet regulatory and organizational information retention requirements." The NCUA's records schedule provides that consumer complaints against credit unions may be deleted or destroyed seven years after an annual cutoff date (the date retention begins).

Details

Incomplete Complaint Population

During our audit, we learned the Salesforce system assigns sequential case numbers for consumer complaint cases and inquiries. Therefore, we obtained the population of consumer complaint cases and inquiries during the scope period of our audit and reviewed for completeness. Based on our review of this listing, we determined the population did not include 14,472 case numbers. The population contained large gaps, which appeared to have occurred during the Salesforce system implementation. In one instance, the gap of missing case numbers included 13,036 numbers, and in another instance, 409 numbers. For these large gaps, we learned that during the implementation of Salesforce, the Salesforce contractor migrated large quantities of data over from the prior system. If an issue or error occurred during this migration of large amounts of data, the contractor deleted the batch of cases with the error and restarted the

²³ Employees can represent an insider threat to an organization given their familiarity with the employer's systems and applications as well as what actions may cause the most damage, mischief, or disorder. Examples of employee sabotage can include entering data incorrectly, holding data, or deleting data.

²⁴ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A130/a130revised.pdf>

²⁵ <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r4.pdf>

²⁶ GAO-09-232G, February 2009.



process from the beginning. The Salesforce system would resume case numbering with numbers after the previously deleted case numbers. In addition, throughout the complaint population, we noted several additional instances where cases were missing throughout our audit scope period. During the last six months of our audit scope period, after the system migration, missing cases occurred less frequently with smaller gaps ranging between one to five cases. For these instances, we learned through our interviews with OCFP, the Office of Chief Information Officer (OCIO), and the Salesforce contractor that there were multiple reasons why cases could be missing to include: (1) the Salesforce contractor deleting test cases in the production environment; (2) OCIO deleting test cases during its integration of NCUA-added system features within Salesforce; (3) system issues related to Salesforce's integration with other NCUA systems; or (4) an OCFP system administrator deleting test cases.

We learned OCFP management provided system administrator permissions to three employees in the CAC as well as to contractor employees providing Salesforce support. In reviewing OCFP system administrator permissions, we determined that the system administrator role contained various permissions, one of which was the ability for system administrators to delete cases.²⁷ We obtained the Salesforce audit log and determined that the system maintained the log for 180 days. In addition, we learned that the Salesforce audit log could not provide an audit trail for deleted cases and the Salesforce service contract did not contain a requirement to track deleted cases. We determined that OCFP maintained an audit trail for some deleted cases. One system administrator provided us with an email to the DOCA Director related to deleting specific test cases; however, we found this type of audit trail did not exist for all missing cases.

For one consumer complaint, we determined that although the case had been entered into the Salesforce system during the scope period of our audit, it was no longer included in the population of complaints. We determined some information related to this case had been previously saved to OCFP's internal shared drive. Although the related case number occurred in 2015, shortly after the implementation of the Salesforce system, the case documentation reflected that the case had originated as an inquiry in the system. However, the related complaint case for this inquiry no longer existed in the Salesforce system. While we were unable to determine the exact cause of the missing complaint case due to an incomplete audit trail, we determined that this case was most likely inadvertently deleted during the process of migrating data from the old system to the new system given the 2015 date associated with this case. In addition, we learned that it was possible that the case could have been deemed a duplicate case and the incorrect case was deleted. As previously discussed, if a duplicate case was entered into the Salesforce system, the CAC's practice was to use the original case or inquiry number to process the case. All associated information and attachments should have been maintained with the originally assigned inquiry number. However, through interviews, we determined that it was possible that the attachments and case were processed under the subsequent case number and the subsequent case number containing all the attachments may have been inadvertently deleted as a duplicate case.

²⁷ OCFP management provided the system administrator permissions to three individuals for backup purposes to ensure at least one system administrator was available to troubleshoot any system issues for users. System administrator logins are separate from personal logins. For one system administrator, we determined the CAC granted more than one role to login into the system: a system administrator login and an individual/personal login.



Because an audit trail did not exist and multiple individuals had the ability to delete consumer complaint case documentation, we could not determine what exactly occurred. In addition, we could not reconstruct events to determine the cause of the missing cases because no evidence existed to determine individual accountability. As a result, the CAC could not provide this specific case for subsequent examiner review, accurate reporting, or audits. Through our benchmarking effort with another federal regulatory agency that uses Salesforce, we learned the Salesforce system could be configured to mark cases, such as test cases or duplicates, in a manner where these cases can be removed from reports without completely deleting the case from the Salesforce system. Therefore, we believe going forward, OCFP should not have an operational need or requirement to delete cases in the Salesforce system.

Salesforce System Administrator Permissions

In addition, through our interviews, we learned that permissions granted to system administrators provide them with the ability to sign into Salesforce as another user without end users granting this access. While the purpose of this function is to allow system administrators to troubleshoot system issues for users, CAC staff expressed concerns that administrators have used this role to complete complaint cases under their (CAC staff) usernames without their knowledge.

Although we could not confirm that system administrators had logged into the system as a different user and performed tasks for any specific complaint, thus bypassing the segregation of duties internal control for each task, we did confirm system administrators had this capability. If the system administrator had performed tasks under another user account, the Salesforce case history would reflect that the end user had performed these tasks, therefore appearing to maintain proper segregation of duties during processing and review. However, we were unable to determine whether this occurred because the Salesforce system maintained an audit log of events such as the system administrator logging in and out of the system for 180 days and the audit log no longer contained information for our audit scope period.

We also learned that some cases assigned to end users may have been processed for CAC staff on days when they were not working. When inquiring about the ability to sign in as other users, DOCA management stated that they did not know why anyone would complain about someone doing their assigned work for them; however, if the CAC needed to process a case assigned to a case owner who was out of the office, the system administrator could assign the case to another CAC employee as opposed to logging in as different users to complete the case. If the system administrator role was used to perform work as the end users, the case history logged for each case would not accurately reflect the actual employee who completed each task. However, the audit log would reflect the system administrator who had logged in and out of the system as the end user. The Salesforce audit log does not provide the specific actions taken by the system administrator while logged in as another user. In addition, we also learned through interviews that no one reviewed audit logs in Salesforce for unusual activity.

To strengthen internal controls over the Salesforce system, we are making the following two recommendations.



Recommendations

We recommend NCUA management:

1. Maintain a complete audit trail for all cases entered into the Salesforce system.

Management Response

Management agreed with the recommendation. Management indicated they will maintain a complete audit trail for all cases entered in the Salesforce system and will perform quarterly audits tracing samples of cases through the system by no later than December 31, 2021.

OIG Response

We concur with management's planned actions.

2. Improve and document Salesforce internal control responsibilities to include:
 - a. Developing policies and procedures related to the deletion of consumer complaint cases;
 - b. Periodically assessing user roles to determine required system permissions and provide access that allows for least privilege; and
 - c. Performing and documenting periodic reviews of Salesforce generated audit logs.

Management Response

Management agreed with the recommendation. Management indicated they will update existing internal control responsibilities related to the deletion of consumer complaint cases and update documentation accordingly to reflect improvements by December 31, 2021. Management also indicated they will periodically assess user roles for relevance and accuracy and perform quarterly reviews of Salesforce generated audit logs beginning December 31, 2021.

OIG Response

We concur with management's planned actions.



**Consumer Complaint
Process Effective but
Monitoring Needed**

To assess the CAC's effectiveness in processing consumer complaints, we selected a judgmental sample of 40 complaints.²⁸ We reviewed these sampled complaints to determine whether the CAC processed complaints in compliance with applicable laws, regulations and DOCA's Operations Manuals.²⁹ Overall, we determined that DOCA's consumer complaint processing procedures are adequate and that CAC staff process complaints in compliance with policies and procedures; however, we noted some areas where the CAC could improve. Specifically, we determined (1) the consumer complaint quality review process, a key control over the process, did not catch some case processing exceptions; and (2) Operations Manuals contained some procedures the CAC staff did not follow.

According to GAO's Standards for Internal Control in the Federal Government,³⁰ also known as the "Green Book," management should establish and operate monitoring activities to monitor the internal control system, evaluate the results, and remediate internal control deficiencies on a timely basis. Internal control monitoring assesses the quality of performance over time. Management should evaluate and document the results of ongoing monitoring and separate evaluations to identify internal control issues. Management should also periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. While management stated they did monitor calls received by the CAC, management did not monitor the processing of consumer complaints within the Salesforce system during the scope period of our audit. Due to competing priorities, management relied on the quality control review process in Salesforce and did not monitor this internal control to ensure it was operating effectively. In addition, management did not review the Operations Manuals' internal control activities for continued relevance. As a result, some complaint cases and documentation were not appropriately processed, provided to the applicable parties, or available for subsequent review.

Details

We reviewed the consumer complaint process and determined the process is effective. DOCA established a task-based process within the Salesforce system, which tracks each phase of the process, notifies CAC staff of task due dates, and maintains documentation related to each case. We noted that the CAC addresses all consumer concerns in their responses, and the process includes a quality control review during each phase. For example, analysts review the work of specialists, the CAC pairs analysts together during Phase 2 to review determination letters, and a program officer reviews the final determination letters prepared by the analysts; however, we

²⁸ We selected a judgmental sample of 40 complaints from our population of 16,128 complaint cases. We removed inquiry cases from the population. For this sample, we judgmentally selected cases from each of the regions, which included various types of complaints. Therefore, the results of our judgmental sample cannot be projected to the population.

²⁹ During the scope period of our audit, OCFP's CAC used the following Operations Manuals: CAC Process Manual, February 10, 2014; DOCA Operations Manual, October 2015; and DOCA Operations Manual, May 2018. Each new manual superseded the previous manual. On February 27, 2020, DOCA updated and re-distributed the manual to DOCA staff.

³⁰ GAO-14-704G, September 2014. <https://www.gao.gov/assets/670/665712.pdf>



found that the consumer complaint quality review process did not catch some case processing exceptions. Based on the results of our sample of 40 consumer complaints, we found the CAC:

- Forwarded one case to an incorrect SSA;
- Did not forward an anonymous whistleblower case to the region or CFPB;
- Did not send an acknowledgment letter detailing the consumer complaint process to one consumer;
- Did not attach all correspondence sent to the consumer in the Salesforce case file;
- Did not legibly date stamp mailed correspondence so that it could be determined when the CAC received the correspondence; and
- Did not save a copy of all correspondence on OCFP's shared drive in accordance with DOCA's Operations Manual.

Further, although the last revision of the Operations Manual during the scope period of our audit provided detailed information on how CAC staff should process consumer complaints, it still contained some steps no longer performed by CAC staff when processing consumer complaints. For example, the Operations Manual instructed CAC staff to save a copy of all correspondence sent to the consumer on OCFP's shared drive and to save a copy of the final letter to the shared drive. However, through interviews, we learned that while some staff stated they still perform this step, DOCA no longer requires CAC staff to save correspondence created in the Salesforce system on the shared drive. We reviewed documentation saved on OCFP's shared drive and noted that most case files contained only documentation received from consumers and the credit union. In addition, all revised Operations Manuals, including the 2018 revision, stated the date stamped on correspondence must match the "Date Created" in Salesforce. However, the CAC had 48 hours to process the correspondence and the Salesforce system does not allow CAC staff to change the date in the system to match the date stamp on the correspondence. After the scope period of our audit, DOCA revised the information related to the date stamping in its February 2020 Operations Manual; however, this Operations Manual still instructs staff to save final letters to the shared drive.

To improve the effectiveness of the consumer complaint program, we are making two recommendations.

Recommendations

We recommend NCUA management:

3. Establish a formal process to monitor the effectiveness of internal controls over the consumer complaint process to include quality control reviews and timely remediation of internal control exceptions.



Management Response

Management agreed with the recommendation. Management indicated they will establish a formal process to monitor the effectiveness of internal controls over the consumer complaint process to include quality control reviews and timely remediation of internal control exceptions by December 31, 2021.

OIG Response

We concur with management's planned actions.

4. Periodically review the Operations Manual to ensure it includes relevant information, addresses all control risks, and management holds employees accountable for following established policies.

Management Response

Management agreed with the recommendation. Management indicated they will review the Operations Manual to include relevant information, address control risks, and provide employee accountability by December 31, 2021 and at least annually thereafter.

OIG Response

We concur with management's planned actions.

Improved Communication with External Stakeholders Needed

We determined the NCUA could improve its communications with its external stakeholders. We reviewed correspondence the NCUA sent to credit unions and consumers relating to the consumer complaint process during our audit scope period. Correspondence included a Letter to Credit Unions, issued in June 2015, which referenced the Supervisory Committee Guide for Federal Credit Unions (Supervisory Committee Guide);³¹ NCUA's CAC FAQs issued in November 2016; a CAC Portal Credit Union User Guide issued in December 2016;³² and complaint-related correspondence sent to credit unions and consumers.³³ We also reviewed the CAC's website and interviewed CAC management to determine whether the agency solicits feedback regarding their complaint process from consumers or credit unions. Based on our

³¹ The Supervisory Committee Guide, issued in December 1999, conveys information and provides clarifications to credit union officials and management, although it doesn't have the force and effect of a regulation. The target audience includes credit unions with a non-complex structure, and usually a smaller asset size, and is addressed to the non-professional volunteer in a credit union operating in an elementary data processing environment.

³² The NCUA CAC Portal User Guide for Credit Unions was created to assist credit union officials and employees with their communications about complaints received by the NCUA CAC. In addition, NCUA developed an instructional video for credit unions explaining how to use the online NCUA CAC portal.

³³ During the complaint process, correspondence provided to the consumer and/or credit union, as applicable, includes complaint acknowledgment letters, Phase 2 investigation letters, determination letters, and appeal determination letters.



review of external stakeholder communications, we determined the Letter to Credit Unions provides clear guidance relating to the consumer complaint process. The CAC's website also provides a wealth of information about the consumer complaint process, including a section with frequently asked questions. We also determined that during the consumer complaint process, the CAC addresses all consumer concerns in determination letter responses to both consumers and credit unions. However, we noted some areas where communications with these external stakeholders could improve. Specifically, the NCUA: (1) communicates contradictory messages to consumers and credit unions in some determination letters; (2) has not updated its Supervisory Committee Guide to reflect the current consumer complaint process; and (3) does not conduct customer satisfaction surveys or obtain feedback from external stakeholders regarding their experiences with the process.

During our testing, we determined the CAC communicated contradictory messages to consumers and credit unions in some determination letters involving consumer compliance violations. This occurred because the NCUA considers results of complaint investigations as supervisory actions and the NCUA reserves the right not to communicate these results to consumers.³⁴ As a result of the agency's view of complaint investigations as supervisory actions, the agency communicated contradictory messages, which could have posed increased reputational risk to the agency.³⁵ Also, during our review of the NCUA's correspondence to credit unions and consumers relating to the consumer complaint process, we noted that the NCUA referenced the Supervisory Committee Guide in Letter to Credit Unions No. 15-CU-04. The Supervisory Committee Guide is outdated and describes the regions handling the consumer complaint process, not the CAC. For many credit union volunteers, the Supervisory Committee Guide serves as the only available resource to follow in carrying out their responsibilities. Without correct guidance, complaints may be referred to a region instead of the office of primary interest, which could lead to a complaint being mishandled or inadvertently overlooked. The Green Book Principle 15.01 states "Management should externally communicate the necessary quality information to achieve the entity's objectives."

In addition, we determined that due to competing priorities, the NCUA did not conduct "exit" surveys with consumers or credit unions that used the CAC during the scope period of our audit. As a result, the agency may have missed opportunities to timely identify issues in the consumer complaint process to meet its responsibilities to these external stakeholders. Green Book Principle 3.04 provides in this regard, "Management also considers the entity's overall responsibilities to external stakeholders and establishes reporting lines that allow the entity to both communicate and receive information from external stakeholders." The Green Book further

³⁴ The DOCA Operations Manual instructs analysts to distribute determination letters to consumers in Phase 2; however, the Operations Manual does not provide specific guidance on what information to communicate to consumers. A copy of a draft Instruction, which DOCA included in their Operations Manual, provides the only guidance for determination letter content in the Operations Manual. This draft Instruction lists five responses for CAC staff to use in their determination letters to consumers and credit unions. Although wording differed slightly, the five responses listed in the draft Instruction includes the same messaging as the Letter to the Credit Unions. The Letter to the Credit Unions serves as the only official guidance to CAC staff for determination letter messaging.

³⁵ When the CAC identifies a complaint violation, the CAC first communicates the violation to the credit union and attempts to resolve. Only after the violation is resolved, the CAC communicates to the consumer a resolution of the matter, choosing not to communicate the violation, as the violation is a supervisory matter.



states in Principle 16.10, “External parties can also help management identify issues in the internal control system. For example, complaints from the general public and regulator comments may indicate areas in the internal control system that need improvement.”

Details

As previously discussed, the CAC maintains a website, MyCreditUnion.gov. This website provides consumers with information on how to submit a complaint with the CAC, an overview of the complaint process, answers to frequently asked questions, and a link to ask the CAC questions. We determined this website to be a very comprehensive resource for consumers.

The CAC works to resolve consumer complaints, which involves facilitating consumer and credit union communications. For our sample of 40 consumer complaints, we reviewed the details of each complaint, credit union responses, CAC case investigation analyses, as well as the agency’s determination letters sent to consumers and credit unions. We determined the CAC resolves most cases in Phase 1. However, if a complaint is not resolved in Phase 1, the CAC conducts an investigation in Phase 2 and provides both the consumer and credit union a determination letter. For Phase 2 complaints, we determined the CAC’s case analyses and determination letters to be very thorough and addressed all consumer concerns expressed in their complaints. However, because the CAC reserves the right not to communicate consumer protection violations to consumers when the credit union resolved the issue, we noted the final determination messages to consumers did not always communicate the same messages the credit unions received regarding consistencies or inconsistencies with consumer compliance laws and regulations.

As previously mentioned, in June 2015, the agency communicated with credit unions about changes to streamline and improve the NCUA’s consumer complaint handling in Letter to Credit Unions No. 15-CU-04, *Improving the Process for Consumer Complaints*. The letter states the CAC will notify *the consumer and the credit union* [emphasis added] of one of five potential outcome determinations. However, for three complaints in our sample, we determined the CAC did not communicate consistent messages to both the consumer and the credit union. We noted the following for these three complaints:

- The CAC communicated to one consumer that the credit union’s actions were consistent with a specific regulation. However, the CAC communicated to the credit union that their actions were not consistent with that same regulation.
- The CAC communicated to the consumer that the credit union’s actions were consistent with several laws and regulations. However, the credit union received a separate letter stating their actions were not consistent with two regulations that were mentioned in the consumer’s letter and advised the credit union to review their policies and procedures related to these regulations.
- The CAC did not communicate any of the five determinations. In the determination letter to the consumer, the CAC stated that the credit union responded to the consumer’s complaint and that it appeared that the matter was resolved and to the extent the NCUA



had supervisory concerns, the CAC would follow up with the credit union. However, in the determination letter to the credit union, the CAC communicated to the credit union that its previous actions were not consistent with the law and to review policies and procedures to ensure compliance with this law.

While we recognize that the agency views results of investigations as supervisory actions, the agency should not communicate contradictory messages to the consumer and the credit union regarding whether the credit unions actions were consistent or inconsistent with specific laws and regulations. In addition, we noted that the agency determined that only 105 complaints out of 3,189 complaints that entered Phase 2, violated laws and regulations.³⁶ Based on our review of complaints, we determined that the agency's consumer complaint process focuses mostly on assisting consumers with resolving consumer complaints with their credit union as opposed to determining whether the credit union has violated a law or regulation.

Although many credit unions may not be aware of all the consumer compliance laws and regulations, we found that the agency works to make the credit unions aware of their responsibilities regarding compliance with these laws and regulations. If the credit union resolves a complaint in Phase 1 with the consumer and the CAC does not conduct a Phase 2 investigation, the agency does not make a determination on the complaint and considers the complaint to be resolved with no violation of law cited. Because the CAC focuses more on complaint resolution than violation determinations, we have concerns regarding the consumer complaint data and information available to examiners for subsequent review. For example, if a credit union resolves the matter with the consumer in Phase 1 and there is no further investigation into the closed complaint by the CAC or the examiner, the examiner may not consider the complaint an issue when scoping their examinations unless several consumers had similar complaints or the CAC cited a violation of consumer protection law.³⁷ Because the credit union resolves the issue with the consumer without a violation determination, the credit union could continue violating the consumer protection law after it resolves the complaint.³⁸ The NCUA instructs examiners not to reinvestigate complaints. Therefore, many violations could also go unidentified and unreported. However, we learned that complaint data, regardless of violation determinations, provides valuable information to examiners in the NCUA's risk-focused examination process as complaints could indicate a potential weakness in the credit

³⁶ Out of 16,128 complaints closed during the scope period of our audit, 3,189 complaints entered Phase 2 for investigation. We noted that the CAC did not investigate all 3,189 complaints. For example, some cases entered Phase 2 due to delayed credit union responses in Phase 1. When a credit union resolved a complaint with the consumer before the CAC began its investigation, the CAC did not investigate the complaint. Also, the CAC also administratively closed and referred some cases not in its purview in Phase 2. We did not determine how many cases the CAC closed during Phase 2 without investigation.

³⁷ During the scope period of our audit, examiners reviewed the complaint history logs but may not have reviewed information within individual complaints. However, information available to the examiner for these closed complaints, upon request, included: the consumer complaint; the credit union's response to the complaint; the potential (but not confirmed) law or regulation applicable to the complaint; and the resolution of the complaint.

³⁸ During our audit, we did not review complaints to determine whether the CAC made the correct determination regarding consumer compliance laws and regulations. In addition, although we reviewed field examiner pre-exam scoping activities to determine whether they considered consumer complaints, we did not review examination procedures to determine whether they included steps to review credit union compliance with consumer protection laws and regulations as a result of their consumer complaint review.



union's compliance management system. Accordingly, the NCUA instructs examiners that they should review the substance and volume of complaints to scope an exam and identify potential risks and compliance weaknesses, which can be improved.

Also, we noted that NCUA referenced the Supervisory Committee Guide in Letter to Credit Unions No. 15-CU-04. As previously discussed, the Supervisory Committee Guide describes the regions handling the consumer complaint process, not the CAC. For many credit union volunteers, the Supervisory Committee Guide serves as the only available resource to follow in carrying out their responsibilities. Without correct guidance, these volunteers could send complaints to a region instead of the CAC, which is the office of primary interest. This could lead to a complaint being mishandled or inadvertently overlooked.

During our audit, we also conducted a benchmarking effort with another federal agency. We learned that this agency's consumer complaint system automatically provides external stakeholders with a survey to complete at the conclusion of the consumer complaint process. This agency uses the results of these surveys to learn more and obtain feedback about stakeholder experiences with the process and improve its operations. In addition, the agency also follows up with some stakeholders based on comments they received. The NCUA, however, does not have a mechanism to obtain this type of information from external stakeholders. Communications with external stakeholders only occurs during the complaint process. In addition, we noted the benchmarked federal agency does not state to consumers whether their supervised institution's actions were consistent or inconsistent with laws and regulations but does provide information to consumers that allows them to reach their own conclusion.

To improve communication with external stakeholders, we are making three recommendations.

Recommendations

We recommend NCUA management:

5. Revise policies and procedures related to determination letters to ensure the agency communicates a clear, and accurate message to both consumers and credit unions.

Management Response

Management agreed with the recommendation. Management indicated they will revise policies and procedures related to determination letters to ensure the agency communicates a clear and accurate message to both consumers and credit unions by December 31, 2021.

OIG Response

We concur with management's planned actions.

6. Revise the Supervisory Committee Guide for Federal Credit Unions to reflect the current consumer complaint process and responsible office.



Management Response

Management agreed with the recommendation. Management indicated they will draft language for inclusion in the appropriate guide or manual reflecting the current consumer complaint process and responsible office by June 30, 2021.

OIG Response

We concur with management's planned actions.

7. Establish a process to solicit input from consumers and credit unions to identify issues in the consumer complaint process and use resulting input as appropriate to improve the NCUA's consumer complaint program.

Management Response

Management agreed with the recommendation. Management indicated they will establish a process to solicit input from consumers and credit unions to identify issues in the consumer complaint process and use resulting input as appropriate to improve the NCUA's consumer complaint program by December 31, 2021.

OIG Response

We concur with management's planned actions.

Communication with Internal Stakeholders Needs Improvement

We determined OCFP needs to improve its communications with examiners, regional management, and the Office of Examination and Insurance (E&I) management. During our audit, we learned that OCFP had communicated with examiners to review consumer complaints during pre-exam planning; made efforts to communicate with the regional offices and examiners regarding the processing of consumer complaints through trainings and top 10 complaint reports; and regularly communicated with regional offices and the Office of the Ombudsman to foster the complaint handling process.³⁹ OCFP also provided each regional Division of Supervision (DOS) with two licenses to access portal information. This access allows the DOS to review complaint correspondence for consumers and credit unions, check complaint case status, and generate report data. However, we determined OCFP could improve its communication efforts with all three of these groups. Specifically, we determined OCFP: (1) created a draft Instruction to communicate the consumer complaint process to NCUA staff in 2015 but never finalized this Instruction;⁴⁰ (2) did not

³⁹ DOCA regularly communicates with regional offices to obtain responses from credit unions during the consumer complaint handling process and consults with the regional offices when the CAC encounters difficulties contacting the credit union. DOCA also communicated with the Office of Ombudsman and provided an Ombudsman portal user guide to ensure awareness of the process.

⁴⁰ Instructions are directives of continuing authority and reference that remain in effect until superseded or cancelled.



provide examiners, regional management, or E&I management with a purview chart reflecting what types of consumer complaints the CAC does and does not handle; (3) did not communicate with E&I and the regional DOS management to make them aware of the CAC violations uploaded into the AIRES system; and (4) does not communicate quality trends information regarding the consumer complaint program.

As a result of not having policies and procedures to follow, some examiners handled consumer complaints in the regions and did not forward them to the CAC to be processed and recorded in the agency's system of record. Some examiners may not have been aware of violations associated with their assigned credit unions on a timely basis, because they did not receive email notifications from the AIRES system and were not aware the CAC uploaded these violations.⁴¹ In addition, as a result of not communicating quality trends information to regional management and examiners, examiners did not have all the information needed to achieve their objectives regarding consumer compliance.

We learned OCFP never finalized the draft Instruction due to disagreements between prior OCFP management and other NCUA offices over complaint handling responsibilities. OCFP also did not provide examiners with a purview chart because the examiners follow the National Supervision Policy Manual (NSPM) and the 2002 Examiner's Guide to determine laws and regulations the NCUA enforces.⁴² However, we noted that the CAC processes complaints related to consumer protection laws and regulations not listed in the examiner's guidance. Through our testing, we also determined the CAC processes all complaints, even complaints not within the NCUA's purview.⁴³ The Green Book states management should:

- Document in policies the internal control responsibilities of the organization;
- Document in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness;
- Communicate to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities;
- Periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks; and

⁴¹ Although AIRES is configured to send email confirmations for any contact uploaded in the system, including consumer complaint review contacts, some examiners indicated they did not receive these notifications.

⁴² DOCA management considers the NSPM as the primary document the agency uses to reference its enforcement authority.

⁴³ The CAC processes all incoming complaints for reporting purposes; however, the CAC does not handle all complaints. The CAC refers or closes complaints deemed not to be within its purview.



- Internally communicate the necessary quality information to achieve the entity's objectives. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

Details

We assessed the consistency and effectiveness of the NCUA's consumer complaint policies, procedures, and communications with examiners to include NCUA Instructions, the Examiner's Manual, NSPM, and the CAC's purview chart. In addition, we interviewed E&I management as well as management from each of the region's Divisions of Supervision to determine whether OCFP effectively communicated consumer complaint policies, procedures, and practices. We also reviewed complaint reports to include the top 10 complaints provided to examiners and the consumer complaint violation uploads in AIREs provided for examiners to review.⁴⁴

NCUA Instructions

We assessed NCUA's consumer complaint policies and procedures communicated through its Instructions. We reviewed the NCUA's listing of active Instructions related to processing consumer complaints and noted the following four Instructions:

- Instruction No. 3223.1, *Procedures for Sending a Discrimination Complaint to the Department of Housing and Urban Development*. This Instruction, dated October 7, 1994, sets forth procedures for sending a discrimination complaint to the Department of Housing and Urban Development (HUD). When a member makes a formal complaint involving an allegation of discrimination involving a residential real estate-related transaction, the *region* must notify HUD. The Instruction includes examples of correspondence the Regional Director and the offices of primary interest must send to HUD related to this Instruction, which includes the Office of General Counsel (OGC) and E&I.
- Instruction No. 12400.04, *Compliance Activities: Complaint Handling and Documentation of Violations*. This Instruction, dated September 5, 2002, sets forth NCUA's policy on processing complaints against credit unions and reporting violations of compliance regulations. This Instruction provides guidance on how *regions* should handle complaints to include: (1) investigation of alleged violations of compliance related regulations, drafting final response letters to complainants, maintaining a complaint log, (2) how to process complaints received by NCUA Board Members and Congress, and (3) documenting violations in the Compliance Violation Database in the AIREs system. The office of primary interest for this Instruction is E&I.

⁴⁴ During the course of case investigations, NCUA examiners may find that a credit union violated a federal consumer regulation. When violations are identified, NCUA documents the violations in AIREs. Additionally, as corrective actions are documented and entered into AIREs, the District Examiner has the ability to review any unresolved violations to determine if the necessary corrective actions have been taken to resolve those violations.



- Instruction No. 12400.05 (Rev.1), *Processing Complaints Against Credit Unions and Documenting Compliance Violations*. This Instruction, dated April 23, 2004, also sets forth NCUA's policy on processing complaints against credit unions and reporting violations of compliance regulations. This Instruction cancelled the September 19, 2003 Instruction No. 12400.05 titled *Compliance Activities: Complaint Handling and Documentation of Violations*. However, it did not cancel the previously mentioned Instruction No. 12400.04 above. We noted that Instructions 12400.04 and 12400.05 (Rev. 1) appeared nearly identical. Both Instructions: (1) state their purposes are to "set forth NCUA's policy on processing complaints against credit unions and reporting violations of compliance regulations;" (2) pertain to E&I as the OPI; and (3) provide instructions for examiners to follow to handle consumer complaints. However, we did note a few differences throughout these Instructions. For example, Instruction No. 12400.05 (Rev.1) includes additions to the policy such as complaints related to safety and soundness and facilitation of other complaints, but it does not include information related to the investigation of other complaints that Instruction 12400.04 provides.
- Instruction No. 3228, *Fair Lending Referrals to the Department of Justice (DOJ)*. This Instruction, dated June 19, 2018, established procedures for case referrals to the United States DOJ for specified fair lending law violations. This Instruction governs when and how the NCUA must refer matters to the DOJ under the Equal Credit Opportunity Act. It also governs how discretionary referrals can be handled under this Act, along with the Servicemembers Civil Relief Act and the Fair Housing Act. The Instruction refers to the Responsible Office as the office leading the examination involving an Equal Credit Opportunity Act violation and should take primary responsibility for any related referral with the concurrence of OCFP. The OGC serves as the lead support office for any referral, particularly in communications with the DOJ.

In 2014, OCFP drafted an Instruction, *Processing Consumer Complaints and General Inquiries, and Documenting Compliance Violations*. We learned through interviews with OCFP management that they sent this Instruction throughout the agency for comment, never finalized it, but nonetheless included this Instruction in its Operations Manual. We interviewed regional DOS Directors, Deputy Directors, and a Supervision Analyst. While some of these employees were aware of this Instruction, they did not use or follow this Instruction as it was never finalized. We inquired whether the regions maintained policies and procedures within their offices on how to process consumer complaints. Some regions stated they did not have formal policies and procedures related to the consumer complaint process and generally forwarded consumer complaints to the CAC. One region's DOS provided us their policies and procedures related to complaint handling that outlines how the region sends complaints unrelated to safety and soundness to OCFP. The policy also states the region refers complaints involving state-chartered credit unions to the appropriate SSA. Because the NCUA had not finalized the Instruction or provided formal guidance to the regions, we could not determine whether the regions should forward complaints to the SSA directly or if the region should have sent the complaints to the CAC for processing and forwarding to the SSA.



We also reviewed NCUA Instruction No. 5000.13 (Rev. 20 – 22), *Work Classification Code (WCC) Definitions*.⁴⁵ We noted Revision 20 deleted WCC 32, OCP Complaint Review, and subsequent revisions 21 and 22 also did not include this code, but the CAC continued to upload WCC 32 violations into AIRES.⁴⁶ We interviewed E&I and regional DOS management regarding the removal of this WCC code, who stated that they were not aware that the CAC uploaded WCC 32 violations into AIRES. According to CAC staff, the assigned examiners should have been notified of uploads of WCC 32 violations automatically via email; however, regional DOS management stated that they did not believe examiners received these notifications. We determined examiners may not be aware of these violations within AIRES because the CAC enters all violations as resolved. Examiners would not know to look for these violations in AIRES as they focus on tasks they need to complete. Violations marked as resolved do not show up in AIRES for the examiner to review as they would have no actions to take regarding these violations. One region also stated they were aware that some NCUA employees had the ability to bypass the AIRES Consumer Compliance Violations (CCV) Module to enter violations and questioned whether CAC staff bypassed the controls to upload violations. However, we could not confirm whether this occurred.

A CAC analyst told us the CAC previously had email evidence of the violation uploads, but this evidence no longer existed and could not be provided during our audit; however, we found that the CAC emails the regional offices a copy of complaint determination letters, which also would have informed the regions of any violations. Although we did not perform testing,⁴⁷ the regional DOS were responsible for forwarding these determination letter emails to the assigned examiners during most of our audit scope period. In the spring of 2018, approximately two months from the end of our audit scope period, the OCFP unveiled the Consumer Complaint Portal – Examiner Access tool (Examiner Complaint Portal) to improve the security, effectiveness and efficiency of the required pre-exam planning review of consumer complaints.⁴⁸ This Examiner Complaint Portal provides authorized NCUA staff, including examiners, direct access to consumer complaints filed with the NCUA CAC for credit unions within their assigned region. On February 27, 2019, after the scope period of our audit, the agency communicated to all NCUA staff that beginning on March 31, 2019, the Examiner Complaint Portal would be the sole means by which NCUA staff would be able to view consumer complaints filed with the CAC. NCUA staff would no longer be permitted to download or copy information contained in the

⁴⁵ The NCUA categorizes and standardizes work-related activities performed by NCUA field examiners and office staff and periodically makes changes to reflect comments received from regional and central offices. The use of WCCs allows the NCUA to monitor programs identified in the NCUA annual budget.

⁴⁶ The CAC analyst enters consumer complaint violations as new exams using contact type 32 in AIRES. Although WCC 32 is titled “Consumer Complaint Review” for timekeeping, the CAC does not record all consumer complaint reviews in AIRES, only complaints resulting in violations.

⁴⁷ We did not select a sample of determination letters forwarded to the regional DOS to determine whether they forwarded these letters to the examiners.

⁴⁸ In April 2018, OCFP offered a five-day subject matter expert conference to approximately 40 examiners on consumer compliance topics. During this conference, OCFP provided a 30-minute preview of the Examiner Complaint Portal; provided a user guide and instructions on how to request access to the portal; and communicated to examiners that use of the portal was voluntary.



Examiner Complaint Portal and distribute it outside the secure system.⁴⁹ In addition, the agency is currently working to replace the AIRES system with MERIT, which will contain a direct link to the Examiner Complaint Portal.⁵⁰ We determined that although OCFP did communicate its process of uploading consumer complaint violations to AIRES to examiners during its 2017 examiner training, it did not communicate complaint processing procedures and responsibilities to E&I, regions, and examiners through Instructions.

After the scope period of our audit, the NCUA reinstated WCC 32 in Revision 23 of the Instruction.

NCUA Instruction No. 1800.3 (Rev. 1), *Processing Procedures of NCUA Directives*, dated November 9, 2016, outlines the procedures used to process NCUA office directives. This Instruction provides that the office of primary interest for the instruction “will ensure that agency policies and procedures developed by their offices are kept current, and reviewed annually for necessary revision, amendment, or cancellation.”

Laws and Regulations

We reviewed the Examiner’s Guide, NSPM, list of laws and regulations in the Salesforce system, DOCA’s Operations Manuals, and the CAC’s purview chart to determine which consumer compliance laws and regulations the NCUA enforces. During our review, we noted inconsistencies in these five sources as they did not include all the same laws and regulations. Following are some examples of these inconsistencies:

- The Examiner’s Guide includes the E-Sign Act, but the other four sources did not.
- The Examiner’s Guide and DOCA Operations Manuals includes the Credit Practices Rule, but the other three sources do not.
- The NSPM includes the Bank Secrecy Act, but the other four sources do not.
- The NSPM, DOCA Operations Manual, and the Salesforce list include Regulation D on Reserve Requirements, but the other two sources do not.⁵¹
- The NSPM and the Salesforce list include the Military Lending Act, but the other three sources do not.

⁴⁹ Information available for examiner review includes consumer complaints, credit union responses, supporting documentation, and CAC communications with credit unions. Examiners may also review any resulting federal consumer financial protection violations assessed against credit unions during the course of a CAC investigation.

⁵⁰ The Modern Examination & Risk Identification Tool (MERIT) is the NCUA’s new examination platform that is designed to provide improvements to streamline the examination process for credit unions and examiners. MERIT will replace AIRES, which is over 20 years old. The NCUA piloted MERIT in the fourth quarter of 2019 and the broader use of MERIT will begin in late 2021.

⁵¹ We noted the CAC purview chart incorrectly labeled the Truth in Savings Act as Regulation D.



Although it does not include three of the above laws, the Salesforce system includes the most extensive list of laws and regulations, many of which are not included in the other sources. During our interviews with DOS management, we learned the regions were not aware of the CAC's purview chart and they believe it would be helpful to have such information when receiving consumer complaints. The CAC's purview chart contains information related to what types of complaints the CAC handles and what types of complaints they forward to NCUA's regional offices, SSAs, or other regulators. DOCA management, however, stated their purview chart does not contain all laws and regulations they enforce, and the CAC mainly uses this chart to determine what complaints are not within the agency's purview. As previously mentioned, given that the NCUA does not provide examiners formal policies and procedures to follow regarding consumer complaints, it is not clear whether examiners should determine whether a complaint is within the NCUA's purview or the CAC should make this determination. However, we believe regions should be aware of the internal policies and procedures, their roles and responsibilities within the consumer complaint process, as well as laws and regulations the NCUA enforces in order to ensure consistent complaint processing.

Through our testing, we determined the CAC forwards all complaints not specifically excluded on the purview chart to credit unions for review even though the complaints may not be within the agency's purview. The CAC forwards these complaints to obtain additional information from the credit union to help determine whether the issues raised by the consumer related to consumer protection laws or regulations are within its purview. For example, the CAC forwards complaints related to gap insurance, which is subject to state law that is not within the NCUA's purview. However, the CAC explained that a gap insurance case could also constitute a Truth in Lending Act violation if additional information supporting such a violation is provided. Based on this practice, the agency should determine whether any agency staff outside of OCFP that may receive a complaint should forward all consumer complaints received to the CAC to ensure consistent handling and recording of the complaint.

Reporting

Based on our interviews with the regions, we determined that OCFP could improve its overall communications in reporting consumer complaint program results. Although the CAC provides a listing of the top 10 complaints by complaint type and by product⁵² for examiners to review each quarter, the regions told the OIG that it would be beneficial if the CAC provided information such as newsletters each quarter identifying the number of violations; periodic reports or statistics identifying outliers, trends data, and comparisons of each region's data; and a CAC analysis of the data that included identification of systemic issues.

In addition to the top 10 complaint reports, OCFP also provides examiners with a spreadsheet of all complaints from August 24, 2015, to the end of each quarter. During most of our audit scope period, examiners only had direct access to this spreadsheet and the top 10 complaint reports for review. To review the specific details of each complaint, examiners had to request their DOS or the CAC to provide documentation related to the complaint from the Salesforce system. Based

⁵² Products include accounts and loan types such as checking accounts, savings accounts, mortgage and vehicle loans, and credit cards.



on our interviews, some examiners made these requests, but we could not determine how many examiners reached out to the DOS or CAC for additional case information because the examiners could have reached out to different employees to obtain this information. As previously mentioned, on March 31, 2019, the agency began requiring all authorized NCUA staff, including examiners, to use the Examiner Complaint Portal to securely view complaint information and any resulting federal consumer financial protection violations for credit unions within their assigned regions. The Examiner Complaint Portal also provides the regions the ability to run reports; however, it does not provide examiners or DOS access to data not within their assigned regions or credit unions to analyze how their regional data compares to other regions.⁵³ We learned that after the scope period of our audit, OCFP plans to provide regions with more information on the state of the consumer complaint program.

To improve communications with internal stakeholders, we are making two recommendations.

Recommendations

We recommend NCUA management:

8. Finalize and issue an Instruction outlining the roles and responsibilities of the NCUA's consumer complaint process to ensure consistent and relevant guidance for all NCUA staff to include consumer protection laws and regulations that the NCUA enforces. Rescind or cancel all NCUA or regional Instructions no longer applicable.

Management Response

Management agreed with the recommendation. Management indicated they will issue an Instruction outlining the roles and responsibilities of the complaint process to ensure consistent and relevant guidance for all staff to include consumer protection laws and regulations that the NCUA enforces by September 30, 2021. Concurrent with the issuance of the new Instruction, the agency will cancel any related Instructions no longer applicable.

OIG Response

We concur with management's planned actions.

9. Communicate comprehensive pattern and trends data, complete with analysis, related to the NCUA's consumer complaint program to assist internal stakeholders with understanding consumer complaint data to meet the agency's consumer compliance objectives.

⁵³ To protect consumer PII, the CAC only provides each region with access to complaint data for credit unions located within each respective region. The examiner's MERIT system takes a similar approach by limiting access based on locale and regions.



Management Response

Management agreed with the recommendation. Management indicated they will expand existing efforts to communicate comprehensive pattern and trends data, complete with analysis, related to the NCUA's consumer complaint program to assist internal stakeholders with understanding consumer complaint data to meet the agency's consumer compliance objectives by June 30, 2021, and quarterly thereafter.

OIG Response

We concur with management's planned actions.

Consumer Complaint Process Efficient Overall but Could Improve

We assessed the CAC's efficiency in processing consumer complaints. We selected a judgmental sample of 40 closed complaints and reviewed each phase of the complaint process to determine whether the CAC processes complaints timely. While the Operations Manuals provides for processing timeframes for each phase of the complaint process, we determined the process includes some tasks that had a greater impact on the CAC's complaint processing efficiency. These tasks include: (1) the CAC contacting the consumer within 10 business days from complaint receipt; (2) the credit union responding to the consumer and the CAC within 60 days; and (3) the CAC uploading complaint violations in the AIRES system. Based on our analysis of our sample, we determined that overall, the CAC processes consumer complaints efficiently; however, we identified areas where the process could improve. Specifically, OCFP does not have performance goals for the CAC. In addition, we noted several instances where credit unions did not respond within the specified 60-day timeframe, which resulted in delayed responses or delayed resolution to consumer complaints. As a result of not having performance goals, management could not assess the CAC's performance toward meeting the agency's consumer complaint program objectives. According to the Green Book's Principle 6, management should:

- Define objectives in specific terms so they are understood at all levels of the entity; in alignment with the organization's mission, strategic plan, and performance goals; and in measurable terms so that performance toward achieving those objectives can be assessed;
- Clearly define what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement; and
- Determine whether performance measures for the defined objectives are appropriate for evaluating the entity's performance in achieving those objectives.

Details

To determine the CAC's efficiency when processing consumer complaints, we reviewed the following dates in the Salesforce system and calculated the differences in these dates:



- the date the CAC first corresponded with the consumer and the credit union through the acknowledgement and Phase 1 letters;
- if applicable, the date the credit union responded to the consumer's complaint;
- the date the Phase 2 investigation began along with the determination letter date and appeal dates; and
- the date the CAC uploaded consumer complaints in the AIREs system.

In Phase 1, according to the CAC Operations Manual, the CAC sends an acknowledgement letter to the complainant within 10 days of receipt by the CAC, indicating that the matter was sent to the credit union Supervisory Committee for information and records relating to the complaint. Based on our sample of 40 closed complaints, we determined the CAC averaged 6 business days from the time of case opening to when the consumer and credit union first received a letter from the CAC. However, these dates ranged from 1 day to 16 days, and 8 cases out of our sample of 40 cases (approximately 20%) exceeded the 10-day limit.

Also, as previously mentioned, the CAC provided the credit union 60 calendar days to respond to complaints in Phase 1. During our testing, we determined 15 credit unions did not respond to complaints within 60 calendar days (or 38% of our sample). We determined credit unions responded to consumers and the CAC within an average of 54 days, with dates ranging from a same-day response to 149 days from the date the case was forwarded to the credit union. Reasons for these delays included credit unions stating they did not receive the complaint, the credit union CEO changing, a consumer who was not a member of the credit union filing a complaint for a family member, and consumers selecting the incorrect credit unions for their complaints.

We also determined that the Salesforce system notifies the CAC when a credit union response has not been received. In these cases, the CAC contacts the credit union and if a response is not received within 72 hours of receiving this notification, the case moves into Phase 2. For our sample, we determined the CAC reached out to credit unions for these cases and most of these cases moved into Phase 2 due to delayed credit union responses or nonresponses. During our interviews, we learned that the NCUA does not require credit unions to register in the CAC Portal. Therefore, the CAC may not have accurate contact information for the credit union Supervisory Committee. The Operations Manuals also state credit unions must respond within 15 days to a Congressional complaint. We tested one Congressional complaint and determined the credit union responded after 63 calendar days. To remedy this issue of credit union nonresponses, after the scope period of our audit, the CAC Administrative Assistant began monitoring complaint cases for potential nonresponses and began contacting the credit unions directly to notify them their response had not been received. While we did not audit this new process, this additional procedure should reduce the number of credit union nonresponses in Phase 1. However, we noted the CAC implemented this new step at the end of the Phase 1 process, when the complaint approaches 60 days after the CAC forwards the complaint to the credit union for response; and during Phase 2, within 30 days after receipt of the investigation



letter. As a result, resolution for some complaints may still be delayed if it is determined the credit union did not receive the complaint.

The Operations Manuals state that the investigation phase, which is in Phase 2 of the complaint process, typically takes from 30 to 60 days. For 22 cases in our sample that entered Phase 2, six cases exceeded 60 days (27%). In Phase 2, the CAC sent a determination letter to the consumer or closed the case within an average of 49 days, which ranged from a same-day response to 149 days. In our sample, we reviewed one case, which involved a consumer appeal. This appeal case, which involved additional investigation, closed after 206 days.

For our sample, the number of days from a case opening until case closure averaged 81 days and ranged from one to 219 days. However, we determined for all 16,128 cases closed during the scope period of our audit, the CAC processed and closed these cases in an average of 33.5 days.

As previously mentioned, after the CAC determines whether a credit union's actions violated a federal law or regulation, a CAC analyst uploads violations to the AIREs system to create a record of the violation in the CCV module.⁵⁴ We determined that when the CAC uploads these violations, the CAC marks all violations as resolved; therefore, examiners do not have actions to take to resolve these violations in the CCV module. We tested a sample of 10 violations and determined the CAC uploaded all 10 consumer complaint violations to the CCV module.⁵⁵ We also tested this sample to determine the timeliness of the CAC's violation uploads. Although the CAC's policies and procedures do not indicate a timeframe for violations to be uploaded into the system, based on the results of our testing, we did not consider the timing of the CAC's violation uploads beneficial to examiners or for reporting purposes.

To conduct our test, we first determined the date the CAC analyst uploaded the violation to AIREs and compared this date to the date the CAC closed the complaint to determine how timely violations were uploaded to AIREs.⁵⁶ We determined that AIREs violation uploads occurred from 255 business days prior to complaint closure to 288 business days after complaint closure. Four complaints (40% of our sample) were uploaded 81, 191, 236, and 288 business days after case closure and all four uploads occurred in March and April 2018. We inquired about the cause of the delayed uploads. CAC staff told us they uploaded these violations timely, but the CAC conducted a quality review and determined that the AIREs system did not in fact contain these uploaded violations and that they had to upload the violations a second time. The CAC staff did not know why the original uploads did not properly upload in the AIREs system

⁵⁴ Although Salesforce contains complaint violations, the purpose of the AIREs violation uploads is to create a record of the violation in the CCV module, which is where all violations against a credit union are recorded and kept for historical purposes and for examiners to review.

⁵⁵ During our audit scope period, we determined the CAC cited credit unions with 105 violations. We selected a judgmental sample of 10 complaint violations from this population of 105 complaint violations. The results of our judgmental sample cannot be projected to the population.

⁵⁶ When violations are identified, a CAC analyst documents the violations in AIREs. The Operations Manual did not provide a timeframe for upload; therefore, we compared to the date the case closed. We noted some instances where CAC uploaded violations prior to case closure.



but told us an AIRES upgrade seemed to correct the issue.⁵⁷ In addition, we were told that at the time the CAC performed the quality review, evidence existed that the CAC had uploaded the violations timely the first time, but this evidence was no longer available during our audit. Therefore, we could not verify whether CAC timely uploaded these violations. Also, during our walkthrough of the violation upload process, we noted that the process required the CAC analysts to complete several fields in order to perform the upload.⁵⁸ We learned that the AIRES system will be replaced with MERIT and the agency is taking steps to streamline this process. However, to ensure violation data is available for regions to review and for agency reporting purposes, we believe it would be prudent for OCFP to conduct quarterly reviews to determine whether analysts uploaded violation data in the CCV module at the time they closed complaints.

The CAC processed 80% of cases within 10 business days during Phase 1 and 73% of cases within 60 days during Phase 2. Because the agency did not have performance goals, we could not determine whether these processing times met the agency's objectives to timely respond to consumers. The agency communicated to the consumer in its initial acknowledgement letter that the CAC would respond in writing within 10 business days with a determination of the next appropriate course of action. However, for 20% of cases in Phase 1, the CAC did not communicate with the consumer within 10 business days. DOCA Operations Manuals applicable during our audit scope period also did not contain a timeframe for uploading consumer complaint violations into the AIRES system. Although we recognize that the Operations Manuals provides time estimates for each step of the consumer complaint process, and complaint volume can fluctuate based on events such as natural disasters and economic downturns, we believe having performance goals would provide a better indication whether the agency needs to take action to meet operational objectives. In addition, while credit union responses are outside of the agency's control, the agency could take additional measures to ensure credit unions receive consumer complaints and respond more timely. To improve efficiency, we believe NCUA management should continue to have the CAC Administrative Assistant monitor complaint cases for potential nonresponses and contact the credit unions directly to notify them their response has not been received. We also believe NCUA management should continue to encourage credit unions to register in the CAC Portal. Finally, we believe NCUA management should implement measures to ensure credit unions receive

⁵⁷ As previously mentioned, the AIRES system is configured to send email notifications for WCC 32 uploads. For unsuccessful uploads, e.g. outdated versions, the AIRES system also provides a rejection email message within minutes of the attempted upload.

⁵⁸ AIRES requires the violation be entered as a full examination to get the file to upload. However, AIRES allows examiners and the CAC analysts to upload WCC 32 contacts as a minimal contact. For minimal contacts, many required fields for other contact types such as exams (WCCs 10 or 11) or onsite supervision (WCCs 22 or 23) are not required. The CAC analysts can import the historical download information, which will automatically populate the financial and ratio data elements. However, the CAC analysts had to copy over some information from prior examinations. For example, AIRES required the analyst to enter the credit union's CAMEL rating. The CAMEL rating system is based upon an evaluation of five critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management. CAMEL is designed to take into account and reflect all significant financial, operational, and management factors examiners assess in their evaluation of a credit union's performance and risk profile. AIRES requires the CAC analysts to input the CAMEL ratings as assigned from the last contact and various completion information to provide necessary and sufficient information for contact history.



complaints earlier in the process, such as a read receipt or some type of acknowledgement after the CAC analyst forwards the complaint to the credit union.

To improve the efficiency of the consumer complaint process, we are making three suggestions.

Suggestions

We suggest NCUA management:

1. Conduct quarterly reviews to determine whether analysts uploaded violation data in the CCV module at the time they closed complaints.

Management Response

Management agreed with the suggestion. Management indicated they will conduct quarterly reviews to determine whether analysts uploaded violation data in the CCV module at the time they closed complaints by no later than December 31, 2021.

OIG Response

We concur with management's planned actions.

2. Establish performance goals for the Consumer Assistance Center.

Management Response

Management agreed with the suggestion. Management indicated they will establish performance goals to the Consumer Assistance Center by September 30, 2021.

3. Implement measures to ensure complaints, within CAC purview, are delivered to all credit unions within ten business days.

Management Response

Management agreed with the suggestion. Management indicated they will implement a goal of delivering 95 percent of complaints within CAC purview to credit unions within ten business days by June 30, 2021.

OIG Response

We concur with management's planned actions.



**Examiners Use
Consumer
Complaint Data**

Based on our review of credit union examinations, we determined examiners began using consumer complaint data for pre-exam planning in 2017. Specifically, examiners document their review of the consumer complaint log history.⁵⁹ As a result of their review, examiners obtain an awareness of consumer complaint issues related to their assigned credit unions and consider this information when scoping credit union examinations. Conducting this step in the planning phase of a credit union examination also provides the examiner an opportunity to develop examination procedures related to any identified consumer compliance issues. Different from other prudential banking regulators, the NCUA does not conduct a separate consumer compliance examination and therefore, does not have a separate compliance rating. As such, the NCUA identifies and evaluates credit union consumer compliance weaknesses via safety & soundness examinations and consumer complaints.

Details

We assessed the NCUA's use of consumer complaint data in its operations by interviewing CAC and regional DOS management, reviewing CAC reports and data provided to examiners, and reviewing a sample of credit union examinations.⁶⁰ The following provides details of our audit work.

The CAC is responsible for running periodic reports to review complaint patterns to verify quality control over the industry as a whole, or a particular credit union. The CAC provides examiners with consumer complaint history logs on its SharePoint site, which includes a list of top 10 complaint reports and information on the complaint problem types, associated regulations, and whether complaints resulted in a violation. In 2017, the agency implemented a pre-exam planning questionnaire, which requires examiners to review the consumer complaint history log for exam scoping. We selected a sample of examinations to determine whether the examiners review consumer complaint data when scoping their exams. Although examinations in our sample did not contain documentation of consumer complaint reviews prior to the questionnaire, we determined that after implementation of the questionnaire, examiners consistently indicated on the questionnaire that they had reviewed the consumer complaint history log.

As previously mentioned, the agency required all authorized examiners to use the Examiner Complaint Portal after our audit scope period. The agency implemented the Examiner Complaint Portal to improve the effectiveness and efficiency of pre-exam planning review of

⁵⁹ OCFP manages consumer complaints and provides examiners with a history of all consumer complaints quarterly on its SharePoint site. Examiners do not re-investigate complaints. Examiner's review complaints for potential scoping purposes. For example, multiple collection complaints may lead an examiner to expand the scope of the examination to include a review of Fair Debt Collection Practices.

⁶⁰ We selected a judgmental sample of 10 complaint violations out of a population of 105 violations from our audit scope period. We used this sample to review associated credit union examinations in AIREs to determine whether examiners reviewed consumer complaints during their pre-exam scoping activities. The results of our judgmental sample cannot be projected to the population.



consumer complaints, as well as ongoing district management.⁶¹ Once registered for the portal, examiners can securely view complaint information. This information includes the incoming consumer complaint, a credit union's response, any supporting documentation, and CAC communications with the credit union. Examiners can also view any resulting federal consumer financial protection violations assessed against credit unions. As previously mentioned, the NCUA also plans to implement its new MERIT system to replace AIRES, which the NCUA's Office of Business Innovation (OBI) indicated would have planned improvements, including a direct link to the Examiner Complaint Portal. The link to the Examiner Complaint Portal directs examiners to the Salesforce login page, so they can more efficiently access consumer complaint information for their assigned credit unions.

In addition, during the scope period of our audit, the agency only required examiners to review this information during pre-exam scoping activities. We learned the agency plans to require examiners to review consumer complaint data more frequently during quarterly reviews, as part of the agency's district management. Due to the improvements made with implementation of the Examiner Complaint Portal, the future implementation of the new MERIT system, and planned improvements related to the frequency of complaint review, we are not making any recommendations related to examiner review of consumer complaint data at this time.

⁶¹ District management encompasses the comprehensive objective of managing and maintaining continuous and detailed knowledge of an assigned district of credit unions.



OBJECTIVE, SCOPE, AND METHODOLOGY

We developed our objectives for this engagement based on OIG's 2018 Annual Performance Plan. Specifically, our objectives were to determine whether the NCUA processes consumer complaints:

- Efficiently and effectively;
- In compliance with applicable laws, regulations, policies and procedures, and other requirements; and
- Uses consumer complaint information and trends data in its operations.

To accomplish our audit, we performed fieldwork relating to OCFP, E&I, OCIO, OGC, OBI, OEAC, and the Office of the Ombudsman in the NCUA's Central Office in Alexandria, VA and its regional offices. The scope of this audit focused on closed consumer complaints from August 24, 2015, to June 30, 2018. To achieve our objectives, we:

- Reviewed DOCA's Operations Manuals and other applicable consumer complaint processing guidance;
- Interviewed OCFP personnel involved with the program;
- Interviewed personnel from various NCUA offices involved with program;
- Performed walkthroughs of the consumer complaint process;
- Obtained the population of complaint cases opened and closed during the scope period of our audit;
- Selected and tested a judgmental sample of 40 complaint cases for case processing efficiency and compliance with policies, procedures, and other applicable guidance;
- Reviewed a judgmental sample of 10 credit union examinations to determine whether examiners use consumer complaint data;
- Evaluated the process for tracking consumer complaint trends;
- Evaluated the sharing of data and information with internal and external stakeholders;
- Evaluated related internal controls; and
- Benchmarked with another federal agency's consumer complaint process.



We used computer-processed data from NCUA's systems. We did not test controls over these systems, but we relied on our analysis of information from management reports, correspondence files, and interviews with management to corroborate data obtained from these systems to support our audit conclusions.

We performed fieldwork from June 2018 through May 2019 when we put this audit engagement on hold due to a congressionally mandated audit that took precedence. We resumed this audit from December 2019 through February 2021. We conducted this audit in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



NCUA MANAGEMENT RESPONSE



National Credit Union Administration
Office of the Executive Director

SENT BY EMAIL

TO: Inspector General Jim Hagen

FROM: Executive Director Larry Fazio LARRY FAZIO Digitally signed by LARRY FAZIO
Date: 2021.02.08 16:08:14 -05'00'

SUBJ: Management Response – Audit of the NCUA's Consumer Complaint Program

DATE: February 8, 2021

We reviewed the Office of Inspector General's draft audit report titled *Audit of the NCUA's Consumer Complaint Program*. We agree with the recommendations and suggestions.

OIG Recommendation: Maintain a complete audit trail for all cases entered in the Salesforce system.

Management Response: NCUA will maintain a complete audit trail for all cases entered in the Salesforce system. NCUA will perform quarterly audits tracing samples of cases through the system by no later than December 31, 2021.

OIG Recommendation: Improve and document internal control responsibilities to include:

- Developing policies and procedures related to the deletion of consumer complaint cases;
- Periodically assessing user roles to determine required system permissions and provide access that allows for least privilege; and
- Performing and documenting periodic reviews of Salesforce generated audit logs.

Management Response: NCUA will update existing internal control responsibilities as recommended related to the deletion of consumer complaint cases and update documentation accordingly to reflect improvements by December 31, 2021. NCUA will periodically assess user roles for relevance and accuracy; and perform quarterly reviews of Salesforce generated audit logs beginning December 31, 2021.

OIG Recommendation: Establish a formal process to monitor the effectiveness of internal controls over the consumer complaint process to include quality control reviews and timely remediation of internal control exceptions.

Management Response: NCUA will establish a formal process to monitor the effectiveness of internal controls over the consumer complaint process to include quality control reviews and timely remediation of internal control exceptions by December 31, 2021.

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OIG Recommendation: Periodically review the Operations Manual to ensure it includes relevant information, addresses all control risks, and management holds employees accountable for following established policies.

Management Response: NCUA will review the Operations Manual to include relevant information, address control risks, and provide employee accountability by December 31, 2021 and at least annually thereafter.

OIG Recommendation: Revise policies and procedures related to determination letters to ensure the agency communicates a clear, and accurate message to both consumers and credit unions.

Management Response: NCUA will revise policies and procedures related to determination letters to ensure the agency communicates a clear and accurate message to both consumers and credit unions by December 31, 2021.

OIG Recommendation: Revise the Supervisory Committee Guide for Federal Credit Unions to reflect the current consumer complaint process and responsible office.

Management Response: NCUA will draft language for inclusion in the appropriate guide or manual reflecting the current consumer complaint process and responsible office by June 30, 2021.

OIG Recommendation: Establish a process to solicit input from consumers and credit unions to identify issues in the consumer complaint process and use resulting input as appropriate to improve the NCUA's consumer complaint program.

Management Response: NCUA will establish a process to solicit input from consumers and credit unions to identify issues in the consumer complaint process and use resulting input as appropriate to improve the NCUA's consumer complaint program by December 31, 2021.

OIG Recommendation: Finalize and issue an Instruction outlining the roles and responsibilities of the NCUA's consumer complaint process to ensure consistent and relevant guidance for all NCUA staff to include consumer protection laws and regulations that the NCUA enforces. Rescind or cancel all NCUA or Regional Instructions no longer applicable.

Management Response: NCUA will issue an Instruction outlining the roles and responsibilities of the complaint process to ensure consistent and relevant guidance for all staff to include consumer protection laws and regulations that the NCUA enforces by September 30, 2021. Concurrent with the issuance of the new Instruction, the agency will cancel any related Instructions no longer applicable.

OIG Recommendation: Communicate comprehensive pattern and trends data, complete with analysis, related to the NCUA's consumer complaint program to assist internal stakeholders with understanding consumer complaint data to meet the agency's consumer compliance objectives.



Management Response: NCUA will expand existing efforts to communicate comprehensive pattern and trends data, complete with analysis, related to the NCUA's consumer complaint program to assist internal stakeholders with understanding consumer complaint data to meet the agency's consumer compliance objectives by June 30, 2021, and quarterly thereafter.

OIG Suggestion: Conduct quarterly reviews to determine whether analysts uploaded violation data in the CCV module at the time they closed complaints.

Management Response: NCUA will conduct quarterly reviews to determine whether analysts uploaded violation data in the CCV module at the time they closed complaints by no later than December 31, 2021.

OIG Suggestion: Establish performance goals for the Consumer Assistance Center.

Management Response: NCUA will establish performance goals to the Consumer Assistance Center by September 30, 2021.

OIG Suggestion: Implement measures to ensure complaints, within CAC purview, are delivered to all credit unions within ten business days.

Management Response: NCUA will implement a goal of delivering 95 percent of complaints within CAC purview to credit unions within ten business days by June 30, 2021.

Thank you for the opportunity to comment.



ACRONYMS AND ABBREVIATIONS

Acronym	Term
AIRES	Automated Integrated Regulatory Examination System
CAC	Consumer Assistance Center
CFPB	Consumer Financial Protection Bureau
CRM	Customer Relationship Management
CCV	Consumer Compliance Violations
DOCA	Division of Consumer Affairs
DOJ	Department of Justice
DOS	Division of Supervision
E&I	Office of Examination and Insurance
Examiner Complaint Portal	OCFP Consumer Complaint Portal – Examiner Access tool
FCU	Federal Credit Union
FISCU	Federally Insured State Chartered Credit Union
GAO	Government Accountability Office
HUD	Department of Housing and Urban Development
MERIT	Modern Examination & Risk Identification Tool
NCUA	National Credit Union Administration
NIST	National Institute of Standards and Technology
NSPM	National Supervision Policy Manual
OBI	Office of Business Innovation
OCFP	Office of Consumer Financial Protection
OCIO	Office of the Chief Information Officer
OCP	Office of Consumer Protection
OEAC	Office of External Affairs and Communications
OGC	Office of General Counsel
OIG	Office of Inspector General



Acronym	Term
OMB	Office of Management and Budget
SSA	State Supervisory Authorities
Supervisory Committee Guide	Supervisory Committee Guide for Federal Credit Unions
WCC	Work Classification Code