



## Flood Insurance

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### II. Building an Effective Compliance Management System

# Building an Effective Compliance Management System

## Compliance Management System

Commensurate with size, product offerings, and business strategies

Board and Management Oversight

Program

Audit

# Board and Management Oversight

## § To ensure an effective CMS, a bank's board of directors should:

- Designate an individual to take ownership of compliance responsibilities and provide this person with authority to cross departmental lines;
- Structure the CMS based on the bank's business strategies, resources, and flood insurance risks;
- Ensure prompt correction of any flood violations or deficiencies identified during regulatory examinations or internal review activities; and
- Enforce accountability.

# Compliance Program – Policies and Procedures

## § To ensure an effective CMS, the bank's compliance program should:

- Include bank-specific and detailed written guidance;
- Assign responsibility to specific individuals to promote accountability and avoid confusion; and
- Provide instructions for various types of situations.

# Compliance Program – Training

- § **To ensure an effective CMS, a bank’s compliance program should include regular, ongoing training:**
- Online or computer-based training is effective for basic flood insurance requirements; and
  - Training provided by industry groups, regulatory agencies, and FEMA is likely to provide deeper insights on technical aspects of the flood rules and may also promote awareness of regulatory changes.

# Compliance Program – Monitoring

## § To ensure an effective CMS, a bank's compliance program should ensure:

- Individuals with monitoring responsibilities are independent from transaction(s) reviewed;
- Monitoring occurs on an ongoing basis throughout the transaction meaning: prior to closing and at regular intervals while the loan is outstanding; and
- Results of monitoring are reported to senior management and/or the board of directors.

# Audit

## **To ensure an effective CMS:**

### **§ The audit should be risk-scoped;**

- Target loans for review where the collateral is in a special flood hazard area;
- Include targeted loans for review from all lending departments;

### **§ The audit results should be reported to senior management and the board of directors; and**

### **§ The auditor should be independent from the transactions reviewed.**