



Flood Insurance

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.