

Auditing Bank Secrecy Act Compliance

Common challenges and strategies for effective risk management

HORNE Overview

HORNE is a professional services firm founded on the cornerstone of public accounting. Clients turn to us for the anticipatory insights, straight talk and collaboration needed to navigate through the uncertainties and opportunities ahead.



100+

FINANCIAL INSTITUTIONS SERVED



TOTAL ASSETS RANGING FROM

\$25M-\$17B



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HORNE Overview

Compliance Service Offerings

- BSA Audits
- BSA Risk Assessments
- Regulatory Compliance Audits
- Regulatory Compliance Risk Assessments
- Monitoring Services
- Section 1071 Consulting

Other Service Offerings

- External Financial Statement Opinion Audits
- Tax Services
- Internal Audits
- Independent Loan Review
- Interest Rate Risk Review
- IT Audits

The BSA Independent Test

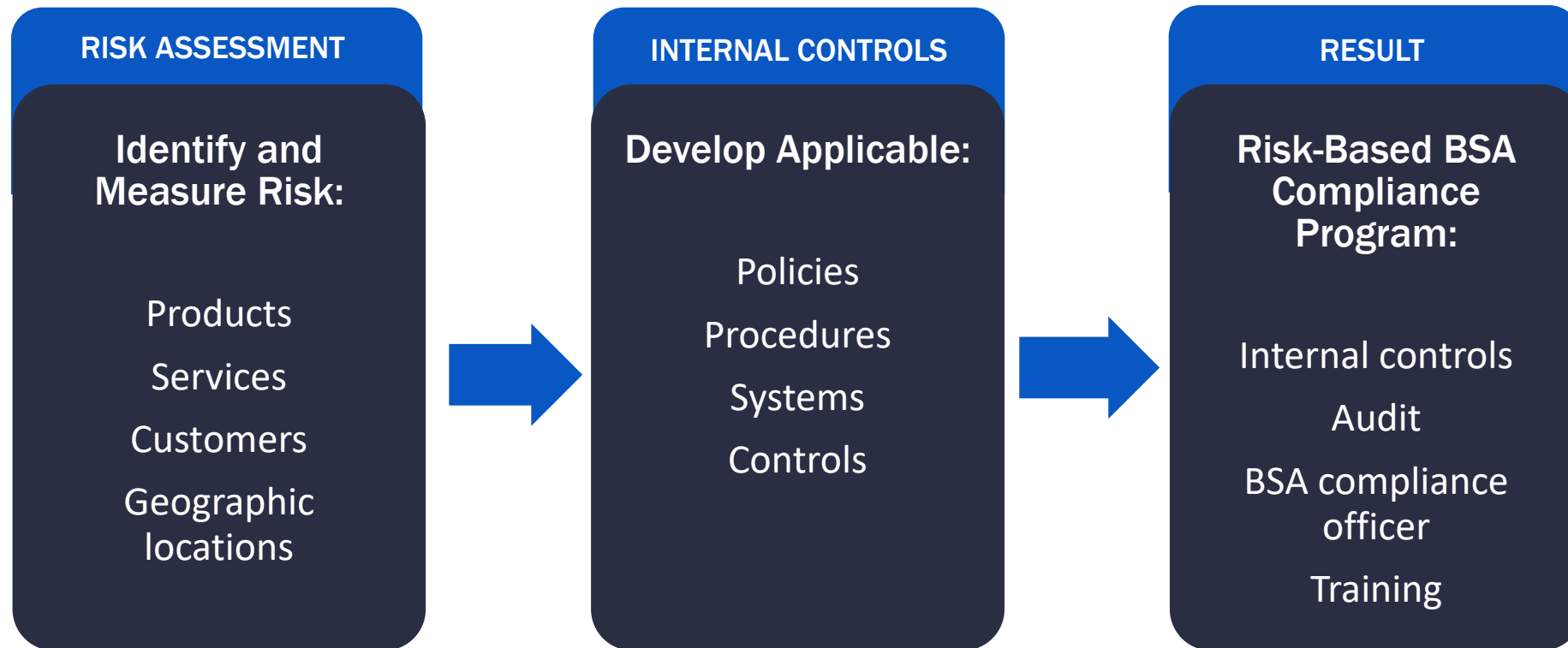
- A pillar of an effective BSA Program
- Frequency should generally be 12-18 months
- Should be performed on a risk basis
- A conclusion should be made on the overall effectiveness of the program and reported to the Board

Areas covered in the BSA Independent Test

- Risk Assessment
- Policies and Procedures
- Recordkeeping and Reporting
- Suspicious Activity Monitoring
- Training

Risk Assessment

Risk Assessment Link to the BSA/AML Compliance Program



Source: Appendix I, FFIEC BSA/AML Manual



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Risk Assessment

From the FFIEC manual – *“The development of the BSA/AML risk assessment generally involves the identification of specific risk categories (e.g., products, services, customers, and geographic locations) unique to the bank, and an analysis of the information identified to better assess the risks within these specific risk categories.”*

- Develop risk categories specific to the Credit Union
- Consider updating the risk assessment based on:
 1. New products/services
 2. New customer types
 3. New geography due to mergers/acquisitions
- Consider quantifying where helpful to understand risk

Enhanced Due Diligence for Higher Risk Profile Members

From the FFIEC manual – The bank's risk-based CDD policies, procedures, and processes should:

- Be commensurate with the bank's BSA/AML risk profile, with increased focus on higher risk customers.
- Contain a clear statement of management's and staff's responsibilities, including procedures, authority, and responsibility for reviewing and approving changes to a customer's risk profile, as applicable.
- Provide standards for conducting and documenting analysis associated with the due diligence process, including guidance for resolving issues when insufficient or inaccurate information is obtained.

Common errors in Enhanced Due Diligence Processes:

01

Failing to have a procedure to identify and monitor higher-risk profile members

02

Failing to have criteria to identify which customers are subject to review

03

Failing to document evidence of review

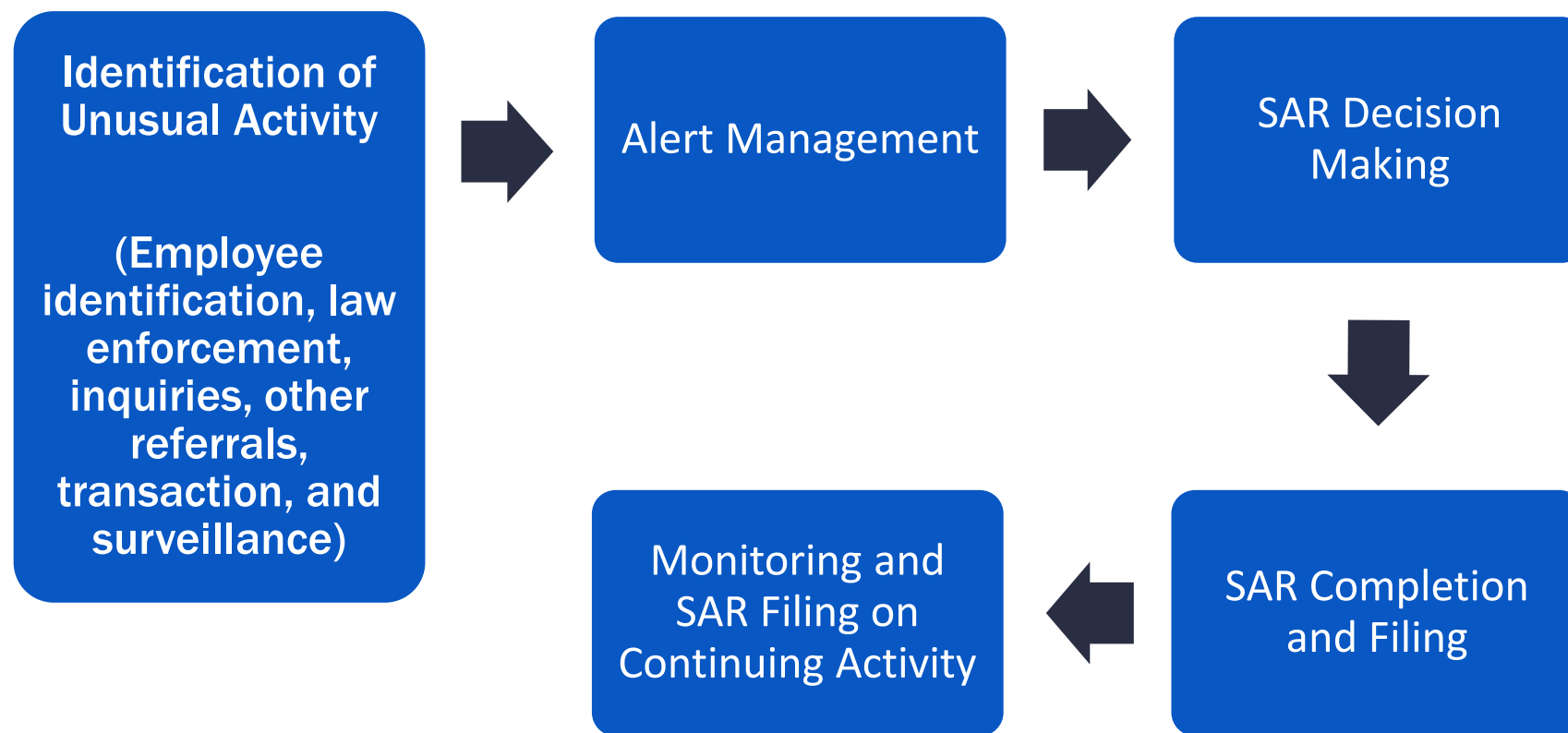


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Best practices for effective EDD review:

1. Establish criteria in the policy for categories of members that require regular monitoring
2. Clearly define requirements for enhanced due diligence review and document accordingly
 - Timelines
 - Review period
 - Findings/conclusion

Suspicious Activity Reporting



Source: Appendix S, FFIEC BSA/AML Manual

Common errors in Suspicious Activity Reports:

- General narrative errors
- Attachment vs supporting documentation vs describing transactions in the narrative
- Reporting review dates instead of suspicious activity dates

Best practices for effective Suspicious Activity Reporting:

01

Become familiar with the SAR filing instructions

02

Ensure narratives give sufficient detail for someone to understand the who/what/when/where of the suspicious activity

03

Review all parts of the SAR for consistency prior to submission



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THANK YOU!

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