

FORM 20A.7 SAMPLE AUDIT PROGRAM FOR BRANCH BANK OPERATIONS AUDIT

BRANCH INTERNAL AUDIT PROGRAM

Branch location _____ Audit Date _____

Audit Objectives

The objectives of the branch audit program are to determine that branch operations are in compliance with company policy, state and federal law, and regulatory requirements, and consistent with a good system of internal control. The following areas are reviewed to determine that assets are adequately safeguarded, transactions are properly documented and processed, and branch records are adequately maintained.

- Branch Cash Funds and ATM
- Negotiable items
- New account records
- Branch security
- Night deposit and mail procedures
- General ledger accounts
- Public notice materials
- Branch transactions
- Safe deposit
- Customer safekeeping
- Compliance

	<i>Workpaper Reference</i>	<i>Date(s) Completed</i>
1. Branch Cash		
a. Count the currency and coin amounts contained in the teller, vault, and ATM funds on a surprise basis. (<i>Note:</i> The vault teller's own drawer should be counted at the same time as the vault funds are counted to ensure no differences are moving between the funds.) The individual responsible for the fund should directly observe the audit of the fund. Verify the serial numbers and series years for the bait money contained in the teller and vault funds with the branch bait money lists.	_____	_____
b. Print the complete teller totals, showing beginning and ending cash balances and all transactions on the audit form. If the cash fund and the teller totals are out of balance, immediately inform branch personnel. If the variance cannot be located, have the teller post the amount to general ledger.	_____	_____
c. If the cash count begins after the branch has opened, total each transaction by type and reconcile amounts to the complete teller totals (ending totals from previous day).	_____	_____
d. Ensure that the individual responsible for the funds verifies that the fund is in balance, and signs the audit form.	_____	_____
e. Determine that the branch cash (individually and in total) and the general ledger account are in balance.	_____	_____
f. Determine that the tellers are in compliance with the following security and control procedures:		

	i.	Teller and branch cash maintained within the authorized limits (review history of cash totals to determine).	_____	_____
	ii.	Teller drawers are locked when tellers are away from their stations	_____	_____
	g.	Verify that a department independent of the teller area is balancing ending cash totals to general ledger totals on a daily basis.	_____	_____
	h.	Verify the vault funds are under dual control.	_____	_____
	i.	Verify the ATM cash is counted and loaded under dual control.	_____	_____
	j.	Verify ATM deposits are processed under dual control.	_____	_____
2.		Cash Items		
	a.	Review any cash items in the teller's possession for compliance with company policies. Trace cash items to subsequent disposition (as considered necessary).	_____	_____
3.		Traveler's Checks		
	a.	Record the serial numbers and dollar value of the traveler's check supply. Perform an audit of the travelers checks in the working supply and reserve supply.	_____	_____
	b.	Reconcile the audited traveler's check inventory to the branch traveler's check sales register and inventory records. If an imbalance exists, investigate the discrepancy. When the inventory and the sales register are in agreement, make an audit entry in the register.	_____	_____
	c.	Verify that a periodic audit is conducted by branch personnel, with one individual performing the audit having no access to or control over the checks. Both individuals should sign the register as evidence of their audit.	_____	_____
	d.	Photocopy and total the prior day's traveler's check sales receipts and settlement forms, and reconcile the total to the general ledger balance.	_____	_____
	e.	Obtain a copy of the independent inventory report directly from American Express. Compare that inventory report to the travelers checks audited, as well as to the branch's inventory and sales records.	_____	_____
	f.	Investigate and resolve any exceptions noted.	_____	_____
	g.	Verify the reserve supply of travelers checks are maintained under dual control.	_____	_____
	h.	Verify the working supply of travelers checks are secured during the business day and locked in the vault at night.	_____	_____
	i.	Verify the working supply is balanced on a daily basis.	_____	_____
	j.	Verify that appropriate internal controls exist over a new supply of travelers checks when ordered and received in by the branch.	_____	_____
4.		Cashiers Checks/Money Orders/Bank Drafts		
	a.	Record the serial numbers and number of all cashiers checks, money orders, and bank drafts. All items in the reserve supply and working supply should be physically counted.	_____	_____
	b.	Reconcile the audited inventory to the sales register and branch inventory records. Determine that the records are properly completed. If an imbalance exists, investigate the discrepancy.	_____	_____

- c. Verify that a periodic audit is conducted by branch personnel, with one individual performing the audit having no access to or control over the checks. Both individuals should sign the register as evidence of their audit. _____
- d. Record the balance of the general ledger accounts on the inventory forms. Photocopy and total the prior day's sales receipts, sales report, and credit ticket, and reconcile the total to the general ledger balance. _____
- e. Obtain a copy of the independent inventory statement directly from the third-party provider of these checks. Compare that independent report to the physical supply counted, as well as to the branch's inventory and sales records. _____
- f. Investigate and resolve any exceptions noted. _____
- g. Verify the reserve supply of cashiers checks, money orders, and bank drafts are maintained under dual control. _____
- h. Verify the working supplies are secured during the business day and locked in the vault at night. _____
- i. Verify the working supply is balanced on a daily basis. _____
- j. Verify that appropriate internal controls exist over a new supply of cashiers checks, money orders, and bank drafts when ordered and received in by the branch. _____

5. **ATM Card Review**

- a. Verify that the reserve supply of ATM cards is maintained under dual control or joint custody. _____
- b. Determine that working supplies are maintained under "restricted access." _____
- c. Verify a log is kept of all ATM cards in the branch's supply. This log should be updated each time a new card is issued to a customer. _____
- d. Verify that security procedures are in place for operating the ATM card encoding devices. (Each employee capable of encoding cards should have a separate PIN, and the machine should be purged of all terminated employee PINs.) _____
- e. Verify the equipment is locked at night. _____
- f. Ensure that no employees have access to a file containing customer PINs. _____

6. **New Accounts/Signature Card Review**

- a. Determine that inventories of blank passbooks, certificates, and new account kits are kept in locked cabinets with access controlled by supervisory personnel. _____
- b. Obtain the most recent branch savings and checking new account reports and select a sample of 10 accounts listed for review. Determine that a timely and complete review is conducted, and that the procedure is documented on the reports. _____
- c. For those accounts selected, determine that a properly prepared signature card is on file at the branch. _____
- d. Review the interest rates being paid on the deposit accounts in the sample selected and verify this rate is in accordance with the current approved rate schedule. _____

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| e. Review the branch temporary signature card file to determine that computer system holds and appropriate and timely follow-up procedures to obtain the permanent cards have been implemented. | _____ | _____ |
| f. Verify that new accounts are being monitored according to bank policy. | _____ | _____ |
| g. Verify new accounts are properly screened and run through Chexsystems or another provider. (This screening also ensures all new accounts are being run against the current OFAC list.) | _____ | _____ |

7. Security

a. Equipment

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| <ul style="list-style-type: none"> • Determine that the following minimum security devices for each market facility are maintained and coverage is adequate. <ul style="list-style-type: none"> — Bill clips — Hold-up buttons — Security pacs (dye pacs/trac pacs) — Bait money — Security cameras — Alarm systems — Emergency vault telephone/alarm button — Teller line security gates • Determine whether the facility is equipped with the following. <ul style="list-style-type: none"> — Lighting system for illuminating the vault after hours (if vault is visible from outside of building). — Tamper-resistant locks on all exterior doors and windows. — An alarm system to promptly notify the nearest law enforcement office. • Review the Closed Circuit Television (CCTV) System to determine whether: <ul style="list-style-type: none"> — A CCTV Tape Log is being maintained and that video tapes are properly labeled. — The date and time are accurate on the CCTV system and coincides with the teller system time. • Review maintenance records to ensure periodic maintenance checks are being performed on all cameras, alarms and other security equipment. | _____ | _____ |
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b. Duplicate Keys and Combinations

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| <ul style="list-style-type: none"> • Review and document the location of and the access controls to the facility's duplicate keys and combinations. These should be held under dual control. • Verify that documentation of duplicate keys and combinations is maintained (Key logs should be kept documenting employees that are issued keys and combinations. A log should also be maintained documenting access occurrences to duplicate keys.) | _____ | _____ |
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8. Night Deposit and Mail Deposit

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| a. Review the night deposit and mail transaction procedures to determine compliance with company policy. | _____ | _____ |
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- b. Observe the night deposit process during one day of the audit. Verify the night deposit is under dual control and two employees are present during the entire process of opening, counting, and logging. _____
- c. If applicable, review night deposit contracts for a sample of night deposit customers. _____
- d. Determine whether customers are required to sign a log when picking up night deposit bags. _____
- e. Determine the bank's policy on accepting cash deposits during the business day in cases where the customer does not wait for the deposit to be processed in their presence. Ensure the appropriate internal controls exist to accept the deposits and process them under dual control. _____

9. Safe Deposit

- a. Review the branch's procedures around the handling of past-due fees. Obtain the most recent past-due report and verify that the branch is monitoring and sending notices to customers. _____
- b. Review a sample of customer access cards and compare them to the customer's signature on file to ensure the branch is reviewing these signatures before access is granted. _____
- c. Review all bank-used boxes. Ensure the contract is current and only authorized employees are accessing the box. _____
- d. Verify that keys to unrented boxes are maintained under dual control and a periodic inventory is conducted on those unrented keys. _____
- e. Review the internal controls over rents received. Verify income is being properly recorded. _____
- f. Verify the bank is following the appropriate escheatment laws regarding drilled safe deposit box contents. _____

10. Miscellaneous Branch Procedures

- a. Review CTR and SAR filing to ensure compliance with the Bank Secrecy Act. _____
- b. Verify applicable branch employees are familiar with the requirements of Regulation CC and the bank's policies for placing holds. _____
- c. Verify applicable employees are familiar with procedures for handling EFT disputes reported to the branch. _____
- d. Verify a CRA file is maintained at the location and its contents are in accordance with the Community Reinvestment Act. _____
- e. Verify the bank has procedures in place to review for kiting suspects. _____
- f. Ensure that dormant account transactions are being handled appropriately and a supervisor is reviewing them. _____
- g. Review the bank's overdraft procedures and verify compliance with those procedures. _____
- h. Review customer safekeeping items and ensure they are maintained under dual control. _____
- i. Review the procedures around the issuance of signature guarantee stamps and note how the stamps are secured. _____

11. **Internal Control Review.** Through observation and completion of the Internal Control Questionnaire, evaluate the adequacy of internal controls in place at the branch. _____
12. **Teller Work Packet Review.** Select a recent branch daily work packet. Review the teller work for compliance with company policies on transaction form documentation, processing, and organization. _____
13. **Audit Report Preparation**
- a. Prepare a preliminary report on the day of the audit and discuss with the branch manager. _____
 - b. After completion of all audit procedures, prepare the final report and request formal written response from the branch manager. _____
 - c. Distribute copies of the final report and response to Management and the Audit Committee as appropriate. _____