



Remote Examination Solution to Meet Regulatory Compliance

The State of Tennessee
Department of Finance and Administration
Division of Strategic Technology Solutions

NASCIO Award Category: Digital Services: Government to Business

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Strategic
Technology Solutions

Executive Summary

The primary statutory mission of the Tennessee Department of Financial Institutions (TDFI) is to provide the people of Tennessee with a safe and sound system of banks and other financial institutions by ensuring compliance with governing law while, at the same time, allowing financial institutions to contribute to the economic progress of Tennessee and the nation.

The vision of TDFI is to establish a regulatory program that provides for a sound, state-wide financial services system within which financial institutions can succeed and serve their communities by encouraging commerce. At the same time, there is vigorous enforcement of laws and regulations to protect citizens.

Bank examiners perform evaluations of each financial institution's assets, liabilities, income, and expenses; monitor compliance with governing laws and regulations; and rate the effectiveness of the financial institution's management. The adequacy of capital is assessed to ensure the protection of depositors. In addition, examiners review state-chartered financial institutions' information technology (IT) functions to comply with generally accepted IT practices and adhere to departmental regulations.

Bank Division staff also examines business and industrial development companies (BIDCOs) for compliance with governing statutes and evaluates applications for new financial institutions, branches, expanded financial activities, and corporate reorganizations.

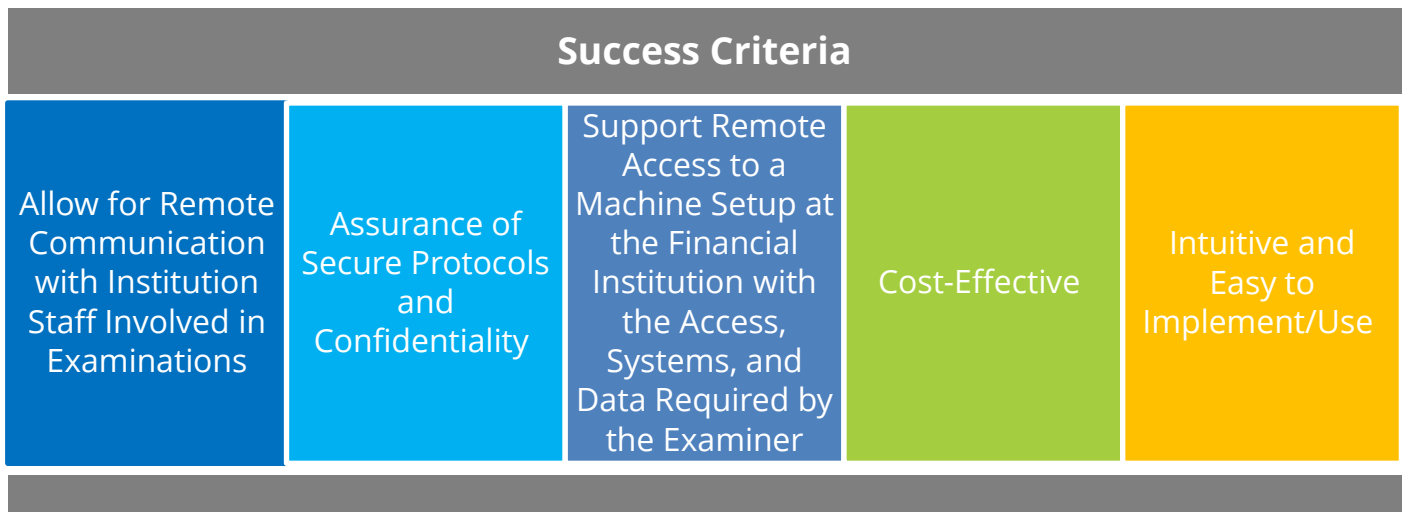
Over the last couple of years, the world has been impacted by COVID-19. In response to the Governor's social distancing guidelines regarding COVID-19, TDFI requested an evaluation and implementation of a remote examination solution. These remote capabilities were necessary to meet regulatory compliance while reducing employee COVID-19 exposure.

The Idea

TDFI is required to perform regular exams on financial institutions based on a mandate from the Federal Reserve Board and the Federal Deposit Insurance Corporation. Regular financial institutional examinations range from every six months to 18 months based on the financial institution's previous rating and are essential to meet regulatory compliance with governing law. Due to the social distancing guidelines, examiners could not perform in-person examinations, thus negatively impacting compliance for a sound state financial services system.

Remote capabilities were necessary for bank examiners to perform evaluations of each financial institution's assets, liabilities, income, and expenses, monitor compliance with governing laws and regulations, and rate the effectiveness of the financial institution's management.

In addition, the solution would need to aid examiners in performing loan file reviews, trust account reviews, and transaction reviews for Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) exams. The success criteria for the proposed remote examination solution are below.



In addition, to success criteria the solution needed the following functionality:

- Examiners need the ability to create meeting invites to financial institution personnel.
- Examiners will need a physical/virtual terminal.
- Meetings need to be labeled to distinguish meetings for Examiners.
- Examiners need the ability to allow other examiners to take control of remote examinations. Such as sharing of each other's screens.
- Examiners need the ability to remote access into the financial institution terminals.
- Enable the regulated community to take exams remotely.
- Enable TDFI staff to proctor the exams remotely.
- Enable examiners to perform loan file review, trust account review, transaction review for BSA/AML exams.
- Enable file storage for documents, possibly numbering into the thousands.
- Security

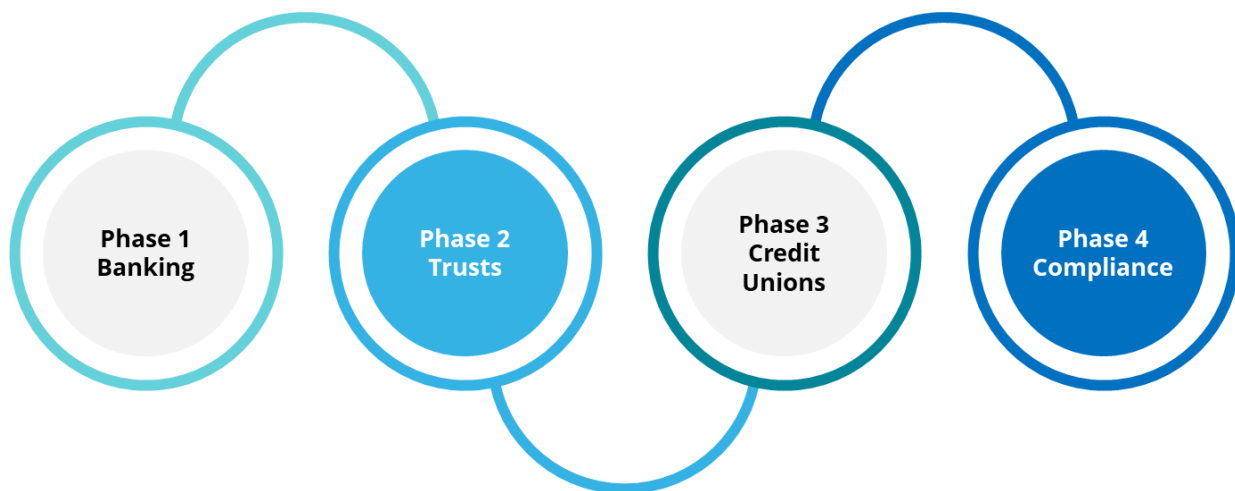
The Approach

The Project Team reviewed four applications while in search of suitable tools for performing offsite examinations. Slack, Zoom, Microsoft Teams (MT), and WebEx Teams (WT) were deemed as the top four candidates. During the initial review, six key features were determined critical in performing the tasks associated with offsite examinations. These key considerations were screen sharing, file storage, remote desktop administration, integration, collaboration, and security.

During the evaluation of the applications, the project team determined that Microsoft Teams could best perform all necessary functionality to provide the offsite examinations. The application offers robust security controls and requires the financial institution to allow examiners the ability to remote in and connect to a dedicated loan review terminal (desktop/laptop). In addition, this application integrates well with the existing software (Office 365), provides more administrative controls for security, and is cost-effective. Microsoft Teams is included with Office 365, and, as such, allows the utilization of SharePoint as a secure document sharing source. The result of this evaluation concluded that the Microsoft Teams and SharePoint applications would provide a robust remote examination solution to address the Federal Reserve Board and the Federal Deposit Insurance Corporation mandate that TDFI regularly perform exams on financial institutions.

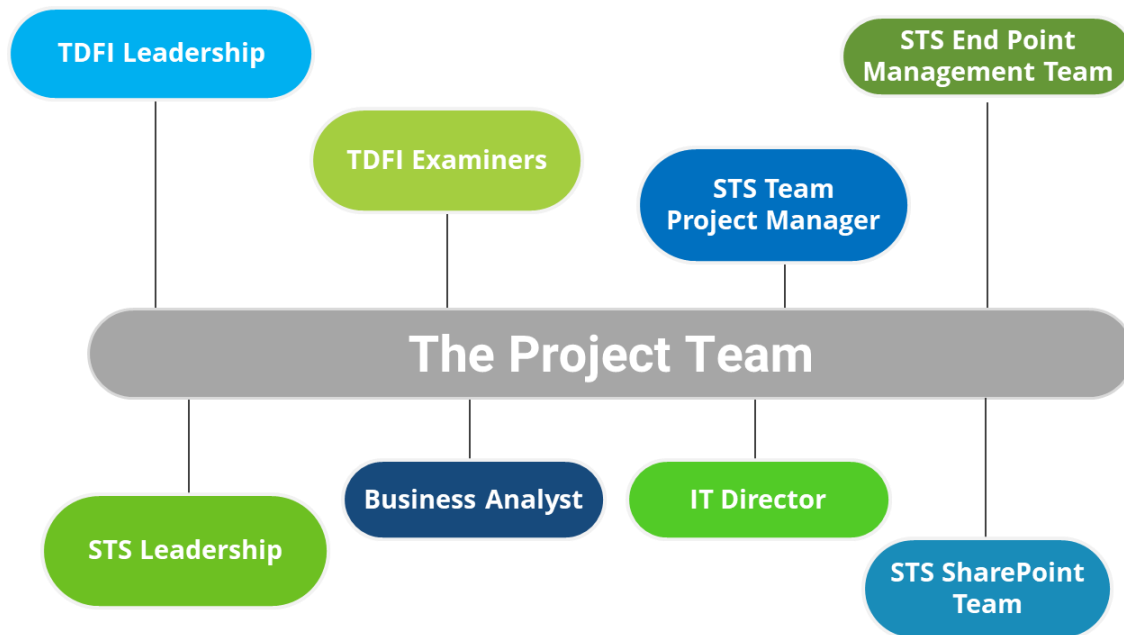
Implementation

The project management approach consisted of a four phased approach focusing on each of the divisions noted in the graphic below. Milestones were developed for each phase to complete before the training was implemented for each division.



Project Management

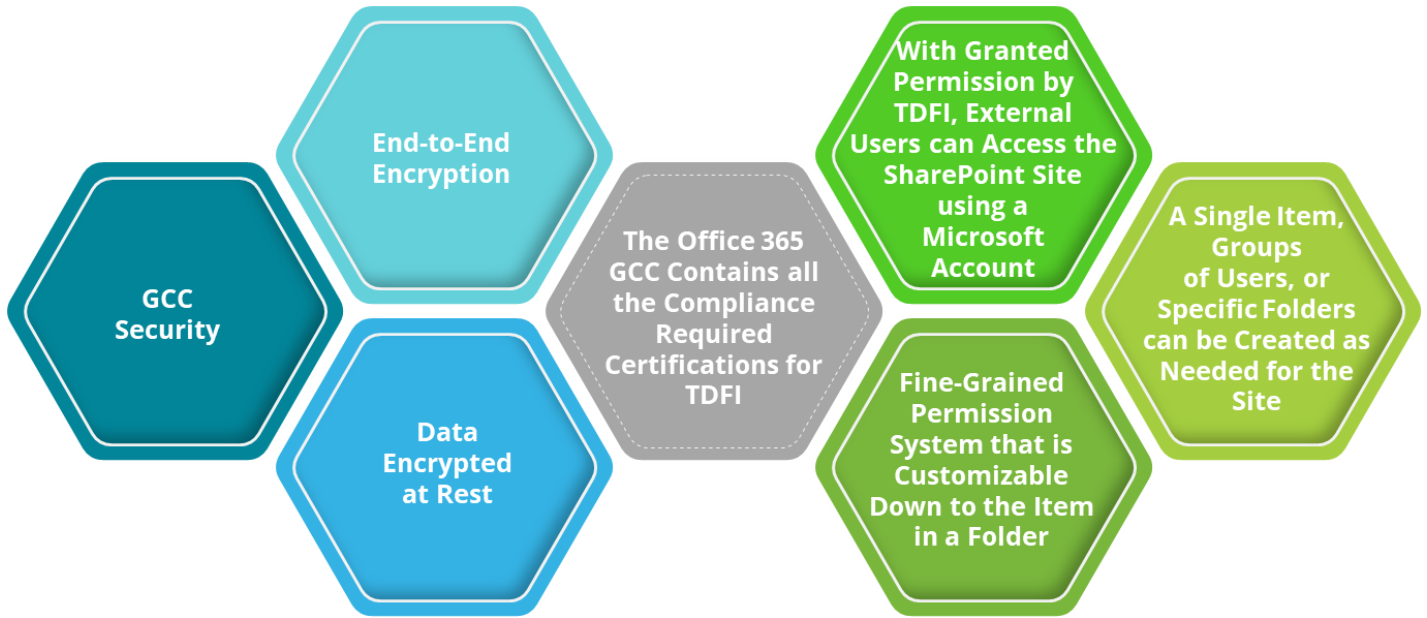
The project team consisted of many teams from TDFI and STS. The team scheduled regular meetings to keep people updated, provide input, and ask questions. In addition, weekly requirement sessions were conducted to ensure all team members provided feedback. Resources were made available to answer questions and troubleshoot as well. The project team provided training documentation along with regular training sessions.



Accessibility

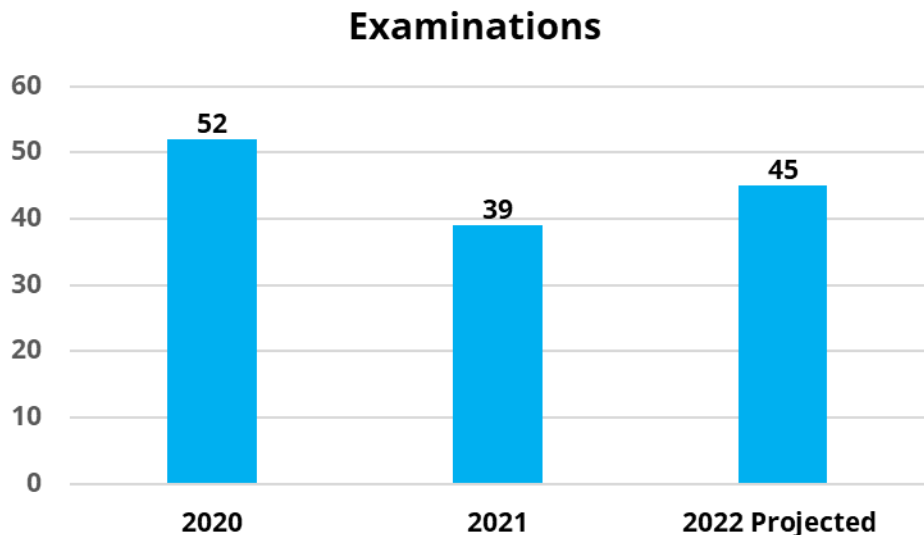
SharePoint is a web-based platform designed to support collaboration and content management and integrates with Microsoft Office. The Tennessee Department of Financial Institutions (TDFI) utilizes secure Microsoft SharePoint web-based portals to exchange examination information with regulated financial institutions. TDFI's SharePoint sites provide customers with an efficient, user-friendly option to facilitate the electronic transfer of examination files. Through SharePoint, TDFI can deliver examination notification letters, request lists, and other examination files. The financial institutions' designated users can access the files TDFI submitted and upload all requested examination materials into one convenient location. The financial institutions' primary executive officer designates persons on their staff as approved users to send and receive information on behalf of the financial institution.

In addition to collaboration and document sharing, the State of Tennessee’s SharePoint runs under the Office 365 Government Community Cloud (GCC) toolset. The toolset is a separate development branch of SharePoint for the Government and provides many benefits.



Impact

Before COVID-19, TDFI conducted examinations in-person. Now, examiners can perform inspections remotely. TDFI has 46 filled bank examiner positions, with 58 positions allocated. Each exam includes five to 15 examiners depending on the size and complexity of the exam.



The TDFI Bank Remote examination project is complete and considered successful. The solution resulted benefits listed below.

- The regulated community can execute exams remotely.
- The TDFI staff can proctor the remote exams.
- The examiners can perform loan file reviews, trust account reviews, and transaction reviews for BSA/AML exams.
- The examiners can remotely access a machine set up at the financial institution with the required access, systems, and data.

Remote examinations have led to the following improvements in the TDFI's operations:

- Cost reduction was associated with the termination of leased vehicles as examiners were no longer commuting heavily to financial institutions, and lease vehicles were no longer necessary.
- Cost reduction in leased space as examiners can primarily work from home, so large amounts of leased space are unnecessary. Examiners now utilize shared space in state offices when that demand is needed.
- Travel costs related to lodging and meals have been reduced due to examiners working remotely and not requiring lodging.
- Significant reduction in compensatory time accumulation due to reduced travel, with travel one of the primary contributing factors to compensatory accumulation
- Better work-life balance is brought about by fewer daily and overnight travel requirements.
- Increased productivity as examiners no longer spend part of their workday in travel status.

Todd Rice, Chief Administrator of Examinations, Tennessee Department of Financial Institutions