Documenting the Examination

Introduction

Examination documentation should demonstrate a clear trail of decisions and supporting logic within a given area. Documentation should provide a written record of the examiner's decisions and analysis, and provide support for assertions of fact or opinion in the Report of Examination. A well-constructed examination documentation file will provide sufficient data to reconstruct the examiner's decision process for each step of the examination. This includes support for the examiner's decision to include or exclude a regulation or area of review from the scope of the examination, as well as providing documentation of significant findings.

It is vitally important that appropriate, relevant workpapers are maintained at the field office to support:

- Review of the report of examination;
- Expanded explanations of significant findings in the event of subsequent enforcement action or appeals of supervisory determinations;
- Development of a supervisory plan;
- A current risk profile; and
- Developing the scope of future examinations and limiting future information and document requests of the institution.

Documenting Findings

1. If files or documents relating to certain regulations were tested and no problems were found, then it should be noted in the Scope Memorandum chart. An Examiner Summary is not necessary.
2. Prepare an Examiner Summary for each regulation or area reviewed in depth (an Examiner Summary for the CMS is not necessary since each element should be fully described in the ROE and/or the Risk Profile). The Examiner Summary, in conjunction with the Risk Profile and Scope Memorandum, and the ROE, will allow subsequent readers to clearly identify the scope of work performed and the basis for the examiner's conclusion.

   Include:

   - A statement indicating the scope of the review and describing the examination procedures used. Copies of the procedures, marked to indicate the portions used, may be substituted for the description.
   - Examiner's conclusion(s) for the area of review including significant findings and their impact on the CMS rating, brief commentary regarding the contents of all documents reviewed, and any deficiencies or violations noted during the examination that are not contained in the ROE.
   - An inventory of documents reviewed. The inventory should indicate which documents were copied for the workpapers and which were not. Generally, the examiner should maintain all discussion notes and all copies of bank documentation obtained during the examination. Exceptions can be made for irrelevant material or bulky items that have limited audit trail value. A copy of any document which is being directly criticized, or which supports a criticism made during the examination, must be maintained in the workpapers.

NOTE: At the EIC's discretion, multiple regulations may be aggregated. For instance, it may be appropriate to combine all mortgage loan-related regulations in one Examiner Summary.

Examiner Summaries are not necessary for areas not reviewed because of inapplicability. For example, if the institution does not engage in consumer leasing activities, a comment to that effect will be included in the Risk Profile and no Examiner Summary is required.

3. When a violation of a specific regulation has been identified, then:
   - Ensure that appropriate workpapers are fully completed, and that supporting documentation is attached. The use of standardized workpapers is optional. Regardless of the format used, the workpaper and documentation should be sufficient to enable an examiner having no previous connection with the examination to ascertain the evidence supporting the significant conclusions, judgments, cited violations, and compliance with any outstanding enforcement action.
   - Assign a violation code to each violation identified during the examination. All codes should be uploaded through SOURCE at the completion of the examination.
4. Ensure that the workpapers include clear and legible notes from discussions with management. All responses to examiner questions should be readily attributable to specific members of management. Specific comments made by management that are relevant to a significant finding should be marked or highlighted accordingly.
5. Attach to the relevant workpapers the documentation for each finding noted in the Report of Examination.

   For example:

   - A copy of the relevant portion of the bank's compliance policy which stipulates procedures that are in contradiction to the procedures actually performed, according to discussions with key personnel.
   - Copies of notes and related disclosure statements for violations of Regulation Z, Truth in Lending.

- Copies of adverse action notifications for violations of Fair Credit Reporting Act and/or Regulation B, Equal Credit Opportunity.
- Copies of completed hold notices where the financial institution failed to make $100 available at the start of the next business day in violation of Regulation CC, Expedited Funds Availability.

NOTE: For any violations cited as systemic or a pattern or practice, the examiner need only attach enough copied documents to support this conclusion.

General Procedures

1. Label workpapers with the following:
   - Name of financial institution
   - Certificate number of financial institution
   - Date of examination
   - Name of Examiner-in-Charge
   - Name of the examiner/assistant examiner who completed the workpaper
   - Location of the branch/office, if applicable
2. If the workpapers are revised in any manner after completion of the examination, such revisions should be clearly documented on the workpaper.
3. Checklists provided in this Manual or obtained elsewhere are optional. The examiner has the option of completing relevant portions of the checklists or using them merely as a guide. If used, they should be maintained in the workpapers, as they help document the procedures performed during the examination.

Filing Workpapers

1. Segregate workpapers by either regulation or examination procedures performed, for example, "Truth in Savings" or "Loan File Review."
2. Label overall workpaper box, folder, envelope, or binder appropriately with the following:
   - Name and location of financial institution
   - Certificate number of financial institution
   - Date of examination
3. Always include with the final workpapers an index or table of contents that readily identifies the location of all workpapers and supporting documentation. For example, the workpaper index should indicate that the FDIC copy of the Loan Policy is located in the Policy Review workpaper folder.
4. Organize and promptly convey the examination workpapers to the field office or other designated storage location at the conclusion of the examination.
5. The EIC should:
   - Review workpapers to ensure that they are accurate, legible, and complete.
   - Determine that appropriate bank documentation, where applicable, has been attached and retained in the workpapers.
   - Confirm that workpapers are appropriately organized and filed.

Retention

Retain workpapers for a period of at least two years or until the next examination, whichever is later. Retain workpapers for longer periods in the following instances, until corrective action or other resolution is complete:

- Truth in Lending violations requiring reimbursement;
- Fair lending violations resulting in referrals to the Department of Justice or Department of Housing and Urban Development;
- Any type of enforcement action that has been placed on or remains outstanding against the financial institution;
- A criminal referral has been made regarding the institution or any of its directors, trustees, management, or employees; and
- Other reasons, at the discretion of the Regional Director or Field Supervisor, for which the retention of documents and workpapers is required.

Consult the FDIC Records Schedule directives for further information.

SOURCE

SOURCE is the system of record for the compliance and CRA examination program and is extensively used by compliance field supervisors, examiners, review examiners, and Washington Office policy staff. SOURCE is used to support reporting requirements, provides substantial task support for staff, and is a management support and decision tool. Among other functions, SOURCE:

- Generates examination schedules that are used to support workload projections by incorporating quarter planning and benchmark hours;
- Provides information to facilitate the pre-exam process;
- Captures examination summary information;
- Attaches examination documents for divisional sharing and historical reference;
- Tracks information through the consultation process; and
- Facilitates the reporting of examination data for legislatively mandated reporting.

Information in SOURCE should be complete, accurate, and timely.

- Examiners and reviewers should ensure that the most current versions of documents are attached and labeled correctly. For example:
  - Transmittal Letter
  - Page 1 Examiner's Comments and Conclusions
  - Level 3, Level 2, and Level 1 Violations Pages (if any)
  - Page A (if applicable)
  - Enforcement Action Memoranda and Letters (if any)
  - CRA Performance Evaluation
  - Fair Lending Memorandum
  - Final Risk Profile and Scope Memorandum (document must be updated at the conclusion of the examination to reflect the actual scope of the examination);
- Examiners and reviewers should ensure that all required information fields are completed at the conclusion of the examination;
- Supervisors should plan examinations and visitations in advance and indicate the quarter for which the activity is planned; and
- Examiners-in-charge, or their designees, should update the examination On-Site Date as soon as possible.

Job Aids

SOURCE Main Page

SOURCE Help/Job Aid

How to Request Access to SOURCE

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