Remote Branch Audits
Are They Remotely Feasible?

Presented By

Stephen R. LaBarbera, CPA
Senior Manager, Financial Institutions Group

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Introduction

COVID-19 Impacts

- Effective March 16, 2020, the NCUA implemented a policy requiring all examination-related staff to perform their work offsite

Summary

- Remote audit best practices

- Pros and cons of auditing a branch remotely

- Ways to drive branch audit efficiencies

- What branch audit program steps are remotely feasible

Question 1 – Working From Home

- How often would you prefer to come into the office (in a perfect world)?
  - A) When necessary
  - B) Once a week
  - C) Two or three times a week
  - D) Four times a week
  - E) Everyday

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Question 2 – Document Storage

- My credit union electronically stores the following documentation:

  - A) We still mostly use paper

  - B) Most member information (except mortgage and/or business loans)

  - C) We are nearly 100% paperless (or that's the goal)

Remote Audit Best Practices

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Understanding the Term "Remote Audit"

- A remote audit, aka "e-audit", is the same as an audit but using electronic means to remotely obtain audit evidence

- A remote audit does not mean all the work should be performed offsite; some of the work can still be conducted onsite

Planning

- Audit planning and scoping is critical in every audit

- Have a planning meeting with auditee to discuss the scope and schedule and make auditees have a good understanding of:

  - Anticipated similarities and differences between onsite audits and remote audits

  - What technology will be used (everything from cameras to drones)

  - Discuss limitations of remote auditing and explain that future onsite work may be required

- *Tip: Planning may take extra time (especially as changes are made). Start the conversation now!*

Document Review

- Audit documentation will not change much, but it may take significantly more time for the branch employees to prepare and provide documents

- Understand what needs to be done to provide requested support

- When seeking a non-routine request item, the request item should be discussed with auditees to ensure they provide the correct information

- *Tip: When reviewing records remotely, the auditor should consolidate questions (send as few request lists as possible)*

Branch Reconnaissance

- Remote branch reconnaissance is perhaps the most challenging aspect of the remote audit

- Two approaches:

  - Live, two-way communication technology, including livestreaming (on phone)

  - Digital photographs taken using company cellular phones

- *Tip: During planning auditors should compile a list of areas they want to capture with video and still photographs*

Remote Interviews

- Remote interviews can be conducted using live-stream technologies, such as Microsoft Teams, Skype, and Zoom

- Length of interview (longer interview with branch manager)

- Interview types include planning interviews, documentation follow-up inspection interview, exit-meeting debrief

- Video calls are preferred over voice-only calls (non-verbal ques & culture)

Pros

- Reduces costs, such as travel time

- More productive when working comfortably

- Perspective and undiscovered efficiencies

- Avoid difficult locations

- Real-time and continuous auditing

Cons

- Electronic document review could take more time

- Impersonal

- Additional time in planning stage

- Lack of involvement of auditee

- Less trust in audit quality

- Technology shortfalls and fails

Not Always Feasible or the Best Choice

- Improving technology has made remote audits possible

- Remote auditing is not a replacement for onsite auditing and is not always the best choice

- Remote audits have come to stay

- There are still some barriers to overcome

Question 3 – Remote Branch Audits?

- In your opinion, what percentage of a credit union branch audit* can be completed remote (go with closest percentage)?

  - A) 100%

  - B) 75%

  - C) 50%

  - D) 25%

  - E) 0%

  *Exclude loan review

Branch Audits: Being More Efficient

Branch Audit Efficiencies

- Focus audit time using a risk assessment

- Use technology when possible

- Multiple branches at once?

- Quicker follow-up audits

Why Risk Assessment?

- Understand which branches are more risky or less risky

- Focus on problem areas or problem branches

- Improve efficiency (avoid wasted time)

Question 4 – Risk Assessment

- How often do we audit a typical branch (on average)?

  - A) More than once a year

  - B) Once a year

  - C) Once everyone two years

  - D) Once every three years

Remote Branch Audits

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Cash Count

Doren Mayhew Audit Program	Remote Feasible?			
Cash Count Controls	**Yes**	**No**	**?**	**Comments**
Perform a surprise cash count on all the tellers, the vault, CDM/TCRs and ATMs to determine whether:				
• All cash is counted before branch opening, if possible. (If not, balance to the prior days "end of day" totals. Obtain teller balancing sheets from prior day. Dual control must be maintained while counting cash.)			x	Virtual cash counts (live streams)? Obtain branch cash by teller report
• All cash is piece-counted, unless the $1's, $5's and $10's have excessive amounts. At that time, perform a random count of straps and bundle count the remaining.			x	Virtual cash counts (live streams)?
• Cash on hand agrees to previous day's general ledger closing balance.	x			Obtain GLTB
• All cash on hand is accounted for.	x			Dual inquiry
• Approved cash limits are adhered to.	x			Consider cash limits

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Question 5 – Branch Cameras

- Does your internal audit group make use of branch cameras?

    - A) Yes
    - B) No

Question 6 – Remote Cash Counts

- What is your personal comfort level with internal audit performing remote cash counts at your credit union (go with closest percentage)?

    - A) 100% comfortable

    - B) 75% comfortable

    - C) 50% comfortable, would only use when necessary

    - D) Not comfortable

Information Security

Doren Mayhew Audit Program		Remote Feasible?			
Information Security	**Yes**	**No**	**?**	**Comments**	
Determine whether branch personnel are properly securing and disposing of credit union and consumer confidential information (NCUA Reg. Part 748 – Appendix A)				Reconnaissance procedures!	
• Verify all sensitive and/or confidential documents are properly destroyed. (Document destruction method used, such as shred bins)			x	Dual inquiry	
• **Verify stations, desks and counters remain clear of member information, account numbers and other confidential information at the end of the day and prior to attending to other members**.			**x**	**Dual inquiry and live stream**	
• Access to unattended PCs is restricted when not in use (i.e., PC will lock after several minutes of non-use).			x	Dual inquiry and print screen of an employee's settings	
• PCs are setup/angled where consumers are unable to see other member information on employees' screens.			x	Dual inquiry and live stream	
• Username, passwords and/or PINs to the credit union's information systems/applications are not written down and kept under keyboards, monitors and/or in unlocked desk drawers.			x	Dual inquiry	

Information Security (Continued)

Doren Mayhew Audit Program	Remote Feasible?			
Information Security	Yes	No	?	Comments
• The room containing the telecommunication equipment is properly secured with access only to authorized employees.			x	Dual inquiry and live stream
• Prior to leaving for the day, management conducts a closing inspection of the branch to ensure employees have not left confidential information unprotected. (Inspect by arriving early and conducting a physical walkthrough to ascertain if confidential items are left accessible to cleaning personnel or observe the branch closing procedures at the end of the business day to confirm management's actions).		x		Dual inquiry Video cameras capture opening and closing procedures?

Question 7 – Surveillance Procedures

- What is your comfort level with internal audit performing remote surveillance procedures at your credit union (go with closest percentage)?

  - A) 100% comfortable

  - B) 75% comfortable

  - C) 50% comfortable

  - D) Not comfortable

Question 8 – More Remote Audits

- Do you believe your internal audit group would benefit from performing more branch audit work remote?

  - A) Yes
  - B) No

Process to Become More Remote

- Begin thinking of how to become more remote

- Review audit program and group items between:

  - Yes, offsite feasible

  - No, not offsite feasible

  - Maybe

- Create request lists that are user friendly and support offsite audit

- More early planning, such as for interviews

Stephen R. LaBarbera
Senior Manager, Financial Institutions Group
slabarbera@doeren.com | 908.268.1344

Thank You!

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