

Module: Assets

Section: Other Assets

EM-345

Date Published: 06/94

Introduction

In addition to loan-related assets and marketable investments, Farm Credit System (System) institutions maintain other assets to support operations. These assets generally comprise a small percentage of the institution's total assets and are considered nonearning or low earning assets. However, the risks and costs of holding such assets must be adequately managed to ensure the safety and soundness of the institution.

Other assets include cash, premises and equipment, equity investments in other System institutions, accounts receivable, prepaid expenses, and deferred taxes. Examiners need to consider the level, trend, and management of these assets in evaluating the overall management of an institution's assets. The risks and costs associated with maintaining cash, premises and equipment, and investments in other System institutions are considered the most significant and are discussed in this section.

Examination Objective

Determine if other assets are adequately managed and their impact on the overall financial condition and performance of the institution.

Cash

Cash includes cash items in the process of collection, currency and coin, and balances due from depository institutions. These categories of cash, as well as the qualifications of each category, are further discussed in the FCA Uniform Call Report Instructions.

The amount of cash held by System institutions depends on several factors. Liquidity needs, cash management systems, and, for associations, the terms and conditions of the direct loan all affect cash balances held by institutions. Examiners should focus on the management of cash and the adequacy of the processes in place to minimize the risks and costs related to excess cash balances, misappropriation, and wire transfers.

Excess Cash Balances

Cash is considered a nonearning or low earning asset. As such, there is an opportunity cost associated with maintaining cash balances since funds could be invested or applied elsewhere to provide a better overall return to the institution. The board of directors should establish policies that address the objectives and operating parameters for maintaining cash. Generally, this would include target cash balances and a periodic analysis of the institution's cash needs. The policy should also require management to review and evaluate the institution's cash management process on at least an annual basis to determine if:

- Compensating balances or fees charged by depository institutions are cost-effective and comparable to the fees charged by other depository institutions;
- The financial condition of the depository institution is sound and deposits in excess of Federal deposit insurance are safe; and
- New or alternative cash management services and techniques are available to further reduce costs.

Misappropriation

Cash should be managed to minimize the exposure to misappropriation. Cash is a highly liquid asset which can be easily transported, concealed, and converted into other assets. For these reasons, institutions should have policies and procedures in place to direct and control the flow of cash from the time it is received, through the various stages of use and custody, to its final disbursement.

Policies and procedures should address the internal controls necessary to ensure cash is adequately safeguarded and recorded/reported to reflect actual balances on hand. Segregation of responsibilities is one control that can be used to safeguard cash and reasonably ensure the reliability of accounting records. For example, the same person should not be responsible for recording the cash received on account and for posting the receipts to the accounting records. Signatory authorities and an effective internal audit function can also be used to provide additional controls over the cash management function.

Wire Transfers

Depending on the extent of wire transfer activity, an institution could be exposed to additional risk in the management of cash. Errors, omissions, and fraudulent alteration of the amount or account number to which funds are to be deposited could result in a loss. Costs can include loss of funds, loss of availability of funds, interest charges, and administrative expenses of recovering funds and correcting problems.

Management is responsible for assessing the inherent risks in the wire transfer system used, establishing procedures and controls to protect the institution against unreasonable exposures, and monitoring the effectiveness of such safeguards. Management should evaluate the risks realistically and provide for accounting records and internal controls adequate to keep the exposure within acceptable limits. Effective risk management requires that:

- An adequate accounting system be in place to determine the extent of any intraday overdrafts and potential overnight overdrafts before releasing payments;
- Payments be within established credit limits and that amounts in excess of such limits involving significant credit risk be properly approved by appropriate lending authorities; and
- Institutions responsible for settling the positions of others assign responsibility at an appropriate supervisory level for monitoring respondents' accounts.

Policies should establish the types of allowable transfers, especially on transactions involving a third party. Procedures should prevent transfers drawn against uncollected funds, and unless preauthorized credit lines exist, an institution should not transfer funds against simple ledger balances.

Job descriptions should be well defined, providing for logical flow of work and adequate segregation of duties. No one person in a wire transfer operation should be responsible for the origination, testing, processing, and balancing of a request. The daily balancing process should include a reconciliation of both the number and dollar amount of messages transmitted. Wire transfer personnel should promptly inform other institution departments/personnel affected by a transfer of funds so that the proper accounts may be updated. All adjustments required in the processing of the transfer request should be approved by supervisory personnel and the reasons for adjustment adequately documented. Transfer requests as of a past or future date should require supervisory approval with the reasons for those requests well defined.

Internal controls must be sufficient to determine the authenticity of the transferor of funds. Telephonic transfer controls might include a call-back procedure, whereby an employee of the institution calls a prearranged telephone number to verify the identity of the transferor. Another control might be a unique code provided by the originator and verified by the receiver. Transfer requests are normally documented by the receiver on preprinted forms, which serve as the initial record for audit activities. Tape recording telephone calls is a satisfactory method of documenting transfer requests, but only if the institution notifies the caller that messages are being recorded. However, recording messages may be subject to state or local laws.

Internal controls used to verify the authenticity of incoming wire requests involve the use of test keys. A test key is a formula used to develop or interpret test codes or test words. Test codes or words consist of a series of numbers signifying different types of information and usually precede the text of the message. As an example, a test code may contain a bank number, the amount of the transaction, and a number indicating the day and week of the month. As an additional precaution, many test codes contain a variable (sequence number) based on the number of messages received. A current list of test keys, available only to authorized personnel, should be on file for each institution. The person receiving the incoming request should not be responsible for verifying authenticity. When not in use, test keys should be kept under dual control.

Institutions normally verify signatures or use a call-back arrangement to authenticate transfer requests received by mail. Mail transfer requests may include a test word to provide additional protection for the institution. When signature verification is required, institutions must maintain an up-to-date list and should limit the number of authorized signers.

Only authorized persons should have access to wire transfer machines, code books, account information, and terminal facilities. Wire transfer devices should be deactivated during nonoperational hours to prevent unauthorized use. Computer programming personnel should not be allowed access to the terminal or other sensitive materials nor should terminal operators or other wire transfer operators have access to computer areas or programs.

Considerable documentation is necessary to maintain adequate accounting records and auditing control. Many institutions retain logs recording transfer request information, assign sequence numbers to incoming and outgoing messages, and keep an unbroken copy of all messages received on wire transfer equipment. Use of prenumbered forms is also common. At the end of each business day an employee should compare request forms to the actual transfers to ensure that all transfers were properly recorded.

Premises and Equipment

Premises and equipment include buildings; construction in progress; costs of improvement and betterment that increase the value of the property; total acquisition cost of the land upon which the premises are built; furniture; fixed machinery and equipment; computer equipment; purchased software; automobiles; and other fixed assets owned by the institution and used in the conduct of its business.

Management should ensure premises and equipment are reported at acquisition cost less accumulated depreciation. The depreciation method used should comply with generally accepted accounting principles (GAAP) and should be reviewed to determine its impact on the financial statements.

Investments in premises and equipment are an essential cost of doing business and are much like a prepaid expense or a future operating expense. An institution's investment in premises and equipment represents a cost of operations and could, if not checked or controlled, ultimately affect the safety and soundness of an institution should such premises or equipment be excessive.

As with expenses, management should adequately plan for investments in premises and equipment based on the institution's current and prospective needs. FCA Regulation 12 CFR § 615.5150 identifies the factors System institutions should consider in the purchase, lease, construction, or sale of buildings and building sites, office space, and appurtenances. This regulation also addresses the need for policies which provide direction in the formulation of information processing programs and the development of short- and long-range information processing plans.

The board of directors should also consider the alternatives available to protect their investment in premises and equipment. This could include purchasing insurance on buildings, maintaining additional capital for a self-insurance fund, or storing certain assets offsite. In addition to the cost of replacing damaged or lost assets, the board of director's disaster/contingency planning should address the actions required to resume critical business functions in a temporary location.

Equity Investments in Other System Institutions

Equity investments in other System institutions covers both paid-in investments and any other equity in the net worth of other System institutions. Paid-in investments include paid-in capital and paid-in surplus, and other equity is comprised of the institution's investment in capital stock, participation certificates, and allocated surplus. Institutions make equity investments in other System institutions as a condition for obtaining a loan. Investments in other System institutions may also reflect patronage paid by the funding bank which has accumulated over several years.

The quality, profitability, and stability of these assets is directly affected by the funding bank's exposure to risk, financial condition and performance, and directorate control over the investment. The quality and underlying risk of equity investments should be assessed by considering the funding bank's overall financial condition and performance and ability to withstand adversity. Investments in banks experiencing financial difficulties or with limited risk-bearing capacity may expose the investing institution to substantial risk. Profitability may also be affected if the bank is unable to pay patronage or provide interest rate reductions or rebates to borrowing associations. Furthermore, these investments can only be retired at the sole discretion of the funding bank's board of directors. These unique characteristics should be monitored and reported to the investing institutions' board of directors and considered in establishing financial goals and objectives.

Examination Procedures

As stated earlier, other assets generally comprise a small portion of a System institution's total assets. Therefore, under a risk-based examination approach, it is unlikely that a significant amount of resources would be devoted to examining other assets. However, examiners should be alert to institutions reporting excessive amounts of other assets relative to their peer group, significant changes from the amounts reported in prior periods, or any trends that would suggest potential problems.

If it is determined that additional examination work is necessary, examiners should determine the adequacy of the institution's business planning in addressing the institution's needs with respect to other assets. The adequacy of policies, procedures, and internal controls should also be examined to determine if the board of directors and management are providing sufficient oversight in the area.

Where weaknesses exist in the management of other assets, such as the maintenance of excessive cash balances, inadequate wire transfer controls, or inappropriate investments in buildings and equipment, the examiner should determine the impact of such mismanagement on the financial condition and performance of the institution and require corrective action.

The following list of procedures is provided to assist examiners in the evaluation of other assets. Consistent with risk-based examination principles, examiners should add, delete, or modify procedures as needed based on the particular circumstances of the institution.

Examiners should also coordinate their examination activities with other members of the examination team and the examiner-in-charge (EIC). Emphasis should be on identifying how examination findings in other areas impact the review, ensuring sufficient work is completed to support conclusions, and avoiding duplication of examination effort.

Cash

1. Review the level, trend, and changes in cash balances held by the institution and identify conditions/areas warranting follow-up.
2. If deemed reliable, review the results of the institution's internal audit review process to determine the adequacy of, and compliance with, policies, procedures, and internal controls related to cash.
3. Review any reports or letters provided by the institution's external auditor that may address the adequacy of internal controls related to cash.
4. Review cash management policies, procedures, and internal controls for adequacy by determining- if the following areas are addressed:

- a. Use of cash and target cash balances;
 - b. Periodic analysis of cash needs;
 - c. Annual review of the cash management process which considers:
 - The cost-effectiveness and reasonableness of compensating balances or fees charged by depository institutions;
 - The financial condition of the depository institution and the amount of deposits in excess of Federal deposit insurance; and
 - New or alternative cash management services and techniques available to minimize costs related to holding cash.
 - d. Safeguards necessary to protect cash from misappropriation, such as:
 - Segregation of the receiving, disbursing, and recording responsibilities;
 - Signatory authorities and supervisory reviews; and
 - Appropriate audit coverage.
5. For institutions that exceed planned cash balances or cash needs, or have excessive cash balances, estimate the additional cost of holding such amounts.
 6. Through inquiry or a review of related policies and procedures, determine the extent of wire transfer activities and the degree of risk related to such activities. If significant, -determine the adequacy of internal controls by completing the "Wire Transfer Internal Control Questionnaire" at the end of these procedures.
 7. Summarize concerns noted in the examination of cash and obtain management's response and plans for correction.
 8. Conclude on the prudence and safety of cash and discuss examination findings with the EIC and examiners assigned capital, earnings, and liquidity or other areas that may be affected by the findings. Prepare a leadsheet or other summary document to provide workpaper support for the work performed and the conclusions reached.

Premises and Equipment

9. Review the level, trend, and changes in premises and equipment reported by the institution and identify conditions/areas warranting follow-up.
10. Determine if premises and equipment are recorded at acquisition cost less accumulated depreciation, and that the method of depreciation complies with GAAP.
11. Determine if premises and equipment are adequately managed by reviewing the adequacy of:
 - a. Plans to invest in needed capital assets, or to liquidate under-utilized, unused, or unprofitable assets; and
 - b. Inventory listings of furniture and equipment.
12. Determine if the institution maintains sufficient insurance or capital reserves to protect itself from losses relating to premises and equipment (e.g., fire, natural disaster).
13. Determine if the institution's disaster/ contingency planning adequately addresses actions that will be

taken should premises and equipment be damaged or destroyed.

14. Summarize concerns noted in the examination of premises and equipment and obtain management's response and plans for correction.
15. Conclude on the prudence and safety of premises and equipment and discuss examination findings with the EIC and examiners assigned capital, earnings, and liquidity or other areas that may be affected by the findings. Prepare a leadsheet or other summary document to provide workpaper support for the work performed and the conclusions reached.

Equity Investments in Other System Institutions

16. Review the level, trend, and changes in equity investments in other System institutions and identify conditions/areas warranting follow-up.
17. In coordination with the examiner(s) assigned to examine and monitor the institution's funding bank, determine the impact of the bank's financial condition and performance and risk-bearing capacity, and the board's actions and plans regarding equity investments on the quality, profitability, and stability of the institution's equity investment.
18. Summarize concerns noted in the examination of equity investments and obtain management's response and plans for correction.
19. Conclude on the prudence and safety of equity investments and discuss examination findings with the EIC and examiners assigned capital, earnings, and liquidity or other areas that may be affected by the findings. Prepare a leadsheet or other summary document to provide workpaper support for the work performed and the conclusions reached.

Wire Transfer Internal Control Questionnaire

This questionnaire is designed in two separate parts. Part A is intended to be used as a review of operations and internal controls and can be applied to any institution and its wire transfer operation. Part B is intended to be used by examiners in their evaluations of accounting methods and controls related to overdrafts, advances against uncollected or anticipated deposits, and settlement risk. Although the concepts contained in Part B are universally applicable, it is intended to be used only in institutions that participate in one or more of the true transfer systems (i.e., FedWire, CHIPS, and Cash Wire).

PART A

Organization

1. Has a current organization plan been developed that shows the structure of the wire transfer function?
2. Does senior management provide administrative direction for operations of the wire transfer function?
3. Does management regularly review staff compliance with credit and personnel procedures, operating instructions, and internal controls?
4. Does management receive and review activity and quality control reports?
5. Are quality control reports designed to show unusual activity or disclose system use without proper authorization?
6. Is management informed of new systems design and available hardware for the wire transfer system?

Personnel

7. Has the institution taken steps to ensure that screening procedures are applied to personnel hired for sensitive positions in the wire transfer area?
8. Does the institution prohibit new employees from working in sensitive areas of the wire transfer function?
9. Is special attention paid by supervisory staff to new employees assigned to work in the wire transfer function?
10. Are temporary employees excluded or limited from working in sensitive areas?
11. Are statements of indebtedness required of employees in sensitive positions of the wire transfer function?
12. Are employees subject to unannounced rotation of responsibilities regardless of the size of the institution?
13. Are relatives of employees in the wire transfer function precluded from working in the same institution's bookkeeping or data processing department?
14. Does the institution's policy require that employees take a minimum number of consecutive days as part of their annual vacation?
15. Is the institution's vacation policy being enforced?
16. Does management reassign employees who have given notice of resignation or been given termination notices from sensitive areas of the wire transfer function?
17. Is a training program used to alert personnel to the current trends in wire transfer activities and to the necessity of adequate internal control?

Operating Procedures

18. Do written procedures exist for employees in the incoming, preparation, data entry, balance verification, transmission, accounting, reconciliation, and security areas of the wire transfer function?
19. Do procedures cover:
 - a. Access to the wire transfer area and user files?
 - b. Terminal security and password control?
 - c. Control over test words, signature lists, and operating and closing messages?
 - d. Origination of wire transfer transactions and the modification and deletion of payment orders or messages?
 - e. Review of rejected payment orders or messages?
 - f. Verification of sequence numbers?
 - g. End-of-day accounting for all transfer requests and message traffic?
 - h. Control over messages or payment orders received too late to process the same day?
 - i. Control over payment orders with future value dates?

- j. Supervisory review of all adjustments, reversals, reasons for reversals, and open items?
- k. Contingency planning?

20. Are procedures periodically reviewed and updated?

Agreements

- 21. Are agreements concerning wire transfer operations between the financial institution and its hardware and software vendors, maintenance companies, customers, correspondent banks, and the Federal Reserve bank in effect and current? (Agreements with the Federal Reserve bank should specifically refer to the operating circular(s) regarding wire transfer of funds pursuant to Subpart B of Federal Reserve Board Regulation J.)
- 22. Do the agreements fix responsibilities and accountability between the parties?
- 23. Do both the hardware and software vendors guarantee continuity of service in the event of a failure, including a specified recovery time?
- 24. Are there agreements between the financial institution and vendors setting forth the vendors' liability for actions performed by their employees?

Contingency Plan

- 25. Have written contingency plans been developed for partial or complete failure of the systems and/or communication lines between the financial institution and the New York Clearing House, Federal Reserve bank, data center, and/or service companies?
- 26. Are those contingency plans reviewed regularly?
- 27. Are those plans tested periodically?
- 28. Has management distributed those plans to all wire transfer personnel?
- 29. Are sensitive information and equipment adequately secured before evacuation in an emergency and is further access to the affected areas denied by security personnel?

Processing

- 30. Are all incoming and outgoing payment orders and message requests received in the wire transfer areas and are payment orders:
 - a. Time stamped or sequentially numbered for control?
 - b. Logged?
 - c. Reviewed for signature authenticity?
 - d. Reviewed for test verification, if applicable?
 - e. Reviewed to determine whether personnel who initiate funds transfer requests have the authority to do so?
- 31. Are current lists of authorized signatures maintained in the wire transfer area?
- 32. Do those lists indicate the amount of funds the individuals are authorized to release?

33. Are payment orders and message requests reviewed by someone other than the receipt clerk for:
 - a. Propriety of the transactions?
 - b. Future dates, especially for multiple transaction requests?
34. Are the receipt, data entry, and authentication functions in the wire transfer area adequately segregated?
35. Are all transactions checked by a supervisor prior to release of the payments?
36. Are all payment orders and message requests accounted for in an end-of-day proof to ensure that all requests have been processed?
37. Are all prenumbered forms, including cancellations, accounted for in the end-of-day proof?
38. Does the wire transfer department prepare a daily reconciliation of funds sent and received over the system (Cash Wire, CHIPS, and FedWire) indicating the dollar amount and number of transactions?
39. Is the daily reconciliation of funds transfer and message request activity reviewed by supervisory personnel?
40. Are customer transfer and message requests that have been rejected by an in-house terminal carefully controlled and assigned a sequence number for accountability?
41. Are "as of" adjustments, open items, and reversals reviewed and approved by an officer?
42. Do records of funds transfer message requests contain:
 - a. A sequence number?
 - b. An amount, if funds are to be paid?
 - c. The name of the customer making the request?
 - d. A date?
 - e. A test code authentication, if funds are to be paid?
 - f. Paying instructions?
 - g. Authorizing signatures for certain types and dollar amounts of transfers?
43. Does the flow of work proceed in a one-way direction to provide an adequate internal control environment?
44. Are all rejects and/or exceptions reviewed by someone not involved in the receipt, preparation, or transmittal of funds?
45. If the institution accepts transfer requests with a future value date after the close of business, are they properly controlled and processed?

Testing

46. Are test codes used for telephonic requests for wire transfer transactions?

47. Are test codes used for transactions verified by someone other than the person who receives the request?
48. Are those codes restricted to authorized personnel?
49. Are those test codes maintained in a secure environment when not in use?
50. Is the testing area physically separated from the remainder of the operation?

Physical Security

51. Is access to the wire transfer area restricted to authorized personnel?
52. Are visitors to the wire transfer area required to:
 - a. Be identified?
 - b. Sign in?
 - c. Continuously display identification?
 - d. Be accompanied at all times?
53. Are personnel who are permitted entry to the operating area properly identified and required to continuously display identification?
54. Is written authorization given to those employees who remain in the wire transfer area after normal working hours? Who gives such authority? Are security guards informed?
55. Are the terminals controlled by key lock or password protected to prevent unauthorized access?
56. Are terminals in the wire transfer area regulated by:
 - a. Automatic time-out controls?
 - b. Time-of-day controls?
57. Are terminals and other hardware in the wire transfer area shut down after normal working hours?
58. Is terminal operator training conducted in a manner that will not jeopardize the integrity of live data or memo files?
59. Are passwords suppressed when entered in terminals?
60. Are operator passwords frequently changed? If so, how often?
61. Do correcting and reversing entries, as well as overrides, require supervisory approval?
62. Is supervisory approval required for terminal access made at other than authorized times?
63. Are passwords restricted to different levels of access, such as data files and transactions that can be initiated?
64. Are employees prohibited from taking keys for sensitive equipment out of the wire transfer area?

PART B

Supervision by Directors and Senior Management

1. Are the directors and senior management kept informed about the nature and magnitude of the risks in the funds transfer activity?
2. Has the board of directors and/or senior management reviewed and approved any limits relating to the risks in the funds transfer activities? If so, when were the limits last reviewed?
3. Is senior management and/or the board of directors advised of customers with:
 - a. Large intraday and overnight overdrafts? If so, are other extensions of credit to the same customers combined to show the total credit exposures?
 - b. Large drawings against uncollected funds?
4. Is senior management and/or the board of directors, under established policies and procedures, required to review at predetermined frequencies:
 - a. The volume of transactions, the credit worthiness of customers, and the risks involved in the funds transfer activity?
 - b. Credit and other exposures related to safe and sound banking practices?
 - c. The capabilities of the staff and the adequacy of the equipment relative to current and expected volume?
5. Are there periodic credit reviews of funds transfer customers?
6. Are the reviews adequately documented?
7. Are the reviews conducted by competent credit personnel independent of account and operations officers?
8. Does the institution make payments in anticipation of the receipt of covering funds? If so, are such payments approved by officers with appropriate credit authority?
9. Are intraday exposures limited to amounts expected to be received the same day?
10. Have customer limits been established for FedWire, CHIPS, and Cash Wire exposure which include consideration of intraday and overnight overdrafts?
11. Are groups of affiliated customers included in such limits?
12. Do the limits appear to be reasonable in view of the institution's capital position and the credit-worthiness of the respective customers? How often are the limits reviewed and updated?
13. Are the customer limits reviewed by senior management? How frequently?
14. Are intraday overdraft limits established in consideration of other types of credit facilities for the same customer?
15. Are payments in excess of established limits approved on the basis of information indicating that covering funds are in transit to the financial institution? If so, who is authorized to make such approvals?
16. Are payments against uncollected funds and intraday overdrafts in excess of established limits referred to a person with appropriate credit authority for approval before releasing payments?

17. If payments exceed the established limits, are steps taken promptly to obtain covering funds?

Accounting, Records, and Controls

18. Does the institution receive cables or other advices from its customers indicating amounts to be paid and received for the day?
19. If the detail of receipts is not received, is the institution advised by its customers of the total amount to be received for the day?
20. Is this information maintained and followed for exceptions?
21. Is an intraday posting record kept for each customer showing opening collected and uncollected balances, adequate information on each customer's overall transfers in and transfers out, and the collected balance at the time payments are released?
22. Are significant CHIPS, FedWire, or Cash Wire payments and receipts by other departments of the institution on behalf of a customer communicated to a monitoring unit promptly during the day to provide exposure?
23. Have limits been established within which a designated person may authorize release of payments after reviewing the activity of the customer? Is a record of approvals of such releases maintained by the institution?
24. When an overnight overdraft occurs, is a determination made as to whether a fail caused the overdraft? If so, is this properly documented? Is adequate follow-up made to obtain the covering funds in a timely manner?
25. Does the institution have a record of payments it failed to make promptly?
26. Is the record reviewed to evaluate the efficiency of the department?
27. Is corrective action initiated when appropriate?
28. Are investigations or follow-up of failed payments conducted by personnel independent of the operating unit?
29. Do credit advices sent to customers clearly indicate that credits to their accounts received through CHIPS are conditional upon final settlement at the end of the day?
30. Do credit advices sent to customers clearly indicate that credits to their accounts received through Cash Wire are conditional until the next day when they are technically considered final (even though settlement occurs at the end of the day)?
31. For the settling institutions on CHIPS, are the net debit positions of the nonsettling participants relayed to appropriate personnel as soon as they become known?
32. Who is responsible for verifying that respondents' net debit positions are covered the same day?
33. Are the follow-up procedures adequate to facilitate the receipt of funds?
34. Is senior management required to make decisions to refuse to cover a new debit settlement position of a respondent?
35. Based on the answers to the foregoing questions, are internal controls for the wire transfer function adequate? If not, identify the related risk exposures and discuss findings with the EIC and other

affected examiners, i.e., those assigned capital and management.

36. Discuss items of concern and conclusions with the appropriate institution manager. Obtain a response regarding the cause(s) of deficiencies or weaknesses and anticipated corrective actions.
37. Prepare a leadsheet or other summary document to provide workpaper support for the work performed and the conclusions reached.