

Bank:

Date of Exam:

Charter #:

Prepared By:

## #6 – CASH AND CASH ITEMS (Risk Focused)

### ASSIGNMENT OVERVIEW

The bank incurs operational risk in the handling of cash and cash items. Examination procedures focus primarily on the adequacy of internal controls to mitigate this risk. Evaluation involves assessing the bank's ability to protect itself from robbery or defalcation, as well as the maintenance of minimum levels of non-earning cash. The risk in cash items includes exposure to uncollectible items and loss from failure to return insufficient items within the maximum allowed time period. For more detailed information, refer to the "Cash and Due From Banks" section in the FDIC Examination Manual. Refer to the DOB's Reference Material documents for a list of reference materials applicable to this procedure.

### INSTRUCTIONS

Examiners must follow the requirements in the Examiner Bulletin addressing Guidelines for Procedures and Work Paper Documentation for Commercial Examinations.

All examiners performing these procedures must be listed above in the "Prepared By" section. Comments and findings for each step should be made in the comment box below each question. Reference to work paper documentation should also be included here. Documentation should be enough to create an audit trail of the examiner's thought process and all significant findings. Indicate compliance by selecting a response from the list in the dropdown box. Any response other than "YES" will require a comment.

Information on the Summary of Findings page must tie back to the findings noted within the procedure. The SEIC/EIC will determine which information in the Summary of Findings will be included in the Report of Examination.

LPAQ

The LPAQ icon indicates that this section focuses on Law, Policy and Asset Quality (LPAQ) elements within the procedure. The LPAQ elements were identified to better utilize examiner resources by streamlining the procedures in a more risk-based approach. Examiners may perform the designated sections which address LPAQ when no significant issues are indicated in the prior examination or internal/external audits or identified during the planning and scoping of the examination. An examiner (FE II or higher) who is considered proficient in this area is eligible to perform the LPAQ review. **Performing the LPAQ steps does not mean that other areas are to be ignored. As always, if at any time it becomes apparent that the scope of the work performed should be expanded, then do not hesitate to do so.**

For the LPAQ review, perform the steps with the LPAQ icon. The SOF page should be completed and a summary rating assigned.

The EIC/AEIC should review this procedure when complete. Acknowledgement that this procedure has been reviewed by the EIC/AEIC will be indicated on the SCOPE FORM.

**EXAMINERS ARE RESPONSIBLE FOR EXERCISING SOUND JUDGMENT AND UTILIZING REASONABLE INVESTIGATIVE AND ANALYTICAL SKILLS TO ARRIVE AT AN ACCURATE ASSESSMENT OF THE RISK PROFILE OF THIS SEGMENT OF THE INSTITUTION'S OPERATIONS. PERFORMING ALTERNATE PROCEDURES NOT LISTED WITH THESE GUIDELINES MAY BE NECESSARY TO COMPLETE THIS RISK ANALYSIS.**

## CORE ANALYSIS PHASE

### #6 Cash

<b>1. Prior Criticisms</b>	
LPAQ	<p><b>1.</b> Determine whether deficiencies were noted in the last examination and most recent internal/external audit. If so, determine if deficiencies have been addressed and/or corrected by management. Detail how deficiencies were corrected.</p> <p><i>Include a copy of audit exceptions and/or prior examination criticisms and management response in work papers or indicate the page number in the prior report of examination where the deficiencies are noted, or summarize exceptions/criticisms below, if applicable.</i></p>
	<b>Comment:</b>
<b>2. Reconciliation</b>	
	<p><b>2.</b> Review internal bank cash reconcilements as of the financial date. Trace significant and unusual items to final disposition to determine appropriateness. <i>Include copy of reconcilements in 6-A of the work papers.</i></p>
	<b>Comment:</b>
<b>3. Internal Controls</b>	
	<p><b>3.</b> Review the bank’s procedures to determine the adequacy of controls over vault/teller cash and cash items. Comment on practices that expose the bank to any undue risk. Refer to <a href="#">Appendix</a> for additional guidance.</p>
	<b>Comment:</b>
<b>4. ATMs</b>	
	<p><b>4a.</b> If the bank directly services/operates their own ATMs, review the adequacy of controls over ATM cash. Comment on practices that expose the bank to risk. Refer to <a href="#">Appendix</a> for additional guidance.</p>
	<b>Comment:</b>
LPAQ	<p><b>4b.</b> Review the bank’s safety evaluation of ATMs as required by Texas Finance Code §§59.301-310. Comment on any deficiencies.</p>

## #6 Cash

	<p><b>Compliance with TFC §59.301- 310?</b> <input type="text" value="Choose an item."/></p> <p><i>Any response other than "YES" will require a comment.</i></p>
	<p><b>Comment on deficiencies, if any.</b></p>
LPAQ	<p><b>4c.</b> Determine the bank's compliance with Texas Administrative Code §3.92 regarding the notice of user safety at an ATM. Comment on any deficiencies.</p>
	<p><b>Compliance with TAC §3.92?</b> <input type="text" value="Choose an item."/></p> <p><i>Any response other than "YES" will require a comment.</i></p>
	<p><b>Comment on deficiencies, if any.</b></p>
	<p><b>5. Foreign Currency</b></p>
	<p><b>5.</b> If the bank holds foreign currency, ensure the value is reported correctly. Refer to <a href="#">Appendix</a> for additional guidance. <i>Include list of foreign currency types in work papers, if applicable.</i></p>
	<p><b>Comment:</b></p>
	<p><b>6. Final Analysis</b></p>
LPAQ	<p><b>6.</b> Complete the <a href="#">Summary of Findings</a>.</p>

## SUMMARY OF FINDINGS

### #6-CASH

Describe strengths evident from the evaluation.

Describe weaknesses evident from evaluation, including violations of law/regulation/rules; noncompliance with Departmental policies/guidelines; internal policy deficiencies/ noncompliance; internal control weaknesses; MIS problems; and deficiencies in management supervision.

Determine why weaknesses exist and comment on management's response and plan of action. Identify bank personnel making the response.

**SUMMARY RATING:** Choose an item.

*Provide copy of this page to EIC/AEIC. Receipt and review of this form by the EIC/AEIC will be evidenced by his/her initials in the appropriate column for this procedure on the SCOPE FORM.*

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## INTERNAL CONTROLS

### Controls over Vault/Teller Cash and Cash Items

Consider the following:

- Vault cash under dual control
- Mail deposits under dual control
- Night deposit box under dual lock and withdrawal of night deposits under dual control
- Mutilated cash under dual control
- Internal teller drawer limits
- Unannounced cash counts
- Overages/shortages
- Stale and outdated items which may be subject to a loss classification

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### ATMs

Consider the following:

- Dual control of cash replenishment.
- Dual control of issued and captured cards

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### Foreign Currency

Consider the following:

- Reasonableness of policy for handling and holding foreign currencies
- Calculations and booking procedures are accurate and appropriate
- Verify conversion ratio to translate currency into dollar value
- Unusual fluctuations
- Currency positions should be revalued at least monthly

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