

Bank:
Charter #:

Date of Exam:
Prepared By:

#18– OTHER LIABILITIES (Risk Focused)

ASSIGNMENT OVERVIEW

As used in this section, other liabilities are those obligations of the bank that are not considered deposits, official checks, borrowed funds or capital accounts. The major emphasis in examining this area should be on the adequacy of the controls and procedures employed to prevent improprieties within the accounts. The review of other liability accounts should also determine if they are used correctly, and clearing in the normal course of business. See [Section 3.7](#) “Other Assets and Liabilities” in the FDIC Examination Manual for additional guidance. The related DOB Reference Material document for this procedure identifies useful regulations, guidance, and other issuances by various regulatory authorities.

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. This approach was developed 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; otherwise complete the CORE ANALYSIS PHASE and SUPPLEMENTAL ASSESSMENT PHASE as applicable. 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 noted 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

#18 - Other Liabilities

	1. Prior Criticism
LPAQ	<p>1. Determine whether deficiencies noted in the last examination and most recent internal/external audit have been addressed and/or corrected by management. Detail how deficiencies were corrected.</p> <p><i>Include copy of exam and/or audit exceptions and management response in work papers or summarize exceptions/criticisms below or indicate the page number in the last examination report where deficiencies are noted, if applicable.</i></p>
	Comment:
	2. Reconcile
	<p>2. Balance and reconcile material Other Liabilities to the GL and verify the accuracy of Call Report schedule RC-G. Comment on any deficiencies noted. Ensure debit balances have been transferred to other assets or vice versa, according to Call Instructions. <i>Include copy of reconciliation and materiality calculation in 18-A of work papers.</i></p>
	Comment:
	3. Review and Analysis
LPAQ	<p>3a. Investigate any Other Liabilities owed to officers, directors, or their related interests to determine they are justified items related to bank operations only. Comment on any weaknesses and discuss possible violations with EIC. <i>Include list of items owed to insiders in workpapers.</i></p>
	Comment:
LPAQ	<p>3b. If the bank has booked a deferred tax liability, review calculation and determine reasonableness.</p>
	Comment:
	<p>3c. If any Other Liability account relates to dividends payable, verify the amounts recorded with the examiner performing the Capital Procedure to determine proper Board approval.</p>
	Comment:
	<p>3d. Review accrued expense accounts to determine the reasonableness and accuracy of the balances and to determine that expenses are accrued at regular intervals and disbursed only for the actual purpose of the account that benefits the bank and is free of fraud. Comment on any deficiencies.</p>
	Comment:

#18 - Other Liabilities

LPAQ

3e. Determine if the bank has any off-balance sheet items that should be shown as actual liabilities. If yes, confer with the EIC and determine proper adjustments to the bank's balance sheet. (Examples: assets sold with recourse, litigation where an adverse judgment has been rendered against the bank, deferred gains from sale leaseback transactions, or deferred compensation liabilities.) Comment on any deficiencies.

Comment:

4. Final Analysis

LPAQ

4. Complete the Summary of Findings.

SUMMARY OF FINDINGS

#18 OTHER LIABILITIES

Describe all strengths evident from the evaluation.

Describe all 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.

[Return to Core Analysis](#)