

Board of Governors of the Federal Reserve System

**Audit of the Board's Implementation
of the Dodd-Frank Wall Street
Reform and Consumer Protection Act**



Office of Inspector General

September 2011



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

OFFICE OF INSPECTOR GENERAL

September 30, 2011

Mr. Scott G. Alvarez
General Counsel
Legal Division
Board of Governors of the Federal Reserve System
Washington, DC 20551

Mr. Jim Lyon
Special Advisor to the Board for Regulatory Reform Implementation
Board of Governors of the Federal Reserve System
Washington, DC 20551

Dear Messrs. Alvarez and Lyon:

The Office of Inspector General is pleased to present its *Audit of the Board's Implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act*. In response to the financial crisis of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was enacted on July 21, 2010. Dodd-Frank includes a multitude of provisions that affect virtually every financial market and establishes new authorities and responsibilities for nearly every federal financial regulatory agency. Dodd-Frank charges the Board of Governors of the Federal Reserve System (Board) with significant responsibilities, including the development of complex rulemakings, many in conjunction with other federal financial regulatory agencies. Given the extent of the requirements that Dodd-Frank places on the Board, we conducted an audit of the Board's progress in implementing Dodd-Frank, including the processes used to manage its implementation.

Our audit objectives were to assess (1) the efficiency and effectiveness of the Board's processes for identifying, tracking, and overall managing its responsibilities under the act; and (2) the Board's progress in implementing key requirements of the act. We found that the Board has implemented processes and taken significant steps to meet its Dodd-Frank responsibilities. Notwithstanding the Board's progress, effectively implementing the extensive Dodd-Frank requirements presents ongoing business challenges that will require continued management attention and monitoring. We identified several areas for the Board's continued management attention and monitoring in meeting its responsibilities under Dodd-Frank. We also identified opportunities to improve the use of a project reporting and tracking tool; we have one recommendation in this area, designed to enhance project monitoring and reporting.

We provided our draft report to you for review and comment. In your consolidated response, included as Appendix C, you discussed the improvement actions that are planned or underway to address the report's recommendation.

We appreciate the cooperation that we received from Board staff during our review. The report will be added to our public web site and will be summarized in our next semiannual report to Congress. Please contact me if you would like to discuss the report or any related issues.

Sincerely,

A handwritten signature in black ink that reads "Andrew Patchan Jr." in a cursive style.

Andrew Patchan, Jr.
Associate Inspector General
for Audits and Attestations

cc: Ms. Sandra F. Braunstein
Mr. William English
Mr. Patrick M. Parkinson
Ms. Louise L. Roseman
Mr. Dick Anderson
Mr. David Stockton

Board of Governors of the Federal Reserve System

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Executive Summary

In response to the financial crisis of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was enacted on July 21, 2010. Dodd-Frank's stated purpose is to "promote the financial stability of the United States by improving accountability and transparency in the financial system, to end 'too big to fail,' to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes." Dodd-Frank includes a multitude of provisions that affect virtually every financial market and establishes new authorities and responsibilities for nearly every federal financial regulatory agency. Dodd-Frank charges the Board of Governors of the Federal Reserve System (Board) with significant responsibilities, including the development of complex rulemakings, many in conjunction with other federal financial regulatory agencies.

Given the extent of the requirements that Dodd-Frank places on the Board, the Board's Office of Inspector General conducted an audit of the Board's progress in implementing Dodd-Frank, including the processes used to manage its implementation. Our objectives were to assess (1) the efficiency and effectiveness of the Board's processes for identifying, tracking, and overall managing its responsibilities under the act; and (2) the Board's progress in implementing key requirements of the act.

Overall, we found that the Board has implemented processes and taken significant steps to meet its Dodd-Frank responsibilities. The Board has drawn on expertise and resources from across the Federal Reserve System and has over 300 staff members working on its implementation projects. The Board has established an organizational structure with a senior staff position to coordinate its efforts and developed and implemented the use of project reporting and tracking tools to facilitate management and oversight. Through these efforts, the Board is making progress in implementing key requirements of the act. The Board has completed studies and rulemakings, issued reports, and reorganized and created offices to meet its Dodd-Frank obligations, and Board project teams are continuing work on Dodd-Frank requirements, many of which require interagency involvement.

Notwithstanding the Board's progress, effectively implementing the extensive Dodd-Frank requirements presents ongoing business challenges that will require continued management attention and monitoring. Dodd-Frank requirements for complex rulemakings, studies, and other initiatives need to be implemented in a timely, deliberative, and coordinated manner and need to meet statutory deadlines. The statutory deadlines mandated by Dodd-Frank for the Board extend into 2013, and over 40 percent of these deadlines fall within the approaching October 2011 through January 2012 timeframe. We identified several areas for the Board's continued management attention and monitoring in meeting its responsibilities under Dodd-Frank, as well as opportunities to improve the use of a project reporting and tracking tool. We have one recommendation in this area, which is designed to enhance project monitoring and reporting. Leveraging lessons learned from challenges experienced during the Board's early implementation activities can help guide the Board in efficiently and effectively carrying out Dodd-Frank requirements, the bulk of which lie ahead.

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), Pub. L. No. 111-203, was enacted on July 21, 2010. The act states that its purpose is to “promote the financial stability of the United States by improving accountability and transparency in the financial system, to end ‘too big to fail,’ to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.” In addition, Dodd-Frank creates the Financial Stability Oversight Council (FSOC) and the Bureau of Consumer Financial Protection (Bureau).

To accomplish its many purposes, Dodd-Frank levies significant requirements on the Board of Governors of the Federal Reserve System (Board) and other financial regulatory agencies. These requirements include the development of more stringent prudential standards and the use of a macroprudential approach by financial regulatory agencies when supervising financial institutions and critical infrastructures, taking into account not only the safety and soundness of each individual firm, but also risks to overall financial stability. Dodd-Frank also expands the supervisory responsibilities of the Board to include thrift holding companies as well as certain systemically important (1) nonbank financial firms; (2) financial market utilities; and (3) payment, clearing, and settlement activities.

To complete this substantial workload in addition to its existing responsibilities, the Board (1) identified relevant provisions of Dodd-Frank, (2) organized them into 257 projects to facilitate the implementation process, and (3) identified itself as having lead responsibility for 171 of these. These projects, approximately half of which require collaboration and coordination with other financial regulatory agencies, were then assigned to various Board staff on an interdisciplinary basis. The Board’s analysis of Dodd-Frank included identification of critical provisions, such as whether deadlines were mandatory, discretionary, or conditional, and whether activities required the involvement of other agencies. For projects having statutory deadlines, due dates vary and extend into 2013.

The demand for staff to complete the workload imposed by Dodd-Frank is considerable, as is the need for a management framework to manage this workload. To meet this demand, the Board drew upon expertise and resources from across the Board, as well as from various Federal Reserve Banks. Over 300 staff members from across the Federal Reserve System are working on Dodd-Frank projects. These staff members represent a variety of professional disciplines, including attorneys, economists, financial analysts, and others. In addition, 146 new positions were included in the Board’s 2011 budget, of which the vast majority are specifically identified as necessary to implement Dodd-Frank requirements and lessons learned from the financial crisis.¹

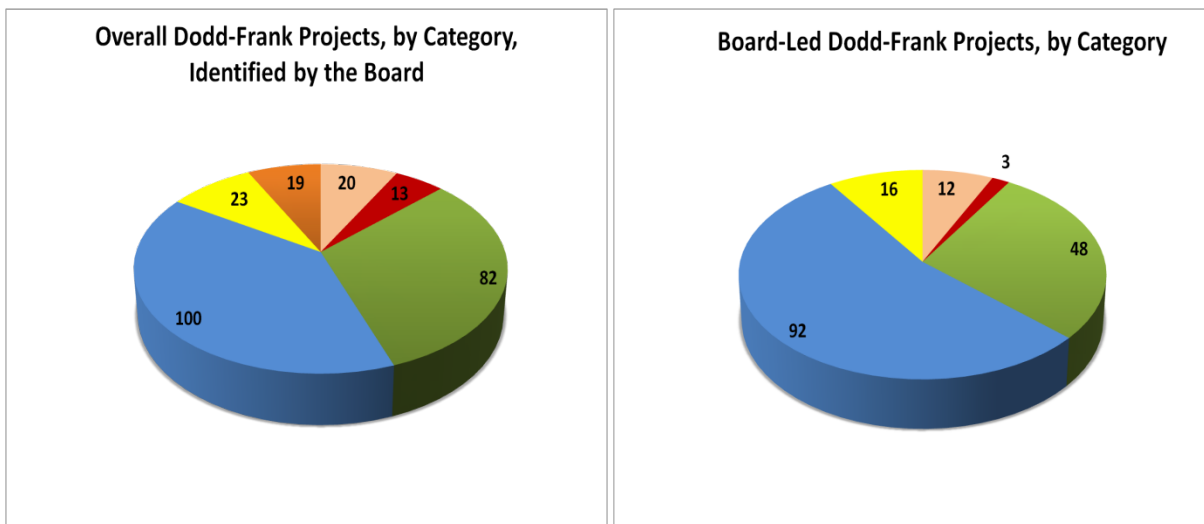
To manage the Dodd-Frank implementation process, the Board has implemented an organizational structure led by the Special Advisor to the Board for Regulatory Reform Implementation (Dodd-Frank Special Advisor) to coordinate efforts. A key component of this

¹ The 146 new positions cover 10 divisions and offices. These position totals do not include the Office of Inspector General (OIG).

organizational structure is the Regulatory Reform Coordinating Committee (RRCC). The RRCC comprises select Dodd-Frank division project coordinators, is chaired by the Dodd-Frank Special Advisor, and meets weekly to monitor and manage Dodd-Frank project progress. The RRCC recently enhanced its processes to track and report projects at risk of missing deadlines.

In addition, the Board has developed and implemented the use of a number of project reporting and tracking tools to facilitate management and oversight of its implementation responsibilities. These include a tool to manage public comments on rulemakings and the Board’s Regulatory Reform Project Tracking Tool (RRPTT). RRPTT was developed during the Board’s early Dodd-Frank implementation efforts to facilitate the monitoring of, and reporting on, Dodd-Frank project status. Figure 1 below provides a breakdown of Dodd-Frank projects by RRPTT category.

Figure 1 – Dodd-Frank Projects by RRPTT Category



Category Descriptions

- **Rulemaking:** A project the Board leads or conducts jointly with another agency that involves a formal rulemaking, regulation, or regulatory guideline.
- **Process Development/Change:** A project that the Board leads, conducts jointly, or is consulting on that involves developing or changing a process.
- **Study/Report:** A project the Board leads or conducts jointly with another agency that involves preparing a study or report (one-time or ongoing).
- **Bureau Transition:** A project that involves the Board supporting the establishment of the Bureau or transferring personnel and/or responsibilities (including transfer of rulewriting authority) to the Bureau.
- **Consultation: Rulemaking:** A project for which one or more other agencies have responsibility (and which is not a joint project with the Board), where the other agency(ies) is (are) required to consult with the Board on a formal rulemaking, regulation, or regulatory guideline.
- **Consultation: Studies/Reports:** A project where one or more other agencies have responsibility (and which is not a joint project with the Board), where the other agency(ies) is (are) required to consult with the Board in preparing a study or report (one-time or ongoing).

In order to transparently communicate information regarding Dodd-Frank activities, the Board has undertaken a number of communication initiatives. These initiatives include a public web page dedicated to the Board's regulatory reform activities, as well as updates provided by the Dodd-Frank Special Advisor via email and the Board's intranet.

Objectives, Scope, and Methodology

Our audit objectives were to assess (1) the efficiency and effectiveness of the Board's processes for identifying, tracking, and overall managing its responsibilities under the act; and (2) the Board's progress in implementing key requirements of the act.

We reviewed the processes and organizational structure the Board put in place to identify, track, and manage its Dodd-Frank implementation responsibilities. We also assessed the project management, reporting, and tracking tools the Board uses to facilitate management and oversight of these responsibilities. Our review did not, however, include a review of the individual controls for each of these tools.

Additionally, we assessed the implementation of specific Dodd-Frank provisions where the Board identified itself as a lead agency.² The provisions selected for assessment had statutory deadlines prior to June 30, 2011; were rulemakings with statutory deadlines in July 2011; or were projects that were shown in RRPTT as completed as of April 21, 2011, regardless of deadline. Appendix A contains a summary table of the provisions within our audit scope. Given our audit objectives, we did not review the quality or appropriateness of completed projects, nor did we review the legal sufficiency of rulemaking comment periods or the resolution of these comments.

Using the Board's RRPTT and regulatory reform web page, we identified Dodd-Frank projects within our scope and analyzed the Board's tracking and management of these projects. We verified the accuracy of projects and deadlines in RRPTT using a number of techniques. We compared the statutory requirements, including deadlines, in RRPTT to those in the Mandatory Rulemaking Appendix of Congressional Research Service (CRS) Report R41472, *Rulemaking Requirements and Authorities in the Dodd-Frank Wall Street Reform and Consumer Protection Act*.³ We also judgmentally selected provisions from the CRS report and compared them to the provisions of Dodd-Frank to gain assurance as to the accuracy of the CRS report. Further, we confirmed all deadline dates for projects within our scope with the requirements of Dodd-Frank.

We reviewed relevant documentation, interviewed cognizant Board staff, and analyzed data contained in RRPTT. We identified divisions, offices, committees, and staff responsible for Dodd-Frank project completion, strategic planning, and oversight responsibilities. In addition, we reviewed the process the Board used to identify and develop projects and to assign projects to divisions.

² The Board determined that it was a "lead" agency where its analysis of Dodd-Frank identified the Board as being responsible for a particular provision.

³ CRS Report R41472, by Curtis W. Copeland, identifies provisions in the act that either require or permit rulemaking by a federal agency, including the Board. The CRS report includes a list of mandatory rulemakings in its Appendix A and a list of discretionary rulemakings in its Appendix B.

We reviewed Dodd-Frank and relevant legislative history. We also reviewed reports, testimonies, press releases, and other available information from the Board, the Federal Reserve Banks, other financial regulatory agencies, and the Government Accountability Office.

We obtained copies of final rulemakings, projects, reports, and studies from the “Final Library” in RRPTT as well as from links provided on the Board’s regulatory reform web page. For rulemakings, we also obtained copies of the Federal Register for analysis. Using the Board’s Office of the Secretary Electronic Comments Routing System (SECRS), we identified the number of public comments received by the Board in response to certain proposed rules.⁴ We judgmentally selected and reviewed individual comments on SECRS to gain an understanding of the process and the workload.

To assess staffing requirements and resources, we reviewed budget submission data and various division documents. We also assessed the Board’s efforts to date in filling these positions.

Our period of fieldwork was February 2011 through June 2011, and we conducted our review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. This report has one recommendation.

Findings, Conclusions, and Recommendations

Overall, the Board has implemented processes and taken significant steps to manage its responsibilities under Dodd-Frank. From the provisions of Dodd-Frank, the Board identified over 250 projects that require its involvement and determined that it has lead responsibility for two-thirds of these. The Board has over 300 staff members from across the Board’s divisions, as well as from various Federal Reserve Banks, working to complete these projects and has implemented an organizational structure led by the Dodd-Frank Special Advisor. The Board has also developed and implemented RRPTT, as well as other processes, to assist in Dodd-Frank project management. These steps have provided the support, framework, and systems for the Board to address process changes, studies, reports, and rulemakings to date. Although considerable progress in implementing key Dodd-Frank provisions has been made, effectively implementing the extensive Dodd-Frank requirements presents ongoing business challenges that will require continued management attention and monitoring. Dodd-Frank requirements for complex rulemakings, studies, and other initiatives need to be implemented in a timely, deliberative, and coordinated manner and need to meet statutory deadlines. The statutory deadlines mandated by Dodd-Frank for the Board run into 2013, with over 40 percent falling within the approaching October 2011 through January 2012 timeframe.

⁴ SECRS is an application used by the Board to electronically process incoming comments from the public on rulemaking, regulatory, information-collection, and other proposals, and to post those comments to the Board’s public website.

We noted that the Board faces a number of challenges in implementing its substantial Dodd-Frank requirements efficiently and effectively, including (1) managing the overall workload volume and complexity; (2) collaborating and coordinating actions with other financial regulatory agencies that share responsibilities for a number of rules, studies, and other Dodd-Frank provisions; (3) obtaining and analyzing voluminous public comments on rulemakings; (4) meeting statutory deadlines; and (5) establishing an organizational structure and recruiting and integrating new staff. In addition to these challenges, we identified opportunities to improve the use of the Board's project reporting and tracking tool, and we have one recommendation in this area.

We noted that some of these challenges have had adverse impacts on project completion early in the Board's implementation process. Of the 13 projects having statutory deadlines that fell within the period of our fieldwork, 6 missed their deadlines. Two of these six projects stem from a single proposed rulemaking that generated over 11,000 comments. The other four projects were delayed due to interagency operational challenges, including one project that the Board approved about one week prior to its deadline. While these projects represent a small percentage of the Board's overall Dodd-Frank implementation responsibilities through 2013, they are reflective of the challenges that the Board faces in its ongoing implementation efforts. As the bulk of the Board's Dodd-Frank work lies ahead, leveraging lessons learned from challenges experienced during its early implementation activities can help guide the Board in efficiently and effectively carrying out Dodd-Frank requirements going forward.

Managing the Overall Workload Volume and Complexity

To meet its new responsibilities under Dodd-Frank, the Board is challenged with completing and managing a substantial workload. The sheer volume of this workload is made more difficult by its complexity and because it is in addition to the Board's existing responsibilities. Furthermore, the Board needs to ensure that certain Dodd-Frank rulemakings integrate and reconcile with each other, as well as with current financial regulatory community guidance. Dodd-Frank projects also require detailed, substantive review within and/or across Board divisions, as well as across agencies for interagency actions.

The Board analyzed Dodd-Frank, identified provisions that required its involvement, and organized them into 257 projects to facilitate the implementation process. Furthermore, the Board identified that it had lead responsibility for 171 of these projects, including studies and reports, process changes, complex rulemakings, and other initiatives. Other projects may arise because some of the Board's workload is contingent on future unspecified activities. For example, future FSOC actions could require additional rulemakings or other actions by the Board. The Board classified 92 of its projects as rulemakings, including some that the Board must conduct jointly with other agencies. The actual number of rules that will result from these projects is not clear because many Dodd-Frank rulemaking provisions are discretionary, some Dodd-Frank provisions may be handled outside of the formal rulemaking process through regulatory guidance, and a single rulemaking may cover multiple Dodd-Frank provisions. Continued management attention will need to include monitoring, analysis, and resolution of existing Dodd-Frank initiatives, as well as those that may arise from future activities.

Workload complexity also includes the challenge of ensuring the consistency and integration of the implementation of new Dodd-Frank requirements with each other, as well as with current regulations and guidance employed by the Board and the financial regulatory community. Some Dodd-Frank actions trigger dependent requirements. For instance, the Board's amendments to repeal Regulation Q (Prohibition Against Payment of Interest on Demand Deposits) required, among other things, removal of references to Regulation Q found in Regulation D (Reserve Requirements of Depository Institutions) and Supplement I to Regulation DD (Truth in Savings).

Furthermore, the impact of Dodd-Frank actions may be unintentionally dampened or amplified when combined with other actions taken to satisfy Dodd-Frank requirements. For example, in its Credit Risk Retention Report, which was generated pursuant to section 941(c) of Dodd-Frank, the Board recommended that rulemaking agencies consider credit risk retention requirements in the context of all the rulemakings required under Dodd-Frank, stating that "requirements that would, if imposed in isolation, have modest effects on the provision of credit . . . could, in combination with other regulatory initiatives, significantly impede the availability of financing."

In addition, other specific Dodd-Frank requirements may necessitate reconciliation of certain existing processes and guidance. For example, section 939A of Dodd-Frank requires the removal of any regulatory reference to, or requirements of reliance on, credit ratings. This requirement is inconsistent with the Basel II standardized approach for credit risk that relies extensively on credit ratings to assign risk weights to various exposures. The standardized approach is a part of an international accord developed by the Basel Committee on Banking Supervision to establish a global standard for how banks and other financial institutions measure and recognize risk.⁵ The Board has published an advance notice of proposed rulemaking jointly with the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) seeking comments on potential alternatives to the use of credit ratings.⁶

Dodd-Frank rulemakings, studies, and reports also challenge the Board to provide detailed, substantive review at the team, division, and agency level, as well as multi-agency review for interagency projects. After consensus has been reached among the team members as to the completion status of a project, there are additional layers of approval needed before a project can be finalized. Each team member from a different division is responsible for gaining approval for Dodd-Frank work products from his or her division management. Subsequent reviews are also required from the relevant Board committee,⁷ and approvals are required from the Board of Governors. In the case of interagency actions, approvals from all agencies may also be needed before the project can be finalized. The multiple approval levels and the need for consensus

⁵ See the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework, Comprehensive Version," the Basel Committee on Banking Supervision, June 2006. The full text is available on the Bank for International Settlement's website, <http://www.bis.org/publ/bcbs128.htm>.

⁶ Advance Notice of Proposed Rulemaking Regarding Alternatives to the Use of Credit Ratings in the Risk-Based Capital Guidelines of the Federal Banking Agencies, 75 Fed. Reg. 52283 (Aug. 25, 2010).

⁷ The Board has established standing committees to carry out its work: the Committee on Board Affairs; the Committee on Consumer and Community Affairs; the Committee on Economic and Financial Monitoring and Research; the Committee on Federal Reserve Bank Affairs; the Committee on Payments, Clearing, and Settlement; and the Committee on Bank Supervision. Also, ad hoc committees of two or three members are established from time to time for special projects or problems.

building will require continued management attention and monitoring to ensure Dodd-Frank projects remain on track.

Collaborating and Coordinating Actions with Other Financial Regulatory Agencies

Reaching consensus on Dodd-Frank actions when collaborating and coordinating with other financial regulatory agencies presents challenges for the Board. Certain Dodd-Frank actions require developing interagency team structures and processes, building consensus on actions when managing agencies' competing priorities, and gaining needed approvals from multiple agencies. In addition, there is the associated challenge of managing lead times needed to accomplish these activities. Interagency coordination is also needed to facilitate an orderly transition when managing the transfer of personnel and authorities between agencies as directed by Dodd-Frank.

The Board's Dodd-Frank implementation activities require interagency collaboration on approximately half of the projects for which the Board determined that it was a lead agency. This collaboration may take the form of joint rulemaking, interagency consultation, or a combination of both. We were informed that while the Board has identified itself as a lead agency on various projects requiring interagency collaboration, there is no formal structure or process for the resolution of competing interagency priorities. While consensus building among the agencies may reap the benefits of various perspectives, this process can be very time consuming. For example, one of the Board's interagency projects missed its statutory deadline by about a week because of the logistics of interagency approvals, even though the Board of Governors approved the final product about a week prior to the deadline. We were also informed that in some cases interagency differences of opinion have required issues to be elevated to the agencies' offices of counsel for negotiation and ultimately to the heads of the agencies for resolution.

The Board also faces interagency coordination challenges when managing the transition of various authorities as directed by Dodd-Frank. For example, Dodd-Frank transfers authority for consolidated supervision of savings and loan holding companies and their non-depository subsidiaries from the OTS to the Board effective July 21, 2011. Joint Implementation Plan 301-326 developed by the FDIC, the OCC, the OTS, and the Board pursuant to section 327(a) of Dodd-Frank addresses a number of potential challenges in this process, such as the need to determine policy and technical differences. In addition, the plan identifies a contingent workload challenge regarding potential changes to transferred OTS regulations. Similarly, interagency challenges also need to be considered in the transfer of certain Board consumer compliance and rulemaking functions to the Bureau.

Obtaining and Analyzing Voluminous Public Comments

Managing formal public comments on rulemakings will continue to challenge the Board, particularly given the volume of comments being received and the need to provide meaningful consideration of each of these comments. To provide context for this challenge, we noted that the Truth in Lending interim final rule published in October 2010 generated over 1,200 comments. More recently, the debit card interchange fees and routing proposed rule generated

over 11,000 public comments, prompting the lead division for this rulemaking to create a web-based application to assist in comment management. Use of this application has since expanded to include another rulemaking project, and we were informed that the application remains available for use by any Dodd-Frank project team. In addition to the sheer number of comments, the individual comments can be substantial, with the longest we have noted to date being 167 pages.

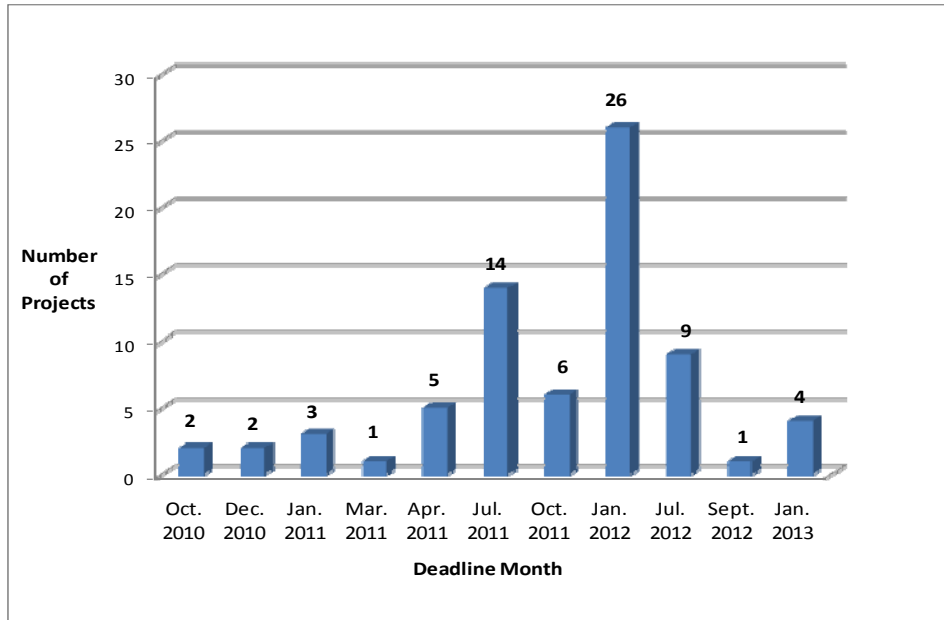
Another management challenge involves providing the opportunity for public comment while meeting deadlines for Dodd-Frank actions. We noted that the periods for public comment on proposed rules published to date have varied. The majority have been at least 60 days, although we did identify proposed rules with shorter comment periods, with the shortest being 30 days.⁸ Such shorter time periods for public comment may be appropriate assuming they do not adversely impact the collection and consideration of comments; considerations include, among other things, the complexity of the issues involved and the stakeholders affected by the proposed rule.

Meeting Statutory Deadlines

The challenges discussed above are compounded by the existence of many statutory deadlines within the first 18 months of Dodd-Frank implementation. Some of the deadlines have already been missed. Of the Dodd-Frank projects for which the Board has identified statutory deadlines, over 40 percent fall within the approaching October 2011 through January 2012 timeframe. In addition, many of these deadlines require the completion of multiple Dodd-Frank projects concurrently, creating peaks in the workload and congestion in approval schedules. One of the responsibilities of the Dodd-Frank Special Advisor is to minimize this congestion by coordinating the dates on which projects will be brought to the Board of Governors for review and approval. Figure 2 on the next page illustrates how statutory deadlines will challenge the Board's efforts into 2013.

⁸ We were informed that the Board considers the comment period for Dodd-Frank proposed rulemakings to begin when the proposed rules are published on the Board's public website because of the uncertainty of when they will be published in the Federal Register.

Figure 2 – The Board’s Dodd-Frank Implementation by Statutory Deadline Date



We noted that the previously discussed challenges have already adversely impacted projects. Of the 13 projects that had statutory deadlines that fell within the period of our fieldwork, 6 missed their statutory deadlines as shown in Table 1 below.⁹

Table 1 – Projects that missed their deadlines

Project Number(s)	Project Title(s)	RRPTT Project Category	Statutory Deadline	Completion Date	Reason the Deadline was Missed
173	Volcker Rule: Conformance Period	Rulemaking	1/21/2011	2/9/2011	Interagency discussions to promote consistent application and implementation of rule
179	Incentive Compensation	Rulemaking	4/21/2011	Ongoing*	Interagency negotiations regarding applicability of requirements
214	Credit Risk Retention	Rulemaking	4/17/2011	Ongoing*	Interagency negotiations regarding inclusion of certain standards
232	Office of Thrift Supervision Transition Plan Congressional Report	Study/Report	1/17/2011	1/25/2011	Logistics of interagency approval
284 and 285	Debit Card Interchange Transaction Fees and Debit Card Network Fees	Rulemaking	4/21/2011	6/29/2011	These two projects stem from a single rulemaking that required meaningful consideration of over 11,000 public comments

* Projects marked “Ongoing” had not been completed as of June 30, 2011.

⁹ We were informed that the Board considers Dodd-Frank rulemakings complete when published on the Board’s public website because of the uncertainty of when they will be published in the Federal Register.

Although these projects represent a small percentage of the Board's overall Dodd-Frank implementation responsibilities through 2013, they are reflective of the challenges that the Board faces in its ongoing implementation efforts.

Establishing an Organizational Structure and Recruiting and Integrating New Staff

The Board faces a number of organizational and staffing challenges to address its Dodd-Frank workload. The Board has established an organizational structure for managing its Dodd-Frank efforts that includes project teams with team members and leaders, project coordinators at the division level, and the RRCC headed by the Dodd-Frank Special Advisor. While the Board has recruited and hired some new staff to carry out its Dodd-Frank efforts, it still relies substantially on existing staff across the Federal Reserve System to perform Dodd-Frank work in addition to their existing duties. In a number of cases, team leaders are leading multiple projects. The Board faces planning and management challenges to effectively hire and assimilate a large number of new staff to carry out its Dodd-Frank responsibilities. These include the need to substantially increase staff in certain offices; integrate and manage employees brought in to meet the needs of these offices; obtain specialized expertise; and replace team members who have recently separated from the Board. Dodd-Frank requirements with substantial lead times may permit the hiring and development of new staff, but tighter deadlines may necessitate identification and analysis of other possible staffing approaches. Staffing challenges will continue past the completion of specific Dodd-Frank projects because many mandates flowing from Dodd-Frank studies, process changes, and rulemakings will add additional functions to Board operations.

Organizational Structure and Staffing

To meet its Dodd-Frank implementation responsibilities, the Board initially implemented an organizational structure with 81 team leaders and 334 team members from across the Board's divisions, as well as from various Federal Reserve Banks. These staff members were selected to work on certain Dodd-Frank projects based on their expertise. Most Dodd-Frank project teams are multidisciplinary, and each has a designated team leader who is responsible for managing project efforts and communicating project status both through RRPTT and to their respective division project coordinators.

The majority of team leaders were assigned to lead multiple projects in RRPTT, averaging 3 projects per team leader, with 1 team leader initially assigned to lead 19 projects. In addition, nearly all of the team leaders also serve as members on other projects.¹⁰ One division explained to us that they assigned a few key staff members to multiple teams for the purpose of identifying the specific expertise needed from their division and that they were in the process of "swapping out" the individuals in these positions. While we recognize that projects have different due dates and not all projects are currently "active" and require ongoing attention, this still represents a

¹⁰ The Banking Supervision and Regulation (BS&R), Consumer and Community Affairs (DCCA), International Finance (IF), Legal, Monetary Affairs (MA), OIG, Reserve Bank Operations and Payment Systems (RBOPS), and Research and Statistics (R&S) divisions had staff working on implementing specific Dodd-Frank projects within our audit scope. The Legal Division typically has a representative on any project that involves rulemaking.

large workload on certain individuals. We believe this Dodd-Frank workload could affect performance of existing job responsibilities and employee morale.

Project coordinators serve as their respective division's central point of contact for a composite group of projects assigned to the division. In addition, project coordinators facilitate timely and effective communication flows between team leaders and the Dodd-Frank Special Advisor. We were informed that 10 project coordinators actually serve on the RRCC and facilitate information flows to this committee. This committee meets weekly to monitor and manage Dodd-Frank project progress. The RRCC is chaired by the Dodd-Frank Special Advisor. The Dodd-Frank Special Advisor has a full-time advisor to assist in program coordination. In addition to monitoring and managing Dodd-Frank implementation progress, the Dodd-Frank Special Advisor provides implementation updates to the Board and is responsible for scheduling the dates on which items will be brought to the Board for review and approval.

We identified that some divisions having fewer Dodd-Frank projects rely on existing governance mechanisms for management and approval of Dodd-Frank implementation. BS&R, on the other hand, employs a Dodd-Frank Senior Review Group (DF SRG) to assist in the management of its Dodd-Frank projects because of the large number of projects it manages. We were informed that team leaders follow the traditional chain of command (as represented in BS&R governance documents) for approval of Dodd-Frank projects; however, wide ranging issues or those requiring input from other division staff are brought before the DF SRG.

Recruiting and Assimilating New Staff

The workload of Dodd-Frank requires the Board to hire additional staff, creating challenges related to the recruitment, hiring, and assimilation of new staff with the required skills and expertise. The Board's 2011 budget includes 146 new positions for 10 divisions and offices, the vast majority of which were requested to implement Dodd-Frank requirements, as well as lessons learned from the financial crisis. Appendix B provides a breakdown of the number of new positions by division and office.

Information on staffing in the 2011 budget request noted that divisions and offices originally requested approximately 200 positions to support proposed initiatives. After discussions with the Staff Planning Group, the Board's Administrative Governor, and respective oversight Governors, the divisions reevaluated assumptions regarding their ability to effectively hire and assimilate a large number of new staff during the first full year of Dodd-Frank implementation. As a result of this additional review, division and office directors reduced their request to the 146 positions discussed above. They noted, however, that to fully implement new legislative mandates and to meet other workload requirements would likely necessitate hiring an additional 66 positions. At the time of the budget request, these positions were deferred until 2012.

The status of this hiring for divisions with lead responsibility for Dodd-Frank projects within our scope is shown in Table 2 on the next page.

Table 2 - Division Hiring Status

	BS&R	Legal	MA	RBOPS	R&S	Total
2011 Authorized Position Increase	45	8	9	13	28	103
Individuals Hired to Date	22	4	7	6	28	67
Remaining Positions to be Filled	23	4	2	7	0	36

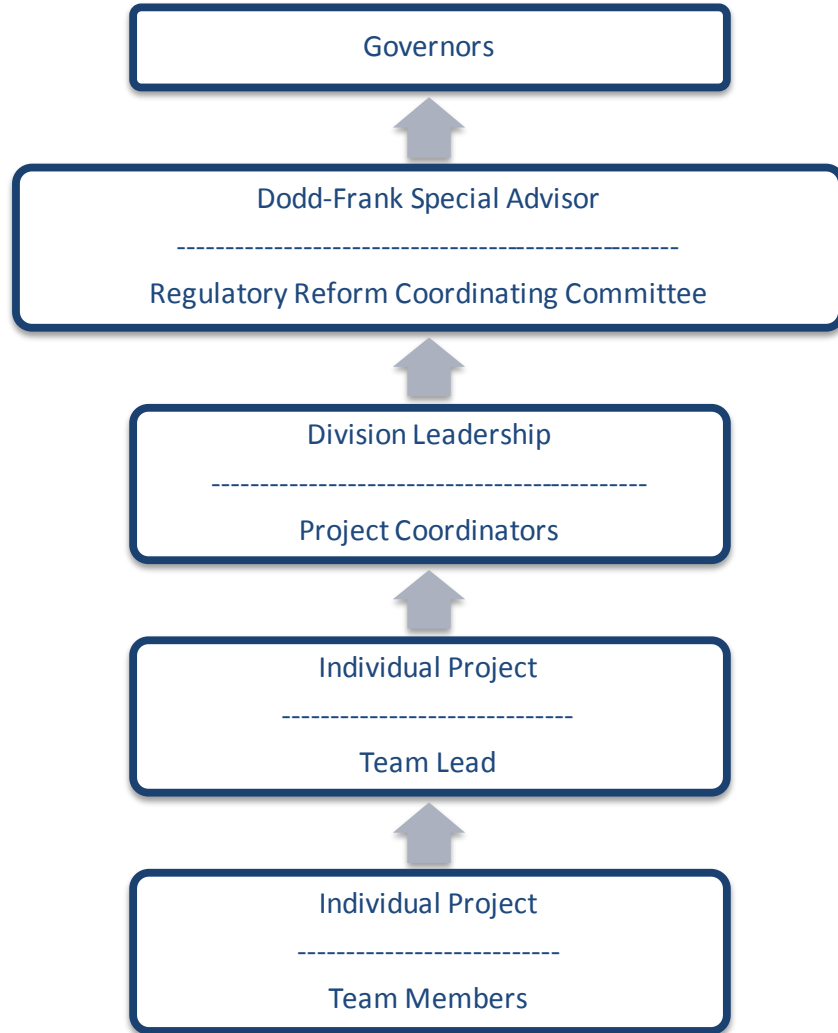
We were informed by officials in some divisions that hiring was further complicated by the specialized expertise needed to implement Dodd-Frank and that the Board is competing with the private sector for these needed skill sets. In addition, attrition of existing staff will necessitate further hiring. For example, during our review, two key staff members left the Board; they had served as team members, team leaders, project coordinators, and members of the RRCC. We also noted that eight positions posted by one division were to replace employees who had left that division.

We were informed during our meetings with Board personnel that multiple discussions were held to identify individuals with the skills and knowledge to complete Dodd-Frank projects. We did not observe, however, the use of formal tools, such as skill inventories, to support these efforts. Going forward, recruiting and staffing challenges will continue to require management attention, particularly in those divisions with large or ongoing hiring needs.

Improving the Use of the Regulatory Reform Project Tracking Tool

We identified opportunities to improve the use of RRPTT for project monitoring and status communication, and we have one recommendation in this area. The Board developed and implemented RRPTT to facilitate Dodd-Frank project management and serve as a reporting mechanism through which Board and Reserve Bank staff and management may track the progress of projects. RRPTT enables key information, such as pending due dates, to be viewed for all 257 projects, including high priority initiatives. RRPTT also serves as a medium for project team leaders to communicate with team members and management about how projects are progressing and what actions are required of the Dodd-Frank Special Advisor and the RRCC in order to keep projects on track. The Dodd-Frank Special Advisor stated that he also regularly discusses the status of projects in his weekly meetings with the RRCC, and that he relies on the project coordinators to update him on the status of projects during these meetings. These discussions include projects having deadlines within the next three months, and those thought to be at risk. The flow chart in Figure 3 on the next page illustrates the RRPTT information flow from the team leaders, up through the Dodd-Frank Special Advisor, to the Governors.

Figure 3 – Regulatory Reform Project Tracking Tool Project Information Flow



RRPTT was newly developed and implemented during the performance of the projects we reviewed in this audit, and our review of the information in RRPTT found inaccuracies in 9 of the 26 projects within our scope. These included (1) statutory due dates that were initially incorrect and (2) inaccurate team leader milestone or project status assessments and reporting. We also noted that the weekly team leader assessments for four ongoing projects past their statutory deadlines were performed inconsistently by team leaders from different divisions.

During our fieldwork, in late March 2011, the RRCC enhanced the processes it uses in conjunction with RRPTT to track and report Dodd-Frank projects at risk of missing statutory deadlines. In March, the RRCC discussions were enhanced to include classifying projects thought to be at risk into one of two stages: Stage I is for projects that have a significant possibility of missing their statutory deadlines, and Stage II is for projects that are clearly going

to miss their deadlines. These RRCC discussions also include the current status of at-risk projects and the reasons they are at risk. We were informed that this process was put in place to distill the information from RRPTT and better monitor projects at risk of not meeting deadlines. Information from RRPTT and the RRCC meetings is used by the Dodd-Frank Special Advisor to update the Governors and for periodic email and regulatory reform web page updates.

Incorrect Statutory Due Dates

Of the 26 projects within our scope, 21 were listed in RRPTT with statutory due dates, and we found that RRPTT had incorrect due dates for 5 of these projects.







- Three projects with due dates listed in RRPTT did not actually have statutory deadlines. By the end of our fieldwork, one of these projects had been completed, and two were still ongoing. The Board has corrected the deadline information in RRPTT for the ongoing projects by removing the listed due dates.
- The statutory deadline listed in RRPTT for another project was a year earlier than its actual deadline. At the end of our fieldwork, this project was still ongoing, and the Board had corrected its deadline in RRPTT.
- The statutory deadline for the fifth project was dependent on the completion of an earlier project. When this earlier project was completed late, the dependent deadline was not adjusted. This project was completed by its actual deadline.

While none of these incorrect due dates caused projects to miss actual deadlines, accurate data helps ensure effective management of, and status reporting for, overall Dodd-Frank implementation. Although the Board has corrected these deadlines, the inaccuracies point out challenges in managing large numbers of projects, including when some are contingent or dependent on other projects or activities.

Team Leader Assessments and Reporting

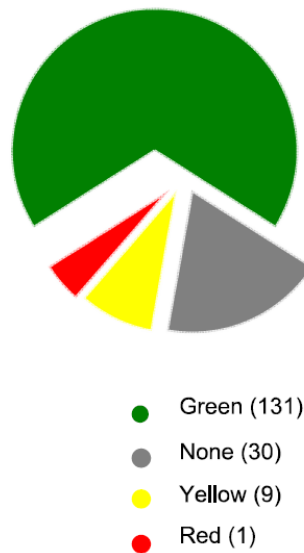
Of the 26 projects that we reviewed in RRPTT, we found 4 with inconsistent team leader project assessments. RRPTT was designed to be used as a collaborative tool to manage and monitor the progress of Dodd-Frank projects. Board and Federal Reserve Bank staff may view key summary performance information as pie charts on the RRPTT Performance Dashboard. More detailed information is available by scrolling through the individual projects or from the team leader's comments and milestone status via hyperlinks. This information includes a color-coded project status for each project from both a RRPTT system assessment and team leader assessment. Colors, descriptions, and indicators to be used for both team leader and RRPTT system assessments are included in the RRPTT User Guide as shown in Table 3 on the next page. The "Late Indicator" symbol displays when the weekly team leader project assessment is not timely submitted.

Table 3 – RRPTT Team Leader and System Assessment Colors and Descriptions

Assessment Color	Description	Indicator	Late Indicator
Red	At Risk; Project is significantly behind schedule and will require changes to structure, scope, or resources to meet Deadline for Final Action/Project Completion Date.		
Yellow	Behind Schedule; Project is behind schedule on milestones, but is still expected to meet Deadline for Final Action/Project Completion Date.		
Green	On Track; Project is progressing as expected, and is set to meet Deadline for Final Action/Project Completion Date.		

The RRPTT system assessment is automatically generated based on whether interim milestones leading to the due date have been met. Team leader assessments, however, are based on the team leader’s judgment as to whether the project is at risk of missing the due date. The RRPTT Performance Dashboard displays cumulative status data for all projects in the team lead assessment pie chart, and this status is based solely on the weekly team leaders’ assessment colors. An image of the cumulative team leader assessments on the Performance Dashboard is shown as Figure 4 below.

Figure 4 – Example of RRPTT Performance Dashboard Cumulative Team Leader Assessments for Board Projects



Projects on the pie chart are not identified as being at risk of not meeting their deadlines unless the team leader has assigned them a red assessment. Team leaders are responsible for monitoring project status; clearly and accurately assessing how the project is progressing; updating RRPTT with current project status information; and communicating project status through RRPTT. The RRPTT User Guide states that team leader assessments are used to communicate to the program and project coordinators how each project is progressing and whether any action is required by the Dodd-Frank Special Advisor. Project coordinators are

required to monitor the progress of projects through the weekly team leader assessments to ensure that any emerging risks or concerns can be addressed. Project coordinators are also responsible for timely and effective communication flow between team leaders and the Dodd-Frank Special Advisor to ensure that the Dodd-Frank Special Advisor is updated regarding the progress of projects.

We identified team leaders who appropriately used RRPTT when projects were at risk of not meeting their deadlines. For example, the team leader for two projects within our scope used RRPTT in a manner that fully and accurately communicated project status when deadlines were going to be missed. In both of these cases, the projects were given a red assessment by the team leader seven weeks before the statutory deadline, and this color assessment was concurrent with the team leader's first comments in RRPTT indicating that the project deadlines would not be met. In 4 of the 26 projects we reviewed, however, we found team leader color assessments that were inconsistent with their comments in RRPTT:

- In one case we found comments that noted as early as January 5, 2011, that the project would not meet its April 17, 2011, deadline. Nonetheless, three different individuals gave the project weekly green assessments, indicating that the project was on track, through the deadline date. At the end of our fieldwork this project was still ongoing.
- A second project was put into yellow status, indicating the project had missed milestones but was still expected to meet its deadline, over three months prior to its deadline, and the team leader noted in the narrative that he anticipated a tight timeline for meeting the final rule deadline. This project missed its deadline but never received a team leader red assessment. This project has been completed.
- The third of these projects was a rulemaking that was not published as a proposed rulemaking until after the date needed to provide for the planned public comment period, not including the time needed to consider and address these comments. Therefore, the project could not be completed before the statutory deadline, yet it was not assessed as red. At the end of our fieldwork this project was still ongoing.
- The team leader of the fourth project noted in the weekly project assessment, six days prior to the deadline, that she had been informed that the head of another agency would not be able to review the report until the next week, so the deadline would be missed. Nonetheless, the team leader did not revise the color assessment. This project has been completed.

In addition, we did not find formal RRPTT guidance for team leaders on reporting project status once their projects pass their statutory deadlines. We noted that team leaders of two such projects provided project assessments based solely on progress against their revised milestones; therefore, the team leader color assessments did not indicate that the projects had missed their due dates. Conversely, the team leader of the projects discussed earlier that were assessed as red prior to their deadlines, continued to assess these projects as red after missing the deadlines to show the projects had missed their due dates. Our discussions with all three team leaders indicated that they believed they were correctly reporting.

We also found one instance where a team leader had inadvertently marked all milestones as "completed" at the beginning of a project. This error resulted in the RRPTT system assessments

remaining green regardless of actual project progress. When we pointed out the milestone status error during our meeting with this team leader, the team leader immediately corrected the project's milestone status, and the system assessment is now yellow. This project is being managed in concert with several others that have more aggressive deadlines, and it appears to be on schedule to meet its statutory deadline. During the period of our audit, the Board reprogrammed the logic surrounding RRPTT system assessments so projects would remain "red" if a statutory deadline was missed, regardless of project milestone adjustments. There is no summary of RRPTT system assessments, however, on the RRPTT Performance Dashboard.

The project milestone and assessment issues we noted resulted primarily from Board staff's initial lack of familiarity with the system. In addition, there is no formal RRPTT guidance for assessments of projects that have missed their statutory deadlines. The Board is currently reviewing deadlines in RRPTT to validate deadlines and make any final adjustments. We have requested a copy of the Board's final analysis for assessment when completed.

Recommendation

Recommendation 1: To improve the benefit that the Board derives from the project management and reporting capabilities of RRPTT, we recommend that the Dodd-Frank Special Advisor to the Board for Regulatory Reform Implementation (a) develop and issue appropriate guidance on RRPTT usage relating to team leader color assessments and the management of projects that have not been completed by their statutory deadlines, and (b) instruct team leaders and project coordinators to evaluate and revise their RRPTT project information as necessary.

Analysis of Comments

We provided a copy of this report to the Board's General Counsel and the Special Advisor to the Board for Regulatory Reform Implementation for their review and comment. In their consolidated response, included as Appendix C, they summarized the management structure and processes employed to meet the ongoing challenges of Dodd-Frank implementation. In addition, they indicated that the report's recommendation will be addressed by reviewing existing policies related to RRPTT and clarifying guidance on color-coded status assessments. We were subsequently notified that the RRCC approved additions to the RRPTT User Guide and User Procedures on Monday, September 12, 2011, and that team leaders were instructed to revise RRPTT project information given this revised guidance.

Appendixes

Appendix A

Projects Included within Audit Scope					
Project Number	Project Title	RRPTT Project Category	Lead Division	Statutory Deadline	Project Status
118	Capital Requirements: Off Balance Sheet Activities	Rulemaking	BS&R	01/21/2012	Completed
124	Risk Committee Requirements	Rulemaking	BS&R	07/21/2012 ¹¹	Ongoing at the end of fieldwork
154	Emergency Lending and Other Facilities Disclosure (One-Time)	Study/Report	MA	12/1/2010	Completed
157	Office of Minority and Women Inclusion (OMWI): Establish Offices	Process Development/Change	Legal	01/21/2011	Completed
173	Volcker Rule: Conformance Period	Rulemaking	Legal	01/21/2011	Completed
179	Incentive Compensation	Rulemaking	Legal	04/21/2011	Ongoing at the end of fieldwork
183	Interest on Demand Deposits (Repeal of Regulation Q)	Rulemaking	MA	07/21/2011	Completed ¹²
191	Moratorium on Industrial Loan Companies and Limited-Purpose Credit Card Banks and Trust Companies	Process Development/Change	Legal	NA	Completed
194	De Novo Interstate Branching	Process Development/Change	Legal	NA ¹³	Completed
213	Credit Rating Alternatives	Rulemaking	BS&R	NA ¹⁴	Ongoing at the end of fieldwork
214	Credit Risk Retention	Rulemaking	Legal	04/17/2011	Ongoing at the end of fieldwork
215	Credit Risk Retention Impact Study	Study/Report	R&S	10/19/2010	Completed
227	Systemic Resolution: Testimony of Primary Financial Regulatory Agency	Process Development/Change	BS&R	NA	Completed

¹¹ We reviewed this project because the original statutory deadline in RRPTT was incorrectly listed as 07/21/2011. This date was corrected in RRPTT during our audit fieldwork.

¹² This project was completed on July 14, 2011.

¹³ We reviewed this project because RRPTT reported it was complete, which was accurate; however, the statutory deadline in RRPTT was incorrectly listed as 12/31/2010. This project had no statutory deadline.

¹⁴ We reviewed this project because the original statutory deadline in RRPTT was incorrectly listed as 07/21/2011. This project had no statutory deadline. This was corrected in RRPTT during our audit fieldwork.

Appendix A

Projects Included within Audit Scope					
Project Number	Project Title	RRPTT Project Category	Lead Division	Statutory Deadline	Project Status
232	Office of Thrift Supervision (OTS) Transition Plan Congressional Report	Study/Report	BS&R	1/17/2011	Completed
238	IG Review: OTS Transition Plan	Consultation: Studies/Reports	OIG	3/15/2011 ¹⁵	Completed
241	Capital Requirements for Swap Dealers and Others	Rulemaking	BS&R	NA	Completed
284	Debit Card Interchange Transaction Fees	Rulemaking	RBOPS	4/21/2011	Completed
285	Debit Card Network Fees	Rulemaking	RBOPS	4/21/2011	Completed
286	Debit Transaction Exclusivity and Routing Restrictions	Rulemaking	RBOPS	7/21/2011	Completed
287	Debit Card Interchange Transaction Fees Public Report	Study/Report	RBOPS	4/21/2011	Completed
303	Community Reinvestment Act (CRA) Rule Writing Authority	Process Development/Change	DCCA	NA	Completed
335	Real Estate Appraisals: Independence	Rulemaking	DCCA	10/19/2010	Completed
340	Residential Mortgages: S.A.F.E. Act Mortgage Originator Registration	Rulemaking	BS&R	1/21/2013	Completed
346	Residential Mortgages: Escrow Requirements	Rulemaking	DCCA	1/21/2013	Completed
360	Swaps Margin Requirements	Rulemaking	R&S	NA ¹⁶	Ongoing at the end of fieldwork
365	Truth in Lending Act (TILA): Exemption Threshold Increase	Rulemaking	DCCA	NA	Completed

¹⁵ This deadline in RRPTT is incorrect; it should be 03/26/2011, 60 days after the submission of the OTS transition plan. The OIG completed its review of the OTS transition plan on time but was not responsible for revising this project's deadline in RRPTT.

¹⁶ We reviewed this project because the original statutory deadline in RRPTT was incorrectly listed as 07/16/2011. This project has no statutory deadline. This information was corrected in RRPTT during our audit fieldwork.

Approved Position Increases Budgeted for 2011

Division	Number of Positions	Purpose
Office of Board Members	1	Communication strategist position to modernize its information dissemination strategy to include social media
Office of Staff Director	1	Support the establishment of an Office of Minority and Women inclusion at the Board as required under Dodd-Frank
R&S	14	Economists and support staff to address lessons learned in the financial crisis, participate and comment on research policy studies, and focus on systemic risk
R&S	14	Economists and support staff to play a role in shaping regulations resulting from Dodd-Frank, lead efforts in the work of the Financial Stability Oversight Council, and revamp data collection
IF	4	Economists to address increased demand resulting from the financial crisis
IF	5	Economists and support staff to address requirements of Dodd-Frank
MA	7	Economists and support staff to meet requirements of Dodd-Frank and alleviate the pressure of workloads from the financial crisis
MA	1	Senior records project manager to meet increasing demands for Freedom of Information Act requests
MA	1	Economist to prepare regular materials regarding the evolution of private sector forecasts
BS&R	11	Enhance the effectiveness of institutional supervision and surveillance of Large Institution Supervision Coordinating Committee portfolio
BS&R	6	Acquire thrift supervision knowledge to address supervisory authority for all thrift holding companies
BS&R	4	Develop policies that are required under Dodd-Frank relating to risk retention, appraisals, and capital, along with supporting financial research relating to market risk, treasury functions, and credit securitization
BS&R	4	Address the shortage of quantitative experts for the oversight of the Basel 2 (B2) implementation process, the depth and quality of B2-related exams, and the interpretation of B2 approval standards
BS&R	20	Address lessons learned and delayed activities due to the financial crisis
LEGAL	8	Develop rules and participate in studies related to Dodd-Frank
RBOPS	13	New responsibilities related to oversight of systemically important payment, clearing, and settlement systems
Information Technology	16	Support the divisions' and offices' IT-related initiatives
Management (MGT)	10	Infrastructure needed to support growth Boardwide
MGT	3	Support space leasing requirements and the design effort for the visitor and conference center
MGT	3	Support increased workload in the Procurement section and meet requirements of Dodd-Frank
TOTAL	146	



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

September 15, 2011

Mr. Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Dear Mr. Bialek:

Thank you for the opportunity to comment on your draft report about the Federal Reserve Board's ("Board") implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). We appreciate the report's recognition of the Board's efforts to establish an organizational structure to complete the approximately 250 projects we have associated with implementation.

To ensure that we meet our obligations in a timely manner, we have created a senior staff position to facilitate management and oversight of our implementation efforts, established a Regulatory Reform Coordinating Committee with representatives from across the Board to enhance communication, identified team leaders for each project and developed reporting and tracking tools to supplement these efforts. Board staff, including staff assigned to the implementation committee, meets frequently to discuss the status of individual projects. These discussions promote quality and timeliness in the Board's implementation efforts, and help to ensure that relevant information is reported accurately to senior officials.

The report contains one recommendation. Specifically, you recommend that the Board's Special Advisor for Dodd-Frank implementation should issue additional guidance to staff related to the color-coding scheme contained in the Regulatory Reform Project Tracking Tool ("RRPTT"), one of the many tools used to monitor the progress of implementation projects. We will address the recommendation by reviewing our existing policies related to RRPTT and, as part


of that process, clarify guidance on team leader color-coded status assessments for projects that have not been completed by their statutory deadlines.

Sincerely,



Scott G. Alvarez
General Counsel

Sincerely,



James M. Lyon
Senior Advisor to the Board for
Regulatory Reform Implementation

CC: Andrew Patchan,
Associate Inspector General for Audits and Attestations