

**OTHER ASSETS AND LIABILITIES**

**Expanded Analysis Decision Factors**

*This section evaluates the significance of deficiencies or other specific concerns identified in the Core and Expanded Analyses. Click on the hyperlinks found within each of the Expanded Analysis Decision Factors to reference the applicable Expanded Analysis Procedures. If needed, proceed to the accompanying [Impact Analysis](#).*

**Do Expanded Analysis and Decision Factors indicate that risks are adequately identified, measured, monitored, and controlled?**

**E.1. Does management provide proper supervision and take appropriate action to address other asset and liability deficiencies? Refer to Expanded Analysis [Procedures #1-93](#).**

**E.2. Are deficiencies immaterial to the bank's financial condition? Refer to Expanded Analysis [Procedures #1-93](#).**

**OTHER ASSETS AND LIABILITIES**

**Expanded Analysis Procedures**

*Generally, procedures used in the Expanded Analysis should target concerns identified in the Core Analysis and Decision Factors. The flexible procedures specified for the Core Analysis also apply to the Expanded Analysis.*

**Cash Accounts**

*Note: The primary objectives of cash and due from audits are to ensure account balances are properly recorded, cash items clear within a reasonable period, and due-from accounts are substantiated and tested. When appropriate, examiners should verify items (e.g., cash on hand, cash items, overdrafts, and other assets or liabilities held in suspense) to ensure items are properly controlled, recorded, and disposed.*

**CASH ON HAND**

- 1. Determine whether tellers, including relief tellers, have sole access to their cash supply and cash drawer.**
- 2. Determine whether duplicate keys and combinations are under dual control.**
- 3. Determine whether the total cash supply for tellers that are on vacation or absent for an extended period is counted under dual control.**
- 4. Determine whether cash drawers or teller cages have locking devices to protect cash during periods when the teller is absent from his/her window.**
- 5. Determine whether each office and teller maintains currency within pre-established cash limits. Cash items should not be kept as part of teller's cash.**
- 6. Determine whether bait money is maintained appropriately and counted each day.**
- 7. Determine whether daily procedures compare each teller's cash, in aggregate, to an independent control from the proof or accounting control department.**

<b>8. Determine whether teller differences are cleared daily or appropriately documented.</b>
<b>9. Determine whether cumulative over-and-short records are maintained for all persons who handle cash.</b>
<b>10. Determine whether each teller prepares and signs a daily proof sheet detailing currency, coin, consignment items, and cash items.</b>
<b>11. Determine whether tellers report large differences to a responsible official for clearance.</b>
<b>12. Determine whether the bank has a policy that prohibits tellers from maintaining "kitties" of pooled funds that are not reconcilable to one individual.</b>
<b>13. Determine whether teller transactions identify the responsible teller.</b>
<b>14. Determine whether both tellers verify and initial teller transfer entries.</b>
<b>15. Determine whether tellers possess operational guidelines that establish dollar limits for check cashing or withdrawals not requiring officer approval.</b>
<b>16. Determine whether controls prevent tellers from processing transactions to their own accounts.</b>
<b>17. Determine whether tellers clear all checks from their funds daily.</b>
<b>18. Determine whether teller duties are restricted to teller operations, unless a well-defined business reason</b>

<b>exists.</b>
<b>19. Determine whether vault opening and closing procedures are adequate and require dual control.</b>
<b>20. Determine whether the vault cash is appropriately controlled and that all currency is counted on a surprise basis including verification of all strapped cash packets.</b>
<b>21. Determine whether the bank maintains records showing amounts and denominations of vault cash.</b>
<b>22. Determine whether currency shipments are prepared and sent, received, and counted under dual control.</b>
<b>23. Determine whether someone independent of the teller function controls the master teller-machine key.</b>
<b>24. Determine whether tellers remove their keys when they leave their window.</b>
<b>NIGHT DEPOSITORY</b>
<b>25. Determine whether the bank provides lockable night deposit bags to customers.</b>
<b>26. Determine whether written contracts authorize the institution to open night deposit bags.</b>
<b>27. Determine whether two employees open night deposit bags; initial recording of bag numbers, envelope numbers, and depositors' names in the register; and count and verify contents.</b>

<b>AUTOMATED TELLER MACHINES (ATM)</b>
<b>28. Determine whether the bank's ATMs limit the amount of cash and the number of dispense transactions during a specified period for each account.</b>
<b>29. Determine whether ATMs capture the card if the wrong personal identification number (PIN) is consecutively used or an invalid card is used.</b>
<b>30. Determine whether the ATM automatically shuts down after it experiences recurring errors.</b>
<b>31. Determine whether a bank representative is present during ATM maintenance.</b>
<b>32. Determine whether the ATM has adequate lighting.</b>
<b>33. Inquire about negative-file capabilities. (If the ATM is operated off-line, determine whether it has the capacity to recognize and capture lost, stolen, or other undesirable cards.)</b>
<b>34. Determine whether activity reports identify ATM use by a customer in excess of that customer's history (e.g., three uses during the past three days compared with a history of one use per month).</b>
<b>35. Ascertain whether safeguards prevent the observation of a customer's PIN by others who observe the PIN pad.</b>
<b>36. Determine whether a communication interruption between an ATM and the central processing unit triggers the alarm system.</b>
<b>37. Determine whether all ATMs contain alarm devices.</b>

<b>38. Determine whether the bank mails PINs separately from cards.</b>
<b>39. Determine whether personnel who have custody of cards are prevented from accessing PINs at any stage (issuance, verification, or reissuance).</b>
<b>CASH ITEMS</b>
<b>40. Determine whether someone other than the teller who originated the transaction handles returned items.</b>
<b>41. Determine whether an officer, or other designated individual, reviews all cash items over a specified dollar limit with respect to collection and credit.</b>
<b>42. Determine whether an officer, or other designated authority, reviews and initials a daily report of all cash items.</b>
<b>43. Determine whether the bank's procedures forbid holding overdraft checks in the cash item account.</b>
<b>44. Determine whether the directorate, a designated committee thereof, or an officer with no conflicting responsibilities reviews and approves cash items recommended for charge-off.</b>
<b>PROOF AND TRANSIT</b>
<b>45. Ensure appropriate internal controls, such as dual controls and separation of duties, govern proof and transit operations.</b>
<b>46. Determine whether the bank handles cash letters appropriately. Consider whether:</b>

<ul style="list-style-type: none"><li>• Cash letters are prepared, sent, and reconciled daily;</li><li>• Cash letters are imaged before they leave the bank;</li><li>• Copies of the proof or hand-run tapes are identified and retained;</li><li>• Records of cash letters sent to correspondent banks are maintained that identify the subject bank, date, and amount; and</li><li>• Remittances for cash letters are received by employees independent of those who send out the cash letters.</li></ul>
<b>47. Determine whether all entries to the general ledger have been proofed.</b>
<b>48. Determine whether all entries prepared by the general ledger or customer account department are reviewed by a supervisor other than the person preparing the entry.</b>
<b>49. Determine whether errors detected by the proof operator are corrected by another employee or designated officer.</b>
<b>50. Determine whether appropriate source documents support all general ledger entries.</b>
<b>51. Determine whether the bank appropriately handles returned items. Consider whether returned items:</b> <ul style="list-style-type: none"><li>• Are handled by an independent section of the proof and transit department or delivered unopened to personnel not responsible for preparing cash letters or handling cash;</li><li>• Are periodically reviewed by supervisory personnel to determine that items are handled correctly by the proof and transit section and clear timely; and</li><li>• Are scrutinized for employee, large, or repeat items.</li></ul>
<b>52. Determine whether items reported missing from the cash letter are promptly traced with a copy sent for credit.</b>
<b>53. Evaluate the rotation of duties in the proof and transit area.</b>

<p><b>54. Ascertain whether the bank prohibits proof machine operators from filing checks or deposit slips, or preparing deposit account statements.</b></p>
<p><b>Correspondent Bank Accounts and Interest Bearing Balances</b></p>
<p><b>55. Consider contacting the correspondent bank to obtain an interim account statement. (Note: The statement should be sent to the examiner-in-charge's attention. If the bank receives a statement daily, obtain it before bank personnel open it.)</b></p>
<p><b>56. Prepare correspondent account reconcilements and trace exception and open items. (Note: Examiners are instructed to review the bank's internal reconcilements in the Core Analysis. If reconcilements do not exist or are incomplete, then examiners should perform this function.)</b></p>
<p><b>Permissible Activities and Equity Investments</b></p>
<p><b>57. Determine whether the bank complies with all conditions imposed by regulations and orders, including investment limitations or divestiture plans.</b></p>
<p><b>58. Determine whether accounting records accurately record income and expenses generated by the investments and ventures.</b></p>
<p><b>59. Determine whether contingent liabilities exist and the extent of any potential exposure.</b></p>
<p><b>Premises and Fixed Assets</b></p>
<p><b>60. Reconcile premises and equipment subsidiary ledgers to the general ledger.</b></p>
<p><b>61. Assess the reasonableness of investment in premises and equipment.</b></p> <ul style="list-style-type: none"> <li>• <b>Review the current and prospective use of fixed assets in serving banking needs.</b></li> <li>• <b>Review Uniform Bank Performance Report schedules to determine whether investments in premises and fixed assets are reasonable in relation to total assets and consider the percentage of operating income absorbed by occupancy expense.</b></li> </ul>

<b>Deposit Activities</b>
<b>62. Determine whether deposit records provide satisfactory audit trails (i.e., the transaction can be traced from initiation to final disposition).</b>
<b>63. Determine whether changes to customer account records require separation of duties between origination, input, and review.</b>
<b>64. Determine whether source documents for customer deposit account modifications are supported by proper authorizations (e.g., address change or name change).</b>
<b>65. Review a sample of internal control overrides for appropriateness and approval.</b>
<b>66. Verify that management does not pay fees until funds are verified and physically transferred (i.e., the bank does not give a broker an advance fee for his or her services prior to settling the transaction).</b>
<b>67. Determine whether the institution maintains documentation supporting a current reconciliation of each deposit account category recorded on the general ledger.</b>
<b>68. Verify that reconciliations are performed by an individual who is not directly involved in accepting or preparing transactions or entries to customer accounts.</b>
<b>69. Determine whether the preparation of input and posting of subsidiary deposit records are performed and adequately reviewed by persons who do not accept or generate transactions or handle cash.</b>
<b>70. Determine whether in-process, suspense, and interoffice accounts related to deposit accounts are closely monitored by individual(s) who do not have posting or reconciling duties.</b>

<b>71. Determine whether the bank flags deposit account files of employees, officers, directors, and any of their related business interests.</b>
<b>72. Ascertain whether posting and check filing procedures are separated from statement preparation.</b>
<b>73. Determine whether customer account statements are appropriately controlled.</b>
<b>74. Determine whether individuals who open new accounts or who have access to unused new account records are different than individuals who make entries to customer accounts or the general ledger.</b>
<b>75. Determine whether a periodic review of inactive accounts is performed to ascertain whether to place them on dormant status.</b>
<b>76. Determine whether the closed account lists are prepared and circulated to appropriate management for review.</b>
<b>77. Determine whether accounts that do not reflect recent activity, and for which customer contact cannot be reestablished, are removed from active files, clearly classified as dormant, and in compliance with state escheat laws.</b>
<b>78. Determine whether signature cards for closed accounts are promptly pulled from the active account file and placed in a closed-account file.</b>
<b>Official Checks</b>
<b>79. Determine whether reconcilements are a part of the overall deposit function. Consider whether:</b> <ul style="list-style-type: none"><li>• <b>Outstanding checks are listed and reconciled to the general ledger.</b></li></ul>

<ul style="list-style-type: none"> <li>• Permanent evidence of reconcilements is maintained.</li> <li>• Clear separation of duties exist, or reconciliation duties are rotated.</li> <li>• Reconcilements are reviewed by an officer.</li> <li>• Authorized signatures and endorsements are verified.</li> </ul>
<p><b>80. Investigate the types of checks issued. Appropriate safeguards or procedures generally address issues such as:</b></p> <ul style="list-style-type: none"> <li>• If multi-copy checks and certified check forms are not used, detailed registers of disbursed checks are maintained;</li> <li>• All checks are pre-numbered and issued in numerical sequence;</li> <li>• Check preparation and issuance are separate from recordkeeping;</li> <li>• Signing checks in advance is prohibited;</li> <li>• Procedures prohibit issuance of a check before the credit is processed;</li> <li>• Customer accounts are debited when certified checks are issued; and</li> <li>• Certified checks are stamped or marked across the face of the check and signed by an appropriate bank official. <i>(Note: Holes are often punched at the bottom of certified checks to prevent double posting.)</i></li> </ul>
<p><b>81. Test for appropriate controls over check signing machines, if used. Verify whether:</b></p> <ul style="list-style-type: none"> <li>• Procedures preclude certification of checks drawn on uncollected funds.</li> <li>• Voided checks and certified check forms are promptly defaced and filed with paid checks.</li> </ul>
<p><b>Other Items</b></p>
<p><b>82. Test the accuracy of the accrual system. Determine whether any of the income earned but not collected is contingent upon items in default or of otherwise doubtful collectability.</b></p>
<p><b>83. Determine whether the preparation of entries and posting of subsidiary other liability records is performed or tested by persons who do not also have direct control of the related liabilities.</b></p>
<p><b>84. Determine whether subsidiary other liability records are approved and balanced to the general ledger monthly by persons who do not also have direct control of the related liabilities.</b></p>
<p><b>85. Ensure contingent liabilities for future expenditures or losses are booked at the time they become</b></p>

<p>probable and can be reasonably estimated. Ascertain if such accounts are closely monitored, with periodic status reports to management.</p>
<p>86. Ensure sufficient documentation (i.e. board resolutions) is available to support amounts due to officers, directors, or their related interests.</p>
<p>87. Determine whether payroll tax liabilities reconcile to appropriate payroll records.</p>
<p>88. Ascertain if liabilities for undistributed customer receipts (i.e., deposits, funds transfers, dividend/interest payments, securities fails) are controlled in separate accounts.</p>
<p>89. Determine whether customer receipts are treated as deposits for reporting and reserve requirements.</p>
<p>90. Determine whether amounts that cannot be credited or otherwise paid to the rightful owner are classified as dormant and placed under dual control.</p>
<p>91. Determine whether formal approval procedures are in place and independent from recordkeeping for all other liabilities that are charged off or revalued.</p>
<p>92. Determine whether obligations are booked immediately upon receipt of invoices or bills for services received.</p>
<p>93. Verify that procedures exist to ensure invoices and bills are:</p> <ul style="list-style-type: none"> <li>• Verified for accuracy prior to payment,</li> <li>• Approved by designated employees prior to payment, and</li> <li>• Paid within the discount period.</li> </ul>

**End of Expanded Analysis. If needed, Continue to [Impact Analysis](#).**

**OTHER ASSETS AND LIABILITIES**

**Impact Analysis Procedures**

*Impact Analysis reviews the impact that deficiencies identified in the Core and Expanded Analysis and Decision Factors have on the bank's overall condition, and directs the examiner to consider possible supervisory options.*

**Impact Analysis Procedures**

**1. Determine the impact of identified deficiencies on the bank's capital, earnings, and asset quality.**

**2. Determine the need for administrative and enforcement actions, formulate specific recommendations, and advise the appropriate supervisory officials.**

**3. Discuss the possibility of administrative and enforcement actions with the examiner-in-charge and applicable regulatory supervisors, and when appropriate, executive management and the board of directors.**

**4. Determine the circumstances and facts regarding Civil Money Penalties, Suspicious Activity Reports, and removal action under Section 8 of the FDI Act, if necessary.**

**End of Impact Analysis.**