



Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

Executive Summary, 2023-SR-B-009, June 14, 2023

The Board Can Enhance Its Procedures and Controls for Protecting Confidential Information in Supervision Central

Findings

While conducting supervision and examination activities, examiners obtain and prepare documents that contain confidential supervisory information and sensitive personally identifiable information (PII). We found that examiners at the three Federal Reserve Banks in our scope do not use Supervision Central's temporary files category in a consistent manner. The category helps to purge documents that are not required to be retained as part of the examination record. We also noted a lack of awareness about the purpose and usefulness of the temporary files category among several Reserve Bank examiners from two of the three Reserve Banks. Developing and communicating guidance for using the temporary files category will help to clarify expectations for examiners and mitigate the reputational risks associated with retaining such information unnecessarily.

Additionally, we found that Reserve Bank examiners responsible for supervising community banking organizations (CBOs) and regional banking organizations (RBOs) can access all supervisory events within their district in Supervision Central. We learned that the Board of Governors of the Federal Reserve System chose to provide CBO and RBO examiners with this access to encourage the sharing of information among examination teams, to reduce the burden of duplicative document requests for banking organizations, and to facilitate opportunities for training. However, such access may result in some examiners having access to sensitive PII without a need to know. We believe that in addition to making widespread use of Supervision Central's controls to facilitate purging sensitive PII, the Board should implement other measures to limit access to sensitive PII in Supervision Central to those with a need to know. Such measures could include restricting access to supervisory events to the examination team and others with a need to know or requiring lead examiners to restrict access to documents containing sensitive PII to only those who require it to perform their job duties.

Recommendations

Our report contains recommendations designed to enhance the effectiveness of the Board's processes and practices for protecting confidential information in Supervision Central. In its response, the Board concurs with our recommendations and outlines actions that will be taken to address each recommendation. We will follow up to ensure that the recommendations are fully addressed.

Purpose

We conducted this evaluation to assess the Board's and the Reserve Banks' controls over access and practices for disposing of confidential supervisory information and sensitive PII in select applications used for supervising CBOs and RBOs.

Background

Under delegated authority from the Board, the Reserve Banks supervise the banking organizations located within their respective district. During their supervisory activities, Reserve Bank examiners obtain nonpublic information from those organizations. Some of these documents contain sensitive customer information or PII that has the potential to cause harm to an individual or the Board's mission or operations if it is lost or misused. In June 2021, the Federal Reserve System adopted Supervision Central, a cloud-based application that supports collaboration and information sharing among several stakeholders, including Reserve Bank supervision staff, banking organization staff, and other regulatory agencies. Reserve Bank supervision staff document their supervisory activities for CBOs and RBOs in Supervision Central.