

File Maintenance Loan Due Date and Interest Rate Changes Audit:

This report will aid in determining if employees are moving up due dates to: 1) keep their delinquency rate down; or 2) assist a family member or friend (to include possibly receiving a kickback). A member could also be having financial difficulties and rather than advancing the due date, a conversation may be needed with the member to consider placing them in a workout plan.

For the interest rate changes, again the employee could be making the change to benefit a family member or friend, and the employee may receive a kickback.

A review of the documentation reflecting proper approvals will warrant any of the changes as long as they are done within the credit union's policies and procedures.

Audit Procedures

1. Open ACL program under **ACL Projects - \\Profiler\docs\$\Internal Audit\ACL\FM Audit**.
2. In the **EXTRACTS** folder, open script **Import_Statement**.

Edit the import definition for **HIST_LN_FM** table to the first day of quarter you are reviewing by looking for the date in the Import Statement. (The date will appear as shown in the example below).

Example: 20150401 (yyyymmdd). This will extract all loans with file maintenance records created April 1, 2015 thru June 30, 2015.

Copy the import statement to the Command Line to execute by clicking and dragging in front of the word "Import" and highlighting the entire row of data. Then right click and select "copy". Then go to the Command Line and click in the empty box and right click and select "paste". Click on the green arrow shown at the right.

Under the password, enter the employee number shown in the login ID. Click on "Options".

Select **EOM_QTR_MISDB** (based on the quarter end being reviewed), click **OK**. (Ex. EOM_June2015_MISDB for 2nd quarter).

File already exists. Overwrite? Click "Yes".

Table '**HIST_LN_FM**' already exists, overwrite?' Click "Yes".

3. Right click on **Run_FM_Reports_Script**. Left click on **Run**. Reports are extracted in Excel format into the ACL folder for this project.
4. Two Excel reports will be created in the ACL folder **FM Audit\Reports**:

FM Due Date Report
FM Rate Change

Loan Due Date Changes

5. Open the FM Due Date Report and format the Headers and the report itself (see prior months report). Set the report so the two fields "old due date" and "new due

date” are next to each other. Sort the report by Employee Number. Then go to Data and select Subtotals and under “at each change in” select Employee Number; and under “use function” select Count; under “add subtotal to” select Employee Number. Click okay.

6. Copy the original FM Due Date Report to create a new worksheet and title it the Multiple FM report. Use the VLOOKUP function to research the number of Due Date changes for each loan granted within the last quarter’s original FM Due Date Report. Apply conditional formatting to find multiple due date changes within the quarter in review. Verify all loans with more than two due date changes.

Formula: =VLOOKUP(B2,all cells for range B through D for previous month,3,FALSE)

Conditional formatting:

- Format only unique or duplicate values
- Format all: Duplicate
- Click on format and select a color to identify duplicates

7. Scan the “Old Due Date” and “New Due Date” columns and look for a difference between the two dates that reflect greater than a one month extension and highlight those dates. For example, if the old due date reflects 3/2/14 and the new due date reflects 5/2/14, highlight the two dates. If the old due date is 3/2/14 and the new due date is 4/2/14, **do not** highlight the due dates. Review the accounts for all those that are highlighted.
8. For any employees that had three or less Due Date Changes, review 1 account.
9. For any employees that had between 4 and 19 Due Date Changes, judgmentally select 1 account to review (any account selected is fine).
10. For any employees that had over 20 Due Date Changes, use ACL to randomly select the accounts to be reviewed. For any employees in a File Maintenance position, select 1% of the accounts per employee. For all other employees, select 2% of the accounts per employee. Go to ACL and use the project FM_DUE_DATE to select the accounts to be reviewed as follows:

- Click on *fx* function for the project.
- Select the field *Inhist_tel_nbr* by double-clicking so that it appears in the expression box. Click on the equal sign and then enter the employee number. Click on Verify and if the expression is valid click OK. Select the Count feature in ACL to verify the number agrees to the number on the spreadsheet for that employee.
- Extract the data so that it appears under the project. Select Data and then Extract Data. To the right of the "To" tab type in Employee xxxx (the Employee number) and click OK. File already exists. Overwrite? Click OK.
- From this extracted report, use the Sampling feature in ACL. Click on Sampling and then Sample Records. Select the Record button and also the Random button. On your desk calculator

determine the Size by multiplying the number of accounts for the employee times 1% or 2% (round up or down). Enter the number you get in the Size field and make sure the Population field reflects the total number of accounts for that employee. To the right of the "To" tab type in Sample Employee xxxx (the Employee number) and click OK. File already exists. Overwrite? Click OK.

- Export the report to Excel. Select Data and then Export to Other Application. Select the View button and under the Export As drop down select the current Excel version. Click on the "To" tab and save in the folder mentioned above and name it Sample Employee xxxx and click on Save and then on OK.
- Repeat these steps for employees that had over 20 Due Date Changes.

11. Move all selected accounts to a separate spreadsheet.

12. For each loan selected, review the documentation. Research any not found and indicate if it was verified to be okay. For all others, review the document(s) and verify they are valid (properly authorized and documented). You may use the loan origination system to verify these requests.

Loan Interest Rates

13. Review the exported file from ACL and sort by Employee number. Determine the employee name, position, and department.

14. If the employee is a Loan Collections employee, then determine if it involves a Bankruptcy; or if the member is part of the SCRA (Servicemember's Civil Relief Act).

For Loan Collections employees, review a sample of 5 accounts and for all other employees, review all accounts in the export file.

If the rate change is related to a Bankruptcy, then refer to the Loan Collections employee in charge of Bankruptcies. This employee will refer to the Bankruptcy website and print out the documentation that contains the rate change.

If the rate change is related to SCRA, then refer to Loan Collections to get a copy of the form with the new rate.

If the rate change is related to a Mortgage loan, then refer to the Loan Collections Mortgage Collector to get a copy of the form with the new rate.

15. If the rate change was done by an employee outside of Loan Collections, then gather all information available and verify loan rate was appropriately approved.

For any findings, prepare a draft of the audit report and a summary of findings (if applicable) and schedule an exit conference. After exit conference, issue final report.