

CASH AND NEGOTIABLE ITEMS AUDIT PROGRAM

A:

The table below lists the procedures being tested. Work paper references are included to eliminate duplicate work paper references. Budget hours should tie out to the Budget/Plan form in section 3 of the Planning File. The “Done By” column identifies the work has been completed when initialed and dated.

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|--|---------|--------|---------|
| <p>Teller Cash Control:</p> <ul style="list-style-type: none"> • Determine where the tellers' cash is kept when not in the tellers' station? • Describe how the tellers cash is accessed (keys, combinations, etc) • While their cash is in their station, determine if the teller cash drawer locked when the teller is away from their window. • While at the branch, test the teller drawers when they are away to ensure they are locked. Were exceptions noted? • Determine if separate teller stations are assigned to all the tellers, or if the stations rotated and teller station keys shared? If stations are shared, determine how sole control of cash is maintained. <p>SCOPE: Review controls for teller area of the bank.</p> | B-1 | | |
| <p>Cash limits and Cash Shipments:</p> <ul style="list-style-type: none"> • Determine if teller cash limits and cash vault limit established and adhered to? • What are the limits and are they formally documented/communicated in a policy or form? • How are they monitored? • Determine how cash shipments are made, e.g. Brinks. Are cash shipments between banking centers made by employees? • If yes, are precautions taken to reduce the risk to these employees? • Document procedures when employees are involved in the transfer of cash between banking centers <p>SCOPE: Review limits for all tellers at the branch. Determine and analyze procedures through observations and discussion with management.</p> | B-2 | | |
| <p>Surprise Teller Cash Audits:</p> <ul style="list-style-type: none"> • Inquire to determine if surprise cash counts for the vault cash, ATM, cash dispensing machines, and tellers performed. • What is the frequency? • Who performs the audits? • Is this person independent? • Is the frequency reasonable? • Review evidence of the teller surprise cash counts. • Conclude whether all tellers received a surprise cash count at the required frequency. • Surprise cash counts should be more than verifying cash in the drawer to the machine total. (NOTE: A teller could force balance a machine | B-3 | | |

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|--|---------|--------|---------|
| <p>easily to pass a surprise cash count.) Determine what measures are taken to ensure teller cash is accurately held in the teller's supply.</p> <p>SCOPE: Use Discuss intended controls with management. Review surprise cash counts performed over the last three cycles of audits.</p> | | | |
| <p>Vault:</p> | | | |
| <p>Vault Access:</p> <ul style="list-style-type: none"> • Is the safe deposit vault accessed and time locks set under dual control? If yes, does the opening and closing log include the initials of two persons opening the vault, including the dates and time it was opened? • Is the guard key controlled? • Are unrented box keys secured under dual control? • Is the main vault used as a dual control device for vault cash? (This should ensure vault cash is under dual control after business hours.) • If yes, does the main vault opening log include the initials of two persons opening the vault, including the dates and time it was opened? • If no, where is the vault cash kept? • Is there a second cash vault used by the banking center, e.g. drive-up vault? • If yes, ensure your review of procedures includes this vault also. Review vault log documentation. • Determine if the main vault and safe deposit vault opening log include the initials of two persons opening the vault, including the dates and time it was opened. • Were the dates consecutive, excluding Sundays? • Determine if an entry log used when the cash vault is accessed. If yes, are the initials of those gaining access recorded? • Review of this log, are the individuals entering the vault, consistent with these authorized to access the vault? <p>SCOPE: Observations performed throughout the day and review of logs of past month.</p> | B-4 | | |
| <p>Vault Cash:</p> <ul style="list-style-type: none"> • What type of devices are used to secure the vault cash (i.e. two combinations, one combination, combination and key, etc.)? • Discuss with banking center management and determine if the vault cash intended to be under dual control or a vault teller's sole access? • Identify person(s) who have control over the access devices? (List who has keys and/or combinations). • Verify controls with a sample of employees, through observation and inquiry and indicate results. • Determine if control is maintained over their assigned device at all times? (If a key is used as part of the dual control, it should be controlled to make sure no one with the combination has access to it. The combination should also be controlled if written or be memorized.) • Per observation while in the facility, does the cash vault remain under proper control throughout the day? Or did you observe instances that | B-5 | | |

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|---|---------|--------|---------|
| <p>would allow the intended control to be circumvented?</p> <ul style="list-style-type: none"> Observe the counting/balancing of the vault cash. The vault cash and vault teller cash should be accounted for under one control number by the vault teller. Indicate the dates reviewed. Describe procedures performed in your presence and document whether appropriate control in place throughout the entire process. <p>SCOPE: Observations the date testing is performed.</p> | | | |
| <p>Duplicate Keys and Backup Combo's:</p> <ul style="list-style-type: none"> Determine if spare keys and combinations are maintained under dual control. Describe where the spare keys and combinations kept? <ul style="list-style-type: none"> Who has the first half of the control device to access these? Who has the second half of the control device? Do these employees maintain control over their assigned device at all times? Determine if keys and combinations are changed at specific, identified times? Describe the procedure followed. Describe how you determined when locks or combinations were last changed (there may be a memo or some form of log regarding the date keys/combos were changed). <p>SCOPE: Observe controls and discuss with management. Determine objective through observations and discussions management, and review of supporting documents.</p> | B-6 | | |
| <p>Night Deposit:</p> <ul style="list-style-type: none"> Describe the type of devices that are used to secure the Night Depository under dual control, (i.e. one combination vault, two combination vault, combination and key vault). Who has control over these devices? (List who has which part). Verify controls with a sample of employees, if possible, through observation and inquiry and indicate results. Is control maintained at all times? (If a key is used as part of the dual control, it should be controlled to make sure no one with the combination has access to the key? Is the combination memorized by those who have it?) <p>SCOPE: Verify access for all employees of the location.</p> | B-7 | | |
| <p>Night Deposit Procedures: Observe and indicate if the following were performed:</p> <p>a) Was the night deposit vault opened under dual control? By whom?</p> <p>b) Were the contents removed under dual custody and logged immediately? Did both employees initial the log?</p> <p>c) Was the night deposit vault door closed completely after the deposits were removed and did it remain closed throughout the day?</p> <p>d) Were the bags properly safeguarded until processed by the assigned teller? Are bags "not to be processed by the bank" placed under dual</p> | B-8 | | |

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|--|---------|--------|---------|
| <p>control until picked up by the customer? Describe holdover location and who has access.</p> <p>e) Were the bags unlocked under dual custody? Were the envelopes opened and verified under dual custody?</p> <p>f) Did the teller(s) assigned to process the envelopes and bags initial the log as evidence the deposit was given to them? Were the bags/envelopes assigned in a random manner? (The same teller should not have the opportunity to process the deposit of the same customer every day).</p> <p>g) Were any of the bags in poor condition, e.g. lock not working; material falling apart, etc.? If yes, describe conditions and discuss replacement of bags with Teller Supervisor.</p> <p>h) Was the Master key to the bags controlled when not in use? Explain any exceptions noted.</p> <p>SCOPE: Observe process while performing testing.</p> | | | |
| <p>Vault and Working Supplies:</p> <ul style="list-style-type: none"> • Describe the type of devices that are used to secure the vault supplies of consigned items, (i.e. one combination vault, two combination vault, combination and key vault). • Who has control over these devices? (List who has which part). Verify controls with a sample of employees, through observation and inquiry and indicate results. Is control maintained at all times? (If a key is used as part of the dual control, it should be controlled to make sure no one with the combination has access to the key? Is the combination memorized by those who have it?) • Describe control over the working supplies of consigned items: <ul style="list-style-type: none"> a. during business hours <ul style="list-style-type: none"> CC: MO: TC: b. after business hours (Items should be returned to a vault or fire resistant cabinet during non-business hours). <ul style="list-style-type: none"> CC: MO: TC: <p>SCOPE: Perform testing.</p> | B-9 | | |
| <p>Logs:</p> <p>Are consigned item vault supplies documented on logs?</p> <p>CC:</p> <p>MO:</p> <p>TC:</p> <p>Are items transferred from the vault to the working supply and received in a shipment recorded on the logs?</p> <p>CC:</p> <p>MO:</p> <p>TC:</p> | B-10 | | |

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|--|---------|--------|---------|
| <p>Are consigned item working supplies documented on logs? CC: MO: TC:</p> <p>Does the issuing employee initial and date the log indicating which item(s) was sold? CC: MO: TC:</p> <p>Are items sold in numerical sequence? CC: MO: TC:</p> <p>SCOPE: Perform testing.</p> | | | |
| <p>Verifications:</p> <ul style="list-style-type: none"> Are daily verifications of the working supplies performed? (Quick verification of actual items to log. One way to verify the items is to subtract the number of items sold from the previous day's item total and count the remaining items in the working supply to agree to the number calculated...while looking for out-of-sequence items. For example, yesterday's total count was 35. Today we sold 6 items. I should verify there are still 29 items in the working supply). Briefly document how verification occurs, Also, document who verifies working supplies. OC: MO: TC: Does this person issue items? OC: MO: TC: If yes, is the control still effective? Are periodic audits performed of the working and vault supplies to the logs? Also, document who performs audit, planned frequency of audit and date of last audit. (For example, checking off the serial number of the items on the log as they are physically verified). CC: TC: Was documentation of these audits observed? Were exceptions investigated and resolved by those auditing? For consigned items, i.e. traveler's checks, document following: Whether an inventory has been performed and reconciled to a statement from the consignor for travelers' checks? As of what date? Who performed? Were all items verified and any discrepancies investigated and resolved? | B-11 | | |

| AUDIT OBJECTIVE/ PROCEDURE | W/P REF | BUDGET | DONE BY |
|--|-------------------|--------|---------|
| SCOPE: Perform testing. | | | |
| <p>Correspondent Bank Accounts: To determine all applicable accounts general ledger and house DDA accounts are reconciled, perform the following:</p> <ul style="list-style-type: none"> • Obtain General Ledger Report of Condition for each market's general ledger. Verify due from or correspondent bank accounts are periodically reconciled. • For items aging over 30 days, determine collectability and reason for reconciliation item. <p>SCOPE: Review all general ledger and house DDA accounts. If the reconciliation is performed: Daily: Past 15 daily reconciliements Weekly: Past 5 weekly reconciliements Monthly: Past 2 months reconciliements</p> | B-12 | | |
| <p>CB Account Reconcilements: From the accounts identified in the previous audit step, perform the following testing.</p> <ul style="list-style-type: none"> • Trace totals to source documentation. • Recalculate totals and subtotals. • Agree the outstanding items in accounts to aging reports prepared by a sample of outstanding items and trace to disposition. Determine if internally cleared debit or credit items are cleared within timeframes outlined in the policy • Determine if signed by the preparer and if a supervisor periodically reviews and approves. • Determine if the reconciliation was performed timely. • Determine if the reconciliation was prepared using an automated tool, such as Excel spreadsheets • Determine if management monitors outstanding items as defined in the company General Ledger reconciliation policy. <p>SCOPE: Judgmentally select all accounts identified with balances in excess of \$10,000. Also select all accounts with reconciling items older than 15 days.</p> | B-13 | | |
| Planning | Justin | | |
| Work paper Review | Valerie | | |
| Report/Exit | Justin Valerie | | |
| Wrap Up | Justin | | |
| Total Plan Hours | | | |