Audit and Compliance – EDP Assignment
August 12 & 13

Objective

To learn about the various regulatory agencies that oversee the financial community, how they measure risk and what tools they use to manage a financial institution.

Background

The assignment is a combination of a fictitious financial institution and your financial institution. The Report of Exam for the Bank of No Return is fictitious and is a combination of issues actually identified by examiners at financial institutions. In conjunction with the Report of Exam we will also be reviewing the financial information for your financial institution.

In 2020, we are experiencing a pandemic that is impacting all segments of our population, including our customer base – both businesses and individuals. The impact is felt by both our existing borrowers and our prospective borrowers, which will be the basis for some the assignment below.

Assignment

Using the Call Report information for your financial institution, which is available at www.fdic.gov in conjunction with the Report of Exam for the Bank of No Return, complete the steps below. (Note: Part of the homework assignment is to become familiar with the FDIC website while locating the Call Report data. For that reason, a specific link to the data is not provided, though it is available upon request.)

1. Using Schedule RC–N, identify the type(s) of lending that represent the highest and lowest level of risk to your institution.
a. Which categories of loans have experienced the most significant changes in overall balance? (Significant increases or decreases in balance.)

b. Which categories of loans do you believe have the highest level of risk of repayment?

2. Briefly describe a lending/risk management program that could be implemented by a financial institution to avoid this level of risk in the future.

3. If high concentrations of credit are noted at a financial institution, what action(s) do you recommend be taken to mitigate or accept the risk(s) identified?

4. Reviewing the Report of Exam, what are the primary areas of risk that you identified?

5. Using the primary areas of risk identified from the Report of Exam, create an outline for an action plan to correct or mitigate the risks identified. The plan should consider the perspective of the Regulators, Internal Audit, and Compliance.

6. Given the current economic crisis, and considering the Report of Exam, identify some areas of risk that might be significant for the financial institution. Include areas of risk, compliance implications/risks, and potential changes to the existing audit program as a result.

Please submit your answers in a WORD or PDF document to sherry@wabankers.com on or before August 6, 2020 using the naming convention LastName, FirstName-EDP-August 12.