Region 3 Meeting
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Operational Branch Audits

Presented by:
Bob Parks, CPA, Shareholder
Financial Institutions Group

Overview

• Branch audits
• Planning
• Risk assessment
• Audit program
• Security
• Compliance
Branch Audits – Questions?

- Has anything really changed in the last 25 years?
- Do you conduct branch audits on a regular basis?
- How often are branches audited?
- How do you select branches to audit?
- What is the scope of your branch audit?
- How many hours do you allocate for a branch audit?
- How many hours do you allocate in your annual audit plan for branch audits?
  - Consider the risk vs. other functional audit areas.

Planning

- Gather permanent file
  - Branch organizational chart
  - Length of service for management
  - Lists of
    - Key personnel & duties
    - Applicable policies & procedures
    - Forms and/or reports used by the branch
    - Applicable laws & regulations
Planning

- Policies & procedures
  - Does the branch have current documented policies & procedures?
  - Are they adequate?
  - Are branch personnel aware of them?
- When was last branch audit conducted?
- What were the findings from the last audit?
- Consider findings noted from recent audits of other branches

Planning

- Conduct a walkthrough
  - Interview key personnel
    - Do they understand the risk?
    - Do they understand the policy?
    - What training do they receive?
  - Inspect the premises
    - Doors & windows
    - Video surveillance
    - Insecure procedures
Audit Program

• Branch basics
  • Cash counts
  • Over and short reporting
  • Branch cash limits
  • Cashier’s checks, travelers’ checks, money orders, instant issue cards, gift cards
  • Compliance postings
  • Safe deposit boxes
  • Security
• Adjust the audit program to address the risks identified in the planning process

Branch Processes

• Document the branch operation in narrative form
• Determine if the current operations reflect compliance with CU policies & procedures
• Identify key controls
## Cash Counts

**Surprise or no surprise**
- Control the cash (vault, teller drawers, ATM canisters, and cash dispensers)
  - Arrive before normal hours
- Inspect compartments, drawers, etc., for unusual items
- Verify cash limits are maintained
  - Teller drawers, vault, ATMs, overall branch
- Obtain vault cash record and balancing sheet
- Reconcile to general ledger

## Cash Counts

**Keep vault supervisor present during the count**
- Inquire the number of cash compartments
- Count cash
  - Strapped cash and rolled coins
  - Loose currency and change
  - Bait money
    - Trace to schedule (schedule should be under dual control)
    - Watch for ‘stale dates’ on bait money strap, change bait money periodically
- Compare totals and reconcile any differences
- Report differences immediately to appropriate supervisor
Over and Short

- Obtain teller over/short records for past 6-12 months
- Determine if disciplinary action was taken
  - Manager’s documentation of verbal or written communication, termination
- Look for patterns such as:
  - Short just before pay day or vacation
    - Vacation policy – 5 consecutive days
  - Large overages that correct themselves
  - Forced balancing

Vault Security

- Dual control
- Observe the following vault processes and compare to documented procedures
  - Opening
  - Deposit & withdrawal
  - Access during business hours (“The Money Cart”)
  - Closing
Cash Controls

- Is teller cash is maintained under separate control of the one and only assigned teller?
- Are keys maintained in the personal possession of the assigned teller at all times?
- Are cash drawers locked and the key removed?
- Test whether a teller key will open any other teller drawers (in the presence of the head teller)
- Ensure teller cash is counted and securely stored at the end of the day.

Counterfeit Currency

- Interview personnel regarding procedures for handling counterfeit currency
- Secret Service: “Know Your Money”
### Cashier Checks, Money Orders, & Travelers’ Checks

- Inventory stock is stored in secure location under dual control
  - Inventory of unissued stock, by serial number, is maintained
  - Physical inventory is performed at least monthly
- Working stock controlled
  - Last issued inventory recorded
  - Locked at night
- Greater than $10k requires CTR
- Instant Issue cards

### Night Depository

- Is access to the compartment under dual control?
- Is register of bags/envelopes received under dual control?
  - Is the register adequately completed, including:
    - Account number
    - Amount & number of deposits
    - Bag number
    - Initials of two tellers
- Controls over keys/combinations
- Sample test deposits
Night Depository

- Ascertain that any bags held overnight containing valuables are recorded and secured
- Sample night depository contracts
  - Signed?
  - On file?

Safe Deposit Boxes

- Unrented boxes
  - Sample test keys to ensure they are maintained under dual control
- Newly rented boxes
  - Sample boxes rented with the last 6 – 12 months
    - Member ID and contract were obtained
    - Contract signed & dated by member and employee
    - All blank lines in contract are cancelled in ink to prevent adding unauthorized names
    - Renter ID was verified
    - Contracts maintained
Safe Deposit Boxes

- Visits
  - Register identifies employee providing access
  - Member signature compared with the contract
  - Proper ID provided by the member
  - Date and time is recorded
  - Area is checked after the member leaves to ensure no items or documents are left
- Delinquent boxes
  - Procedures are followed to ensure collection

ATM

- Start-up or access cards are maintained under dual control
- Cash & envelopes should be counted under dual control
- Deposits should be verified to the audit tape, initialed, and dated by both employees
- ATM proving is periodically rotated
- Captured cards should be destroyed under dual control
**ATM Cards**

- Cards are locked and stored under dual control (working and stock)
- Card stock is logged & inventoried
- PIN encoding equipment is secured
  - During and after working hours

**Wire Transfers**

- Obtain the number of wire transfers greater than $2k (or similar amount based on risk tolerance) originated by the branch
- Is wire transfer form completed properly?
  - Fee collected
  - Transaction processed from member’s account
  - Originator’s account number, name, address, etc.
  - Recipient’s name, account number, financial institution name and address, etc.
Bank Secrecy Act (BSA)

- Identify any exceptions noted in the BSA audit attributable to branch activity
  - Modify audit program
- Conduct a branch BSA assessment
- Verify branch employees receive annual training
  - Awareness of when a CTR/SAR needs to be filed

CTR and SAR

- Identify the number of CTRs filled by branch
  - Determine the number of errors for each branch
  - Ensure CTRs are stored appropriately
- Identify the number of SARs by branch
  - Review wire transfers >$10k originated at each branch
Information Security

- Inspect work areas
  - Confidential, sensitive member information
  - User IDs or passwords
- Evaluate user access profile
  - “Too few staff, I need more access”
- Social engineering
- Security awareness

Training

- Ensure branch employees receive training
  - Robbery & security
  - BSA
  - GLBA – Information Security
  - Compliance
  - Operational
  - New procedures
  - New products
### Security

- **Combinations**
  - Vault, drawers, lockers, etc.
- **Segregation**
  - Same person shouldn’t control both combinations
  - Combinations are changed at least once every 2 years, even if the custodian hasn’t changed
- **Is vault gate kept closed (if applicable)**
  - Control over gate key
- **Are keys (including spares) kept under dual control?**

### Security

- **Cameras/Video/DVR**
  - Checked daily to ensure:
    - Proper coverage
    - Time/date
    - Clear picture/image
  - Maintained under management control
- **Clean desk policy**
  - Inspect work areas for sensitive or confidential information
### Security

- Observe opening procedures
  - Inspection of premises
  - Signal to other employees ("all clear")
- Observe closing procedures
  - All currency, negotiable instruments, valuables, etc., are secured
  - No unauthorized persons are present
  - Doors & windows are secured
  - Video/DVR working
  - Alarm is set
- Conduct a physical security audit

### Security – Evacuation Plans

- Interview & verify a written plan exists and contains:
  - Designated emergency assembly area with diagram
  - Designated employee positions to act as evacuation personnel
  - Procedures for rapidly securing the facilities, assets & records
  - Phone numbers to notify emergency services
  - Emergency notification phone numbers for all employees
  - Verify individuals demonstrate knowledge and proficiency in emergency activation procedures
Compliance

- Verify initial disclosures are available in the branch for members
- Ensure branch is providing Truth in Savings Act disclosures before opening an account
- Expedited Funds Availability Act postings in lobby
- NCUA posting
- Home Mortgage Disclosure Act
- Equal Housing Lending
- US Patriot Act
- Labor posting requirements (Federal & State)

Reporting

- Communicate with the branch manager
- Validate initial findings & recommendations
- Review management responses and discuss with manager
- Communicate target remediation dates
- Specific branch issue or “global” issue for all branches
Other Metrics by Branch

- Deposit accounts overdrawn for more than 30 days, including dollar amount and volume (# of accounts)
- New accounts opened
- Fees waived
- Transactions per FTE
- Statements mailed to branches
- Security alarm reports
- HR turnover ratio by branch
- Number of member complaints by branch

Questions?