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Chief Counsel’s Office Focuses on Bank Safety and Soundness, Customer Products and Services

Bank Safety and Soundness

The OCC strives to maintain a flexible legal and regulatory framework that enables the national banking system to provide a full, competitive array of financial services. In fiscal year 2008, the OCC published a final rule to reduce unnecessary regulatory burden and revise and update OCC regulations. The final rule updated and revised the qualifying standards and after-the-fact notice procedures that apply to national bank operating subsidiaries. The rule also expanded the list of operating subsidiary activities that are permissible upon filing an after-the-fact notice.

Other revisions in the rule reduced the burden associated with applications for fiduciary powers and intermittent branches, change-in-bank control notices, and requirements to make securities filings. The final rule incorporated previously published interpretive opinions concerning, for example, electronic banking activities, to harmonize the OCC rules with those of other federal agencies, to reflect recent statutory changes, and to make technical and conforming amendments to improve clarity and consistency. The OCC amended our securities offering disclosure rules to eliminate the general requirement that a national bank in organization include audited financial statements in a public offering.

As described in the “State of OCC Supervision” section, the OCC published several rules implementing sections of the Fair and Accurate Credit Transactions Act of 2003 and rules implementing aspects of the Basel II Capital Accord.

Comptroller Dugan stated in March 2008 that the OCC would play a positive and constructive role in the discussion of the Department of the Treasury’s Blueprint for a Modernized Financial Regulatory Structure.

The OCC provides regulatory oversight practices and interpretive letters that support national banks’ ability to compete while maintaining safety and soundness. We issued our annual publication, *2007 Significant Legal, Licensing, and Community Development Precedents for a National Bank*, as well as the cumulative companion edition of *Activities Permissible for a National Bank: 2007*. Interpretive letters issued during fiscal year 2008 included opinions on permissible types of derivatives transactions, including property index derivative transactions and derivative transactions associated with designated types of natural events and catastrophes, as well as a specification of types of securities a bank may purchase and hold to hedge permissible equity derivatives transactions.

Other interpretive letters dealt with risk-based capital requirements for synthetic securitizations

based on home equity lines of credit and loans, and risk-based capital credit conversion factors applicable to a liquidity facility.

We issued a preemption opinion on the ability of an operating subsidiary to export interest rates and fees from the bank's home state, on charges to non-account holders for cashing official checks, and on the offering of debt cancellation contracts through auto dealers. In addition, the Second Circuit Court of Appeals denied the New York Attorney General's petition for rehearing on prior court findings that the Attorney General did not have authority to investigate real estate lending by national banks or their operating subsidiaries, with reference to the OCC's exclusive visitorial authority.

The agency will continue in fiscal year 2009 to consider and issue opinions on the safe and sound implementation of bank activities and products. The OCC will also continue to provide case-by-case analysis, when appropriate, for the applicability of state law and the exclusivity of the agency's visitorial authority under the national banking laws, in order for national banks to operate efficiently under uniform national standards.

Protecting Consumers

The OCC examination program addresses problems and noncompliance arising from unfair treatment of bank customers, including failure to meet requirements for proper disclosures relating to financial products and services.

In fiscal year 2008, the OCC entered into a formal agreement with a large national bank, directing the bank to make restitution to consumers harmed by its relationships with telemarketers and third-party processors. The estimated restitution could exceed \$125 million. In addition to the restitution payments, the bank was also required to contribute approximately \$8.9 million to consumer education programs directed at the elderly and to pay a \$10 million civil money penalty (CMP). The OCC found that the bank engaged in unsafe and unsound practices in its relationships with payment processors and telemarketers and unfair practices under the Federal Trade Commission Act. The practices cited by the OCC involved the use of

remotely created checks after telemarketers obtained bank account information over the phone to offer consumers a range of questionable products and services. The OCC found that the bank profited from the fees and bank balances generated by these activities and failed to take action to terminate the account relationships when it became aware of the problem.

Addressing Criminal and Terrorist Misuse of the Banking System

The OCC is committed to preventing criminals and terrorists from misusing the financial system and to supporting law enforcement efforts to detect and prosecute criminal activities. This work is often carried out in partnership with other federal financial institutions regulatory agencies, the Financial Crimes Enforcement Network (FinCEN), and law enforcement.

OCC examiners evaluate each national bank's compliance with Bank Secrecy Act/Anti-Money Laundering (BSA/AML) requirements; when they observe problems with a bank's BSA compliance program, the agency seeks corrective action from the bank. The OCC investigates national banks that fail to meet BSA/AML requirements and takes enforcement actions against them. In fiscal year 2008, for example, the FinCEN and the OCC each assessed CMPs of \$15 million against a federal branch of a foreign bank for alleged violations of the Bank Secrecy Act, which the bank agreed to pay under a consent order. The bank had a history of noncompliance with OCC cease and desist orders relating to Bank Secrecy Act deficiencies and requirements to terminate wire transfers, dollar drafts, and pouch transactions.

Enforcement Actions Against Bank Insiders and Third Parties

Actions against insiders included cease and desist orders, restitution orders, the assessment of CMPs, and prohibition orders. Insiders may be the subject of these actions for misrepresentations in regulatory filings, self-dealing, or misappropriating bank funds, and other improper practices in loan administration, use of bank premises, bank expenses, and exercise of fiduciary duty.

The OCC also takes action against institution-affiliated parties whose actions in a professional capacity in relation to the bank meet certain standards of misconduct or are otherwise illegal.

The OCC's Fast Track Enforcement Program uses information from suspicious activity report filings to pursue prohibition or other enforcement actions

when bank insiders and other institution-affiliated parties committed criminal acts or acts of significant wrongdoing involving banks, but no action was taken by law enforcement.

Figure 9 summarizes enforcement actions taken in fiscal year 2008.

Figure 9: **Enforcement Actions**

Enforcement Actions, Fiscal Year 2008	Against Banks	Against Institution-Affiliated Parties
Cease and Desist Orders	20	14
Temporary Cease and Desist Orders	0	0
12 USC 1818 Civil Money Penalties	3	27
12 USC 1818 Civil Money Penalties Amount Assessed	\$25,007,500	\$662,000
Flood Insurance Civil Money Penalties	7	0
Flood Insurance Civil Money Penalties Amount Assessed	\$323,725	\$0
Restitution Orders	1	2
Amount of Restitution Ordered	\$125,000,000	\$11,100
Formal Agreements	51	0
Individual Minimum Capital Ratio Letters	9	0
Memorandums of Understanding	17	0
Commitment Letters	7	0
Suspension Orders	0	0
Letters of Reprimand	0	13
12 USC 1818 Removal/Prohibition Orders	0	32
12 USC 1829 Prohibitions	0	203
Total Enforcement Actions	115	291

Source: OCC data for fiscal year 2008.

Licensing Decisions

The Licensing Department establishes policies and procedures for OCC's processing of corporate applications involving national banks and foreign banking organizations. These functions are performed on a decentralized basis. Corporate structure changes requiring OCC approval include new bank charters, conversions to the national charter, national bank merger (or business combinations), corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, capital and subordinated debt issuances, contraction of national bank assets, and foreign branches and agencies.

The department works closely with bank supervision and other legal units on the viability and legality of proposals for dealing with problem banks. Proposed restructurings that may avoid

bank failures and their associated costs can include mergers, purchases and assumptions, and chain bank structures.

The OCC made several significant licensing decisions involving national bank business realignments and acquisitions. In addition, the OCC implemented streamlined regulatory requirements and process improvements for de novo bank charters, resulting in reduced costs and barriers and enhanced value of the national bank charter.

To address potential safety and soundness problems before they arise, the OCC may impose conditions upon bank transaction approvals covering capital and liquidity arrangements and deviations from business plans.

In fiscal year 2009, the OCC plans to implement improved methods for accessing licensing application information from the agency's public Web site. Licensing Figures 10-14 follow.

Figure 10: Licensing and Customer Service Performance Measures

Performance Measures	Target	Actual
Percentage of licensing applications and notices filed electronically	40%	46%
Percentage of licensing applications and notices completed within established time frames	95%	95%
Average survey rating of the overall licensing services provided by the OCC	≤ 1.50	1.22

Source: OCC data for fiscal year 2008.

Figure 11: Corporate Application Activity

	Applications Received		Fiscal Year 2008 Decisions			
	Fiscal Year 2007	Fiscal Year 2008	Approved	Conditionally Approved ⁴	Denied	Total ⁵
Branches	1,673	1,251	1,247	12	0	1,259
Capital / Sub Debt	135	170	69	7	0	76
Change in Bank Control	8	5	0	2	0	4
Charters	32	33	1	27	0	28
Conversions ¹	25	7	3	5	0	8
Federal Branches	1	3	0	3	0	3
Fiduciary Powers	6	11	3	0	0	3
Mergers ²	49	46	44	1	0	46
Relocations	277	291	279	2	0	283
Reorganizations	108	111	93	17	0	111
Stock Appraisals	2	1	0	0	0	0
Subsidiaries ³	14	23	13	5	0	18
12 CFR 5.53 Change in Assets	4	5	0	4	0	4
LTD NB Upgrade	2	0	0	0	0	0
Total	2,336	1,957	1,752	85	0	1,843

Source: OCC data for fiscal years 2007 and 2008.

¹ Conversions are conversions to national bank charters.

² Mergers include failure transactions when the national bank is the resulting institution.

³ This count does not include 81 after-the-fact notices received in fiscal year 2007 and 84 after-the-fact notices received in fiscal year 2008.

⁴ On April 14, 2000, the Licensing Department issued guidance imposing special conditional approval for all bank charters requiring the OCC to be notified before a significant deviation or change in the operating plan during the first three years of operation.

⁵ Total includes alternative decisions or no objections.

Figure 12: OCC Licensing Actions and Timeliness

Application Type	Fiscal Year 2007				Fiscal Year 2008		
	Target Time Frames in Days ¹	Number of Decisions	Within Target		Number of Decisions	Within Target	
			Number	Percent		Number	Percent
Branches	45/60	1,729	1,690	98	1,259	1,222	97
Capital / Sub Debt	30/45	71	59	83	76	70	92
Change in Bank Control	NA/60	6	6	100	4	3	75
Charters ²		30	13	43	28	17	61
Conversions	30/90	11	9	75	8	8	73
Federal Branches	NA/120	0	0	0	3	2	67
Fiduciary Powers	30/45	4	3	75	3	3	100
Mergers	45/60	40	54	84	46	36	90
Relocations	45/60	257	251	98	283	274	97
Reorganizations	45/60	94	84	89	111	98	88
Stock Appraisals	NA/90	0	0	0	0	0	0
Subsidiaries	NA	31	31	100	18	15	83
12 CFR 5.53 Change in Assets	NA/60	4	2	50	4	4	100
LTD NB Upgrade ²		1	0	0	0	0	0
Total		2,278	2,183	96	1,843	1,758	95

Source: OCC data for fiscal years 2007 and 2008.

Note: Most decisions (99 percent in 2007 and 98 percent 2008) were decided in the district offices and Large Bank Licensing under delegated authority. Decisions include approvals, conditional approvals, and denials.

¹ Those filings that qualified for the “expedited review” process are subject to the shorter of the time frames listed. The longer time frame is the standard benchmark for more complex applications. New time frames commenced in 1997 with the adoption of the revised Part 5. The target time frame may be extended if the OCC needs additional information to reach a decision, permits additional time for public comment, or processes a group of related filings as one transaction.

² For independent charter applications, the target time frame is 120 days. For holding-company-sponsored applications, the target time frame is 45 days for applications eligible for expedited review, and 90 days for all others.

Figure 13: Change in Bank Control Act ¹

Year	Received	Acted On	Not Disapproved	Disapproved	Withdrawn
2008	5	4	4	0	0
2007	6	6	0	0	0
2006	9	8	4	0	4
2005	17	17	17	0	0
2004	16	14 ²	13	0	0

Source: OCC data for fiscal years 2004–2008.

¹ Notices processed with disposition.

² Includes one notice with no activity. The OCC considered it abandoned.

Figure 14: **List of Applications Presenting Community Reinvestment Act Issues Decided**

Bank, City, State	Interpretations and Actions Publication Date	Document Number
PNC Bank, National Association, Pittsburgh, Pennsylvania (merger)	February 2008	CRA Decision No. 141
TD Banknorth, National Association, Portland, Maine (merger)	May 2008	CRA Decision No. 142
Wachovia Bank, National Association, Charlotte, North Carolina (new branches)	May 2008	CRA Decision No. 143

Source: OCC data for fiscal year 2008.

Community Affairs

The Community Affairs Department provides technical support to OCC Compliance examiners, conducts consultations with bankers on CRA and community development, and trains bank CRA officers through the OCC’s national network of Community Affairs Officers.

The department also processes national bank community development filings. In fiscal year 2008, national banks made 329 community development investments, which totaled \$3.7 billion, under the public welfare investment authority of 12 CFR 24.

In fiscal year 2008, Community Affairs sponsored or represented the OCC at nearly 100 conferences and meetings focused on community investment and development structures and opportunities, including cosponsoring the annual National Interagency Community Reinvestment Conference and a Minority-Owned Institutions Conference. The department worked with other government entities and engaged in discussions with community and consumer organizations on such topics as affordable housing, foreclosure avoidance, preservation of foreclosed properties, payment and debit card products, and alternatives to traditional credit-scoring models. Community Affairs staff also supported the agency’s participation in NeighborWorks America, a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts, as well as federal financial literacy and consumer protection programs. The department organized Comptroller Dugan’s tour of New York City neighborhood community development projects benefiting from national bank investments.

Community Affairs provided loan and foreclosure data and community mapping analyses in support of OCC policy and processes. The department also continued the community development-oriented publications program with the issuance of a consumer advisory on avoiding mortgage fraud and publications on low-income housing tax credits, the Small Business Administration 7(a) loan program, multibank community development banks, and preservation of affordable rental housing. Publications and related information are made available through a variety of media, including the OCC Web site and Web-based seminars.

Office of the Ombudsman Ensures Fair, Expedient Resolution of Complaints

In March 2008, Comptroller Dugan appointed Larry Hattix as the agency’s second Ombudsman since the office was created in 1993. The Ombudsman serves as an objective arbiter to resolve bank appeals independent of the OCC’s supervisory process.

The Office of the Ombudsman is organized around the core principles of dispute resolution and customer service. The office seeks to ensure that national banks and customers of national banks receive fair and expeditious resolution of their complaints through two distinct processes within the office. The National Bank Appeals Process is designed to resolve disputes of national banks arising from the supervisory process. The Customer Assistance Group (CAG) focuses on ensuring that customers of national banks receive fair treatment in resolving their complaints with national banks.

National Bank Appeals Process

The appeals process is designed to provide banks with an independent, fair, and binding means of settling disagreements that can arise from OCC supervisory actions or decisions. National banks can make informal inquiries or file formal appeals in strict confidence without fear of retaliation. With the Comptroller's consent, the Ombudsman can stay a pending decision or action until the appeal is resolved. In fiscal year 2008, the Ombudsman received 21 formal and informal appeals and substantive inquiries, in addition to numerous general inquiries.

Separate from the appeals process, the OCC assesses the effectiveness of the supervisory process through an examination questionnaire administered by the Office of the Ombudsman. The questionnaire is provided to all national banks at the conclusion of their 12- or 18-month supervisory cycle. The questionnaire is designed to gather direct and timely feedback from bankers on the OCC's supervisory program.

Customer Assistance Group

For fiscal year 2008, the OCC's CAG received more than 90,000 telephone calls from customers of national banks and processed more than 41,000 written complaints. While credit cards remain the product with the highest number of complaints, comprising nearly 40 percent of all complaints received, complaints related to both home mortgage loans and home equity products increased significantly. In 2008, national banks returned more than \$10 million in fees and charges to customers.

The OCC launched HelpWithMyBank.gov in July 2007. This is a consumer-focused Web site designed to provide self-service assistance to bank customers on a wide array of topics. It includes a frequently asked questions area, tools to determine if a particular financial institution is regulated by the OCC, and step-by-step instructions on how to file a complaint. In its first year of operation, over 333,000 individuals visited the site and downloaded more than 26,500 consumer complaint forms.

Management, Information Technology, and Governance Help the OCC Maintain Skilled Workforce

Human Resources

The OCC's success in supervising and regulating the national banking system depends on the capabilities, effectiveness, and efficiency of our employees. Comptroller Dugan and the rest of the Executive Committee are committed to maintaining a diverse, highly skilled, motivated, and well-placed workforce.

The OCC's hiring and training programs are producing a high-quality staff. A large part of this effort is focused on successfully developing entry-level examiners into commissioned examiners with the skills to conduct and lead national bank examinations in a challenging economic environment.

Succession planning and transmitting institutional knowledge will be critical for the OCC to fulfill the agency's mission. Twenty-eight percent of the OCC's total workforce and 26 percent of examiners become eligible to retire over the next five years. The Committee on Bank Supervision oversees several programs designed to increase and strengthen examiner and leadership pools. For example, the OCC's Specialty Skills initiative provides examiners with a road map to develop their skills in eight specialty areas and will help ensure that the agency can supervise the increasingly complex array of activities and institutions in the national banking system.

The OCC recruits most of its entry-level employees on college campuses across the nation. In fiscal year 2008, the agency hired 122 entry-level examiners. This pool of examiners was distinctive not only for quality but also for diversity. Since the inception of this hiring program in 2003, the OCC has employed about 705 entry-level examiners. Of this group, 52 percent are women and 35 percent are minorities.

The agency's personnel strategy also encompasses an experienced-hire program, which brings in employees directly from the banking and finance industry, and programs that seek to identify and develop talent among existing employees.

The OCC has established an “on-boarding” program to acclimate newly hired examiners, new managers, and executives. All newly hired industry specialists are assigned mentors to smooth their transition. Mentors provide instruction in agency culture and policies, provide regular feedback on performance, and solicit comments on their initial experiences at the OCC.

Having recruited the highest quality people, the OCC works hard to retain them. To that end, the agency instituted an aggressive retention program. At regular intervals, surveys and focus groups give precommissioned examiners an opportunity to provide feedback on their OCC experiences and hear the OCC’s response. The OCC holds career forums at the three-year point to allow precommissioned examiners to interact with OCC senior leadership, learn about the Uniform Commission Examination, and plan for future opportunities in their OCC careers.

At the beginning of fiscal year 2008, the OCC ranked fourth on the Partnership for Public Service’s list of *Best Places to Work in the Federal Government* out of 222 subcomponents of large federal agencies. This independent rating is based on OCC employees’ responses to the Federal Human Capital Survey and reflects the OCC’s efforts to provide a professional, supportive workplace that helps to attract and retain outstanding employees. To that end, we strive to provide a comprehensive and competitive program of pay and benefits as stipulated in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. In August 2008, Comptroller Dugan announced compensation and benefits decisions that allow the OCC to remain competitive among the federal bank regulatory agencies with which it competes most directly for personnel.

The agency has taken steps to encourage experienced examiners to transfer into the supervision policy group in headquarters and to large banks in major cities. To attract internal candidates, the OCC emphasized the importance of these assignments to career advancement and provided incentives, including relocation bonuses, mortgage subsidies, financial assistance for renters, and transitional cost-of-living reimbursements.

Equal Opportunity and Workplace Fairness

The OCC demonstrated commitment to equal employment opportunity and workplace fairness by:

- Continuing investment in a cadre of experienced third parties to assist employees in improving conflict management and communication skills through mediation, facilitation, and coaching techniques. OCC mediators conducted eight internal and nine external mediations. Participants rated the mediation experience as being “above satisfactory,” with participation rates exceeding the goals set forth by the Department of the Treasury.
- Using “Crucial Conversations” training as a shared approach to communicating difficult messages, clarifying expectations, and resolving disagreements. A cadre of 12 OCC employees, who are certified instructors, delivered “Crucial Conversations” training to more than 15 percent of the OCC workforce. Participants reported that the course exceeded their expectations.
- Enhancing dispute prevention, organizational awareness, and accountability by briefing the Executive Committee on equal employment opportunity and diversity program requirements. The OCC sponsored workshops on equal employment opportunity, alternative dispute resolution, diversity, and antiharassment principles in 20 field offices, in the Office of the Ombudsman, and for 12 Large Bank Supervision teams.
- Serving as a colead with the Department of the Treasury with the strategic goal of transforming the human capital occupation and as colead with the Bureau of Engraving and Printing on the Treasury Shared Neutrals (third-party servicers, such as mediators and facilitators) program.

Technology

In fiscal year 2008, OCC Information Technology Services (ITS) strived to improve frontline customer service, optimize support for business applications, and stabilize the agency’s technical infrastructure. Highlights include:

- Improving frontline customer support by realigning the ITS Technical Support organization to empower our technical support agents in the field.

- Enhancing remote access services to provide users in the field with better access to OCC information and applications. By deploying mobile.occ.gov, users can access OCC data and common applications anytime, anywhere, from any computer connected to the Internet.
- Enabling the Large Bank Supervision Department to modernize its strategic resource planning by using the newly developed Strategies and Resources (STARS) application. With deployment in 2009, STARS will eliminate duplicative reporting processes and ease the burden of drafting the strategy document, while providing Large Bank Deputy Comptrollers with consistent information to supervise the entire large bank portfolio.
- Modernizing OCC's core messaging infrastructure to improve e-mail security reliability, capacity, and performance.
- Providing faster, more reliable deployments of new systems and IT products by strengthening and streamlining internal IT processes and procedures, such as the OCC System Development Lifecycle process.
- Deploying the Treasury Learning Management System. The system provides OCC staff with a robust training management portal through which users can register, track, and request approval for external training. Users of this system can identify and register for classes and participate in online training that is essential for their jobs or that promotes career growth.

In addition, as recognition of OCC's IT accomplishments in 2007, the OCC received the prestigious Archivist Achievement Award at the 2008 National Archives and Records Administration Conference for the design and implementation of the Workflow and Information Systems and Document Manager electronic recordkeeping system.

Information Technology Security and Emergency Preparedness

In fiscal year 2008, the OCC Information Security Program expanded to achieve increased focus on policy, compliance, training, technical oversight, and audit. We published a revised Federal Information Security Management Act-compliant Information Technology Security Policy (Policy and Procedures

Manual 4000-1(REV)). The new policy aligned the OCC information security program with the Federal Information Security Management Act requirements and established a procedure for addressing other information security-related issues.

The OCC's ITS Department also improved documentation of the Information Security Program by identifying key policies, standards, and procedures. These were codified as information security goals, objectives, and strategies in the security policy. These policies are being measured with a comprehensive metrics program. The department's plan to improve and institutionalize information security at the OCC, known as "Information Security 2012," will be detailed in a forthcoming "Information Security Concept of Operations" publication.

A corrective actions process known as the OCC Plan of Actions and Milestones program, which was compliant with the National Institute of Standards and Technology and the Office of Management and Budget, was implemented with associated procedures, templates, and reports. The OCC reports program activities on a quarterly basis to the Department of the Treasury, which will use the information to provide overall departmental status to the Office of Management and Budget.

Using new engineering resources, our ITS Department strengthened its ability to detect and respond more quickly to computer security incidents and improved its coordination with other OCC units, the Treasury Computer Incident Response Center, and the Treasury Office of the Inspector General. OCC information infrastructure components and major computer applications are assessed regularly for risk. This includes undergoing full, continuous monitoring that is compliant with the National Institute of Standards and Technology and is required for the OCC to maintain accreditations awarded in fiscal year 2007. In fiscal year 2008, the department provided a security training program to all employees and contractors. The training focused on the confidentiality and integrity of OCC's information, regulations that govern OCC information systems, and potential threats and vulnerabilities that can undermine those systems.

The OCC continued to correct and mitigate management control deficiency findings from last year's financial audit. A project team worked collaboratively with all financial audit stakeholders

to implement the improvements needed to resolve the previous year's findings. A separate verification and validation process was established to test the effectiveness of the remediation activities on six of the repeat findings.

The OCC's Emergency Management Program prepares the agency to respond to emergencies that disrupt normal operations. The program ensures that the necessary plans, resources, and training exist to deal effectively with the full spectrum of emergencies the OCC could face. The OCC tested various elements of the OCC's Continuity of Operations Plan during fiscal year 2008 by participating in the government-wide Eagle Horizon National Level Exercise. This comprehensive exercise involving OCC staff throughout the country was designed to test the OCC's ability to perform mission-essential functions from multiple locations, including OCC headquarters, the OCC's designated primary site for continuity of operations, and the OCC's devolution site. Multiple response cells participated from these and other locations to test the OCC's response to scenarios that included a hurricane and terrorist activities. The OCC also participated with other financial sector entities in the three-week, nationwide Financial and Banking Information Infrastructure Committee/Financial Services Sector Coordinating Council Pandemic Exercise. The OCC continues to update emergency strategies and plans with information from these tests to ensure that it is ready to respond to any threat to the safety of OCC employees or the interruption of our mission.

The OCC continued to develop a Homeland Security Presidential Directive 12 (HSPD-12) Program for Smartcard ID issuance. Employees will use that card to access OCC facilities and information systems. The OCC coordinated closely with the Treasury HSPD-12 Program Management Office and General Services Administration Managed Service Office to implement the Treasury Enterprise Solution for HSPD-12. The OCC acquired and installed an HSPD-12 card enrollment and activation station in the headquarters facility and began issuing HSPD-12-compliant credentials to employees. The OCC also established an HSPD-12 lab and began developing and testing solutions for using the new Smartcard IDs with the bureau's nationwide Physical Access Control System. The

OCC has begun to upgrade our control system infrastructure so that the new cards can be used to provide physical security at OCC offices.

Process Improvement

The OCC strives to enhance its business processes to improve the quality of process outputs and reduce rework and costs. An emphasis on support activities enables the bank supervision staff to better focus on supervision activities. During fiscal year 2008, the OCC initiated a review to determine how support processes deliver value to the agency. All critical processes will be evaluated by the end of fiscal year 2010, and deficiencies and problems discovered from the review will become key elements of OCC's organizational and process improvement agenda. During fiscal year 2008, the evaluation model was developed, and process improvement plans were completed for eight critical support processes. Processes reviewed included how the OCC determines compensation and contract administration processes.

Other improvement efforts are identified by management from internal customers' feedback or from efforts to continually improve business practices. Examples of efforts to improve the effectiveness and efficiency of programs in fiscal year 2008 included:

- Reengineering the performance evaluation process to stress the value added by managers and staff while reducing the OCC's administrative costs and burdens on managers and staff.
- Reviewing the customer assistance complaint review process to increase OCC's ability to address consumer complaints.
- Reengineering the contract examiner process to reduce the time to fill those positions and comply with regulations.
- Reengineering the contracting process to improve contract administration and controls.
- Reengineering the payroll processes to expedite and simplify payroll corrections and collections.
- Implementing a "Quick Wins" program throughout the Office of Management that encourages innovation and creativity by all staff to improve operations. The program suggestions improve the quality of outputs and reduce OCC

costs. Results range from saving a few hours to saving hundreds of hours and significant dollars.

For some reengineering projects, the OCC uses Lean Six Sigma, also used by many of the larger banks it regulates. This approach allows the OCC to analyze business processes to improve quality and efficiency. It improves those business processes, eliminates waste, reduces the burden of compliance with statutory and regulatory requirements, and delivers more value to customers. Since fiscal year 2005, OCC has completed 70 of these projects for an annual savings in excess of \$5.5 million and allowed the OCC to make more effective use of employees.

Improving Enterprise Governance

To better align OCC's strategic planning, quality management, and business process improvement activities with strategic objectives and legal governance responsibilities, Comptroller Dugan established the Enterprise Governance unit in fiscal year 2007.

Creating the Enterprise Governance Subcommittee of the Executive Committee

The OCC established the Enterprise Governance Subcommittee during fiscal year 2008 to develop and coordinate issues related to strategic planning and enterprise risk management. The subcommittee oversees, on behalf of the Executive Committee, the following governance-support processes:

- Ensuring that strategic goals, objectives, and strategies are current and measured.
- Updating the "Strategic Risk Management Plan" quarterly and placing it on the Executive Committee agenda for discussion.
- Preparing the Comptroller's Annual Statement of Assurance.
- Testing quality management programs for all major agency business processes.
- Reviewing the results of other assurance activities, such as the external financial audit and the Department of the Treasury Office of the Inspector General and Government Accountability Office audits, and tracking corrective actions.

- Complying with applicable federal sector governance laws, regulations, directives, and standards.

Program for Periodic Testing of Quality Management Practices

During fiscal year 2008, the Enterprise Governance unit expanded testing of departmental quality management processes to all business units. Testing was completed within the Office of Management's Acquisitions Management unit, the Office of the Ombudsman, and Public Affairs Department. The unit is in the process of consulting with ITS to improve the quality management program. Testing will occur later in the Chief Counsel's Office, the Chief National Bank Examiner's Office, and the Economics Department.

The process begins with an introductory consultation with the departmental manager about the nature of the risks inherent in the department's major business processes and the quality management practices that are used to manage those risks. The Enterprise Governance team tests sample aspects of these quality management programs for testing. The criteria used for evaluation are generally accepted as authoritative and provide a transparent framework for the consistent testing and evaluation of quality management programs across the OCC. They include:

- Applicable Office of Management and Budget Circulars (primarily A-123), "Management's Responsibility for Internal Control."
- Quality management principles (control/assurance/business process improvement).
- Government Accountability Office Standards for Internal Control in the Federal Government.
- *Criteria for Performance Excellence* (published by the National Institute of Standards and Technology).

External Outreach Promotes Understanding of the OCC's Mission

OCC Public Affairs educates and informs the public about issues affecting the agency, the national banking system, and consumers. Reporting to the Chief of Staff and Public Affairs, the department manages the agency's internal communications and outreach to the media, Capitol Hill, bank customers, industry groups, civil rights organization, and the general public.

Through a series of public service announcements, Public Affairs promoted public education on such topics as foreclosure prevention; debt elimination schemes; gift cards; customer assistance; and the OCC's consumer Web site, HelpWithMyBank.gov, which provides information to consumers and facilitates the process of filing complaints when necessary. These public service messages, which promote financial literacy, have run more than 7,700 times in print and on radio, in 41 states, in both English and Spanish, since the program began in fiscal year 2007.

Public Affairs continued to improve the quality and quantity of information available on the OCC Web sites last year. HelpWithMyBank.gov, which

has been answering common questions about the national banking system since its launch in July 2007, reached nearly 200,000 national bank customers in fiscal year 2008 and earned recognition from the National Association of Consumer Agency Administrators as Web site of the year for its contribution to consumer education. Nearly 7,000 people have signed up for the OCC's RSS service, which provides an alternate source of news and information about the agency. In addition, over 20,000 people belong to the OCC's e-mail subscription lists.

In addition, Public Affairs' Banking Relations Division sponsored a range of industry outreach programs, including workshops for bank directors,

"Meet the Comptroller" sessions around the country, and programs for state associations that visit Washington, D.C. The Press Relations Division produced 149 news releases during the last fiscal year, fielded calls from hundreds of reporters around the country, and supported the agency's financial literacy program

by getting important information on consumer concerns to the media. Other OCC units dealt with minority outreach (see "OCC Steps Up Efforts To Support Minority Banks" on page 29), Freedom of Information Act requests, publications, and internal communications.

