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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: A |
| POLICY/ PROCEDURES/ RISK ASSESSMENT  |

Objective: To ensure: policies and procedures have been established and are in writing; employees are trained on BSA/OFAC requirements, a risk assessment is performed annually (at a minimum) and compliance with exempt member requirements.

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| 1. Obtain a copy of the current BSA policy. If there have been any revisions/changes since the previous audit, review to ensure the following:
2. Ensure approval by the Board.
3. Includes an outline for a compliance program with BSA reporting and recordkeeping requirements, including a system of internal controls.
4. Provides for an independent audit of the BSA program ≥ year.
5. Designation of a compliance officer.
6. Provides for training.
7. Determine BSA/OFAC training provided to new and established employees. Ensure documentation of training contains the following, at a minimum: date of training, content and/or material, attendees.
8. Ensure the Board of Directors receives annual training on BSA requirements. Verify documentation of training contains the following, at a minimum: date of training, content and/or material, attendees.
9. Determine if the CU has members exempt from BSA filing. Obtain the credit union’s exempt member list and verify the following:
10. The most recent form “Designation of Exempt Person” FinCEN Form 110 is used.
11. Ensure the list is filed at a central location.
12. Obtain a copy of the most recent BSA/AML risk assessment. Determine if it includes:
13. Specific risk categories, including new products, services or targeted members and geographic locations.
	* Ensure accounts are rated high-risk due to location within HIFCA *(Refer to FinCEN for HIFCA)*
14. A list of high-risk accounts
15. More detail analysis that considers: purpose of accounts; account activity (number & volume of transactions); nature of member relationships; members’ location and products/services used.
16. Verify if the BSA/AML risk assessment includes regular screening of all member accounts and transactions. Determine method and frequency of screening.
17. Obtain a copy of identified “high-risk” accounts. Determine method and frequency of identification and monitoring of these accounts.

*Section A Continued**Section A (page 2)*1. Obtain BSA Compliance procedures. Ensure procedures have been established to safeguard against structuring (when a member divides monetary transactions into parcels less than $10,000 to evade reporting requirements).
2. Ensure procedures for SARs are documented and include:
3. Record retention of copies of the SARs, along with originals of any attachments, for 5 years.
4. Documentation of non-required SARs, when decided not to file
5. Notification to the Board of Directors (or designated Committee) of any SAR filed
6. Verify compliance with regular notification to the Board of SARs filed.
7. Ascertain if an OFAC Compliance Program has been established (if separate from the BSA Compliance Program). Verify the Program designates an OFAC Compliance Officer.
8. Ensure clear and thorough OFAC procedures have been implemented and address the following:
9. Verification of new members
10. Verification of all names in member database
11. Verification of wire transfer beneficiaries (outgoing) and senders (incoming)
12. Verification of non-members that conduct transactions
13. Reporting of blocked or rejected transactions to OFAC within 10 business days of blocking the property
14. Compilation of a list of all blocked property as of June 30th of each year and sent to OFAC in form of an annual report by September 30th
15. Verify that new accounts, wire transfers, or other new credit union transactions are compared to OFAC listings prior to account opening or conducting the transaction.
 | **W/P REF.**  | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: B |
| **REPORTABLE TRANSACTIONS/CTRs** |

Objective: To ensure that reportable transactions are filed with the IRS as required; reports filed electronically are accurate and meet electronic filing requirements; and record retention requirements are adhered to.

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| 1. Review XP Smurfing Reports used by the individual responsible for BSA compliance to ensure that they are reviewed on a daily basis.
2. From Document Viewer, obtain a sample of XP’s Smurfing Report generated within the audit period. Obtain copies of XP’s COB7 report for possible reportable transactions identified in the Smurfing Report.
3. Trace reportable transactions identified on the COB7 to a Currency Transaction Report, form 4789.
4. Ensure CTRs were filed with the IRS within the required 15-day time frame of the transaction (25 days if file electronically).
5. Ensure the form used is the most current issue of form 4789
6. Accuracy of completion
	1. Verify CTRs filed electronically meet specifications:
7. Dates are in MMDDCCYY format (month, day, century, year)
8. Money amounts are right justified; zero filled and cents rounded up (ex: $10,000.01 should be reported as $10,001)
9. Name, address and city left justified and space filled
10. All alphabetical characters are in upper case
11. Determine if corrected CTRs were filed electronically during the audit period. Ensure corrected reports were filed ASAP and:
12. Include the appropriate correction code indicator
13. Date filed is date of corrected report (not date of original CTR).
14. Ensure copies of filed CTRs are maintained for 5 years. Determine method of record retention (OnBase vs. Iron Mountain)

  | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: C |
| **MONETARY INSTRUMENTS** |

Objective: To ensure that cash sales of monetary instruments (MI) in amounts of $3,000 to $10,000 inclusive are recorded as required.

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| 1. Obtain the monetary instruments portion of Smurf Reports for one day of each month during the audit period. Obtain the corresponding Merchandising Reports from XP/Document Viewer. Select a sample of each type of monetary instruments sold (money orders; official checks).
2. Verify methodology of records for each type of monetary instrument (logs, check copies, etc.)
3. Test each sale identified in step 1 to ensure the recording of:
4. Member’s Name
5. Date of transaction
6. Type of Monetary Instrument
7. Serial #
8. Amount of each MI purchased
9. Determine methodology of record retention for each type of monetary instrument (OnBase, Iron Mountain, etc.)
10. Obtain archive records to ensure records of these monetary instruments are maintained for 5 years.
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: D |
| SUSPICIOUS ACTIVITY REPORTS |

Objective: To ensure that Suspicious Activity Reports (SARs) are filed as required. To ensure that procedures are established to ensure continued compliance.

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| 1. Obtain a sample of SARs filed by the credit union during the audit period. Examine SARs to ensure they should have been filed and were:
2. Completed correctly
3. Filed within the required time frames (30 days from date suspicious activity initially detected, unless no identified suspect on date of detection – then 60 days)
4. Most current SAR forms issued
5. Verify SARs filed electronically contained:
	1. Date format MMDDCCYY (month, day, century, year)
	2. Money amounts right justified; zero filled and cents rounded up (ex: $5,000.01 should be reported as $5,001)
	3. Name, address and city were left justified and space filled
	4. All alphabetical characters were upper case
6. Determine if corrected SARs were filed electronically during the audit period. Ensure corrected reports were filed ASAP and:
7. Include the appropriate correction code indicator in 3A record
8. Date filed is date of corrected report (not date of original SAR).
9. Explanation of changes included in narrative.
10. Test records to ensure copies of SARs, along with originals of any attachments, are maintained for 5 years.
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: E |
| WIRE TRANSFERS |

Objective: To ensure that the required records are maintained for wire transfers and procedures are in place to ensure continued compliance.

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| 1. Obtain outgoing wire transfer records for the audit period for wires totaling $3,000 or more. Test wires obtained to ensure the following information was retained:
2. Name and address of the originator
3. Amount of the payment order
4. Execution date of the order
5. Any payment instructions received from the originator
6. Name and address of beneficiary for outgoing wires
7. Beneficiary’s financial institution
8. Obtain incoming wire transfer records for the audit period for wires totaling $3,000 or more. Test to ensure a copy of the payment order was retained.
9. Test records and procedures to ensure that required wire transfer records are maintained for 5 years.
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: F |
| **OFFICE OF FOREIGN ASSETS CONTROL (OFAC)** |

Objective: To determine if controls are in place to ensure compliance with OFAC.

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| 1. Determine if the credit union maintains a list of prohibited countries, entities and individuals. Verify accuracy of current listing.
2. Confirm most current date that established accounts and other member transactions were compared periodically with the current OFAC listing. Ensure verification was performed on a regular basis.
3. Determine if a list of false positive matches is maintained.
4. Test to ensure OFAC software accurately reports accounts/transactions for individuals on SDN list.
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: G |
| **MEMBER IDENTIFICATION PROGRAM** |

Objective: To determine if the credit union has implemented a Member Identification Program; test compliance with the program.

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| 1. Ensure that a Board approved Member Identification Program (MIP) has been established. Verify that the MIP provides for the following:
2. Obtaining basic identifying data for each person opening an account
3. Verification of identity of any person opening an account
4. Maintenance of records of information used for identification
5. Determine if person appears on any Federal Government list of suspected terrorists
6. Adequate notice that the credit union will request information to verify identification
7. How to handle discrepancies in any identifying information received
8. Terms under which a member can conduct transactions while identification is being verified
9. What to do if the credit union can not form a reasonable belief that the true identity is known

*Per NCUA exam the MIP should also include:*1. Acceptable forms of primary and secondary identification
2. Requirement to obtain date of birth
3. Requirement to obtain physical address
4. Requirement to obtain social security # or TIN
5. Procedures for handling exceptions to Policy
6. Procedures for verification of identification
7. Necessary disclosures for verification of identification
8. Determine if the MIP also provides for:
9. System of internal controls
10. Independent testing
11. An individual responsible for daily compliance
12. Training
13. Determine if the MIP includes member due diligence. Ensure due diligence procedures address verifying members’ identity and assessing the risks associated with that member. Procedures should include enhanced due diligence for high-risk members and ongoing due diligence of the member base.
14. Obtain a sample of new accounts, verify all required information was obtained and recorded/maintained with new account cards.
15. Review record retention records to ensure that identifying data is actually maintained for 5 years after the account is opened, as required.
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: H |
| SECURITY PROGRAM |

**Objective**: To verify a Board approved security program is comprehensive and adequate in providing for protection of physical assets and personnel.

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| 1. Determine if the Security Program has been updated since the previous audit. Verify an updated Program was approved by the Board of Directors.
2. Verify the updated Security Program covers at least 4 broad areas:
3. physical security
4. personnel security
5. crime prevention/detection; and
6. investigations.
7. Ensure that the updated Security Program is designed to:
8. Protect each credit union office from robberies, burglaries, larcenies and embezzlements.
9. Provide security and confidentiality of member records, protect against anticipated threats or hazards to the security or integrity of such records, and protect against unauthorized access to or use of such records that could result in substantial harm or serious inconvenience to a member.
10. Assist in the identification of persons who commit or attempt such actions and crimes.
11. Prevent destruction of vital records.
12. Verify that the updated Security Program addresses:
13. Procedures for opening and closing for business.
14. Procedures for safekeeping of all currency, negotiable securities and other valuables.
15. Periodic training regarding security responsibilities under the security program, and in proper conduct during and after a burglary, robbery or larceny.
16. Procedures for selecting, testing, operating and maintaining appropriate security devices.
17. Procedures that will assist in identifying persons that commit burglary, robbery or larceny (use of camera, bait money, etc.)
 | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: I |
| **REPORTS** |

 **Objective**: To determine if reports are filed required by NCUA PART 748.

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| 1. Obtain the Report of Officials submitted after the most recent election of officials. Review to ensure:
	1. Report contains a Compliance Statement indicating compliance with minimum security devices and procedures for the current year.
	2. The Compliance Statement was dated and signed by the President, Board Chair, or other managing officer of the credit union. *NOTE: signature is not required if the report is filed electronically.*
2. Determine if a Catastrophic Act Report was filed during the audit period. Ensure filed reports were submitted to the NCUA regional director within 5 business days of any catastrophic act occurs at credit union offices.

  | **W/P REF.** | **AUDITOR** |

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| FEDERAL CREDIT UNION | COB:  |
| **BSA/OFAC/MIP** | SECTION: J |

# AUDIT CLOSURE

Objective: To bring closure to this audit.

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| 1. Determine final disposition on all exceptions.
2. Issue audit report to management.
3. Issue Audit Survey to management.
4. Ensure all applicable workpapers are scanned, tagged & shred.
5. Complete time budget.
6. Update CAF.
7. Update Risk Assessment.
8. Schedule Follow-up.
9. Final report copy to annual audit report folder (for externals)

  | **W/P REF.** | **AUDITOR** |