AuditLink Focus Group

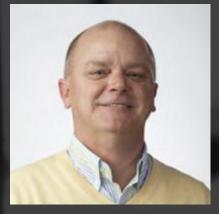December 18th, 2012

Agenda

- Introduction and Formalities

- What AuditLink Does vs. What CU Does

- Wrap-up of 2012

  - Findings, business status, etc.

- Plans for 2013

  - Jim's Dirty Dozen

  - Compliance Outlook

- AuditLink Advisor Site

Jim Vilker NCCO – VP Professional Services

- Has been in the credit union industry since 1985 where he launched his career as an examiner

- Was Executive Vice President of a credit union for eight years

- Joined CU*Answers in 1998

- NCCO Certified since 2009

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Marsha Sapino AAP – AuditLink Associate

- Joined AuditLink in July 2012

- Over 14 years of credit union experience

- Received her AAP designation in 2008

- Working towards her BSA designation

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Scott Veeder – AuditLink Associate

- Joined AuditLink in March 2011

- BA from Western Michigan University

- MA from Concordia University-Irvine

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Jerry Brockman – AuditLink Associate

- Joined AuditLink in August 2012

- BBA Accounting with an emphasis in fraud identification

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Keith Longcore – AuditLink Associate

- Joined AuditLink in August 2012

- BA in Math/education from University of Michigan

- Ed technology masters from Grand Valley State University

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BSA

- What We Do…

  - Review transactions and affiliated accounts

  - Verify audit trackers

- What You Do….

  - Add to audit trackers on results of follow-up

  - Submit CTR's to AuditLink for review

  - Flag and monitor High Risk accounts using DD flags and then running MNAUDT option 23

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Dormant Accounts

- Work dormant accounts on a regular basis, otherwise the Activity on Dormant Accounts report is inaccurate

- Do not delete accts from dormancy monitoring due to fees posted manually.... Reinstate

- ACH postings are considered activity. Considered to be high risk and back office should be alerted to the fact when working exceptions

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Goals for Dormancy

- Survey your members

- Mitigate Risk
  - Potentially placing a two week follow-up on the tracker

- Send no money to the State

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File Maintenance

- Verify Changes

- Expect Impropriety

- Fields monitored:

  - NOMAIL   -WRADD   -INTRAT

  - MATDTE   -NXDATE   -REVWDT

  - PAYFRQ   -PAYMNT   -DQCNTR

  - ADDR   -LNAPP   -SSN

  - DBLIMT   -LNAME   -JOSSN

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Teller Reversals

- What we are looking for

  - Impropriety

  - Coaching

  - Possibly procedural changes

- What you should be doing

  - Interview teller

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Employee Audit

- What are we looking for
    - Unusual transactions outside the norm
    - Error correction credits on accounts
    - Delinquency and negative balances
    - File maintenance
    - Transactions on own accounts
- What should you be doing
    - Review noted accounts
    - Annual and ongoing notifications to audit team of new accounts

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Wire Transfer

- What we are looking for

  – Complete address information

  – Any large wires out of the norm

- What you should be doing

  – Filling in missing data if needed

  – Verifying that staff is following procedures and source of funds is legimate

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OFAC

- Follow Through on New Matches

- Real time and Batch scans are now exactly the same

- Names are scanned on

  – Account opening and when adding a person to any subaccount

  – Corporate drafts

  – Wire recipients for outgoing

  – A2A recipients

  – ACH IAT's

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Stale Dated Checks

- What we do

  - List all stale dated checks

- What you should be doing

  - Review all those listed on Run Sheet

  - Perform the accounting entries to place them into a payable and place a stop pay on the draft

Your requirement to Audit Us

Update Policy to include the following:

The credit union does not assume that third parties are solely responsible for meeting regulatory requirements of BSA/AML compliance on their behalf and internal controls are in place to provide adequate oversight.   On an annual basis the credit union will complete an audit of Xtend's work by reviewing the raw logs and comparing their findings against Xtend's run sheets.

Evaluating Abnormal Activity
Understanding Normal Activity

Configuring Groups

Running the log

Software Developments

- Teller Currently Serving-Print Name of Who's Served on Receipt – Release 11.6

- Roving Tellers (Teller Drawer Control Changes) – Release 11.6

- New Data Center Employee Security Reports – Release 12.0

- Branch Indicator Added to BSA Report – Release 12.0

- Memberships Exempt from CTR Highlighted in BSA Dashboard – Release 12.1

Software Developments

- New ATM/Debit/Credit Card Status History Screen – Release 12.2

- Introducing the New Online Campus (BSA training available) – Release 12.2

- New World Class Enterprise Risk Management Tools- Built Right into CU*BASE – Release 12.2

- OFAC Batch Scan Enhancements – Release 12.2

- Assistance Complying with Reg E Periodic Statement for EFT Transactions – Release 12.2

Business Status

- 40 upfront contacts completed

  – 34 on daily monitoring

- 2 additional clients reviewing contracts

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Audit Link in 2013

- Vilker's Dirty Dozen
  - http://auditlink.cuanswers.com/wp-content/uploads/DirtyDozen.pdf

- Compliance Outlook for 2013

- New services from AuditLink

Vilker's Dirty Dozen

- ALM Download Enhancements
- BSA Enhancement: Joint Owner Activity
- BSA Log Management for Exempt Members
- CTR Automated Filing
- Check Cashing Function

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Vilker's Dirty Dozen

- Check Kiting Monitoring
- Critical Field Monitoring
- Enterprise Risk Management
- Identity Theft
- Risk Score Migration Analysis

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Other Services from AuditLink

- BSA Audits

- Ad hoc services

- ACH Audits

- Duration Analysis

- Just Turn it On

- Concentration Risk

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AuditLink on the Web

- Audit Link Advisor site

  - http://Advisor.cuanswers.com/

AuditLink on the Web

- Exam Share

- Policy Swap

- Financial Literacy

- NCT

- RMRG

http://Advisor.cuanswers.com/

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Questions?