

Bank Name:	
Document:	Audit Program
Project:	Allowance for Loan and Lease Loss
As of Date:	

Estimated Hours to Complete Basic Program (depending on sample selection)

Estimated Hours to Complete Additional (Optional) Steps

#	Audit Step - Base Procedures	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate with client contact the dates of the fieldwork.			
3	Inquire to determine if there have been any significant changes within this area to establish the time budget and if extra time will be necessary to complete the procedures.			

PROCEDURES				
	General Procedures			
1	Obtain an understanding of the process and internal control procedures for the audit area through inquiry, observation and/ or review of existing policies and procedures. Document the process and internal controls in the form of a memo.			
2	Obtain most recent evaluation of loan loss reserve from management. Determine if the procedures used in evaluating the reserve for adequacy comply with regulatory guidance, and test accuracy of calculations by performing the following:			
2.A	Reconcile total loans and total loan loss reserve balances per general ledger to loan loss reserve adequacy calculations			
2.B	Reconcile criticized loan totals by category per bank's Watch/Problem Loan Lists to loan loss reserve adequacy calculations			
2.C	Reconcile total of loans charged off for the period under review to the analysis.			
2.D	Reconcile the total loan recoveries for the period under review to the analysis.			
2.E	Verify historical loss data by loan category utilized by the bank to determine homogeneous loan pool loss factors; verify to UBPR and/or system reports.			
3	Determine if the bank performs and applies a qualitative factor analysis for estimating loan losses and trace qualitative factor adjustments to bank's computations for evaluation of loan loss reserves.			
4	Obtain bank's documentation for estimated impairment for a sample of impaired credits for which the bank has established specific reserves and trace specific allocation amounts to bank's computations for evaluation of loan loss reserves.			
5	Obtain list of trouble-debt restructuring and determine that all troubled debt restructurings are treated as impaired credits.			
6	Determine if the board of directors have approved the required reserve calculation for the two most recent calendar quarter ends by obtaining applicable board minutes.			
7	Obtain the delinquent loan reports for the test period. Verify all delinquent loans to the analysis of estimated losses. Determine if estimated losses appear reasonable based upon detailed review of delinquencies.			

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	Estimated Hours to Complete Basic Program (depending on sample selection)
N/A	Estimated Hours to Complete Additional (Optional) Steps

#	Audit Step - Base Procedures	WP#	Done By	Comments
8	For the period under review, determine if all adjustments to the Allowance account were approved by the Board of Directors and that all approved entries were made to General Ledger.			
9	Obtain list of all recoveries and charge-offs for the prior twelve months and test a sample of XX number of transactions to determine if charge-offs have been approved by the Board and that recoveries are being processed properly.			
10	Obtain bank's calculation of required reserves related to loan contingencies and reconcile required reserve amounts to bank's most recent Call Report.			
11	Determine if the current recorded general ledger reserve is supported by the target reserve.			

CONCLUSIONS				
1	Follow up on prior period findings:			
1.a.	a) Obtain the list of recommendations from the prior audit report. Using this list, obtain documentation that supports resolution of each recommendation. Assess the appropriateness of resolution for each recommendation, and discuss with management action plans for outstanding audit issues.			
1.b	b) Summarize results of the follow-up of prior period audit recommendations.			
2	Document all work performed, including related conclusions and recommendations, discuss the results with institution personnel, and include a summary in the report to the Board of Directors.			

ADDITIONAL (OPTIONAL) STEPS				
1	Determine if any situations exist (economic conditions) which would significantly increase loan losses and effect the process for estimating losses.			
2	Recalculate and refoot the analysis of Allowance for Loan Losses under review.			
3	Compare balances in ALLL and charge off accounts with the preceding years. Investigate any significant changes.			
4	Obtain the definition for risk grades and for loan classifications as documented in the Bank's consumer and commercial loan policy manuals.			
5	Determine if the Chief Lending Officer has reviewed and approved loan risk grades.			
6	For assets graded as doubtful, review the partial valuation allowance, if any, to determine if it is based on reasonable recovery value. If no assets graded as doubtful exist, select a sample of substandard loans with a valuation allowance and perform procedures to verify it is reasonable.			
7	From a sample of loans greater than 120 days, verify the loans have been written off or other appropriate action is in place. If charged off review the request form to charge off completed by the CFO. If not charged off, verify that the Board was notified.			
8	Obtain bank's list of impaired credits and inquire with management as to any loans that have specific allocations but are still accruing interest			

ICBA - Internal Audit Manual & Workpapers
Cash and Cash Items
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Is the Control in Place?			Comments
CASH		Yes	No	N/A	
1	Tellers have sole access, and custody of, cash under their control.				
2	Tellers lock funds during absences from their station.				
3	Tellers secure their funds in the vault overnight.				
4	Relief tellers are provided with separate cash funds.				
5	Surprise cash counts of teller funds, ATM, and vault cash are performed periodically by personnel without cash responsibility.				
6	When a teller leaves for vacation or an extended period, including illness, the teller's cash supply is counted in the presence of a witness.				
7	Tellers are prohibited from transacting personal business through their own funds (e.g., processing their own personal checks).				
8	Physical storage of currency and coins is adequate to reasonably protect against theft or other misappropriation.				
9	Maximum limits are set for each teller fund.				
10	Teller transactions are identified through the use of unique teller numbers/stamps/codes.				
11	Each teller prepares and signs a daily proof sheet detailing currency, coin, and cash items.				
12	Each teller's cash is reconciled daily to an independent control.				
13	Teller overages and shortages are cleared daily.				
14	Tellers are prohibited from maintaining a "kitty" to assist with balancing.				
15	Large teller differences are reported and reviewed by an appropriate official.				
16	Two people are required to be present when night depository funds are removed, counted, listed, and processed.				
17	Two people are required to be present when mail deposits are removed, counted, listed, and processed.				
18	Records of ATM transactions are reconciled daily.				
19	Tellers are prevented from having access to accounting department records and from performing duties in other departments.				
20	Cash and coin-counting equipment is periodically tested for accuracy.				
21	Bait money is supplied to each teller and serial numbers recorded and periodically checked.				
22	Currency that is mutilated or identified as counterfeit is segregated and reported to supervisory personnel.				
23	Dual Control is maintained over:				
a	Duplicate teller keys				
b	Vault cash				
c	Night depository				
d	ATM and/or cash recycler canisters/vaults				

ICBA - Internal Audit Manual & Workpapers
Cash and Cash Items
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Is the Control in Place?			Comments
	CASH	Yes	No	N/A	
24	Locks and combinations on cash drawers and vaults are changed when an employee leaves, if the circumstances so dictate.				
	CASH ITEMS	Yes	No	N/A	
25	A daily report is made of all cash items, and it is reviewed and initialed by an appropriate officer.				
26	The disposition of cash items over a specified amount is reviewed by an appropriate officer.				
27	Returned items are handled by someone other than the teller who originated the transaction.				
28	Overdraft items are excluded from the cash item account.				
29	Controls exist over access to and execution of official and certified checks.				
30	There is an established charge-off policy for uncollected cash items (that is, items over 30 days old).				
31	The functions of draft issuance, register maintenance, and reconciliations are performed by different employees.				
32	Tellers are required to remove all checks and other cash items daily.				

Client:	
Project:	Cash and Cash Items Audit Program
Document:	Audit Program
As of Date:	

	Estimated Hours to Complete Basic Program
	Estimated Hours to Complete Additional (Optional) Steps

#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Cash and Cash Items related findings. Ensure that the Institution has taken steps to remediate.			

GENERAL PROCEDURES - CASH AND CASH ITEMS

1	Obtain and review any policies and/or procedures relating to cash and cash items. Obtain an understanding of the processes and internal control procedures for cash and cash items through inquiry, observation and/or review of existing policies and procedures.			
2	Complete the Internal Control Questionnaire(s) (ICQ), as applicable, through inquiry, observation and review of policies and procedures. (Or provide to management for completion.) Consider this information when performing the following procedures.			
3	Determine whether the bank has established cash limits for tellers, teller supervisors and vaults.			
3.A	If yes, determine how the established limits are monitored.			
3.B	Select five days throughout the audit period and review daily teller recap of cash drawer balance to determine that maximum balances, as specified by policy or procedure, are not exceeded.			
4	Obtain a copy of the teller and vault balancing sheets as of the audit date and agree the totals to the general ledger as of that date.			
5	Using inquiry and observation, document the following:			
5.A	Inspect the tellers' work areas and vault areas. Observe and verify the bank's security procedures are adhered to and adequately safeguard cash.			
5.B	Determine whether the teller area has adequate camera coverage and whether access to cash area is adequately safeguarded, prohibiting access by customers as well as other employees.			
5.C	Verify procedures for safeguarding change orders (maintain in secure location, a tamper resistant bag etc.).			
5.D	Discuss and/or observe vault / cash drawer opening and closing procedures.			
5.E	Discuss and/or observe the processing of the night depository for compliance with bank policies.			
5.F	Review and document ATM replenishing and replacement procedures. Verify adequate dual control procedures are in place at all times.			

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PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
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GENERAL PROCEDURES - CASH AND CASH ITEMS

5.G	Observe controls over captured ATM cards. Are the cards destroyed? What type of information is included in logs (i.e. the bank should not be logging the entire card number)			
6	Review the Cash Over and Cash Short general ledger history. Any unusual items or trends should be investigated. Determine if these differences are receiving appropriate attention and review by management.			
7	Through inquiry and observation, determine that incoming and outgoing cash shipments are subject to verification in accordance with bank policy.			
8	Obtain the most recent reconciliation for each ATM cash and settlement accounts and trace the amount on the reconciliation to the corresponding general ledger account and processign vendor's balancing report.			
9	Obtain a listing of items, including the date each item originated, comprising all other collection or processing accounts, such as bond coupons for which the bank has given customers immediate credit.			
9.A	Reconcile the outstanding amount for each account to the general ledger.			
9.B	Through inquiry of bank personnel and observing copies of the documents involved, determine the timeliness of transmittal and credit in the general ledger, in			
9.C	Determine the propriety of any reconciling items. Examine cash items held in the funds, and submit to bank officials for their review as to authenticity to the extent considered necessary.			
10	Discuss and document cash items which were charged off since the last audit and ascertain that they were charged off in accordance with policy and that proper approval was obtained prior to charge off.			
11	Follow up on prior period findings			
11.A	Obtain the list of recommendations from the prior audit report, and obtain documentation that supports resolution of the recommendations.			
11.B	Assess the appropriateness of resolution of these recommendations, and discuss with management action plans for outstanding audit issues.			
11.C	Summarize results of follow-up of audit recommendations.			

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	Estimated Hours to Complete Basic Program
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#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Cash and Cash Items related findings. Ensure that the Institution has taken steps to remediate.			

GENERAL PROCEDURES - CASH AND CASH ITEMS

	Additional Procedures			
12	Assume control of and count each cash fund on an unannounced and random basis sometime throughout the audit. (Includes vaults, teller drawers, night depository, coin counter, ATMs, and any other cash storage location, as deemed necessary)			
	NOTE: If surprise cash counts are completed internally by appropriate bank personnel it is not necessary to conduct surprise cash counts. Determine based on risk and outcome of other areas of the audit.			
12.A	The teller or custodian responsible for the cash fund should witness the entire count.			
12.B	Count all funds in the teller drawers (including coin). Prepare a separate workpaper for each cash fund counted summarizing the denominations and amount of cash held, including cash items, cash tickets and other reconciling items. Make sure all straps are dated and include the teller id.			
12.C	Any count discrepancies should be resolved immediately. Alert the teller supervisor if necessary.			
12.D	Note the serial numbers on "bait" money and trace to bank records. Ensure that bait money is replaced periodically, and/or the strap date updated, to avoid old currency or other indications of being bait money. If bank is not maintaining any bait money verify with their bonding company that it is not required.			
12.E	Trace the total dollar amount counted, including reconciling items, from each count worksheet to the daily "teller recap" of all cash funds (i.e. teller tape listing).			
12.F	Have the teller or custodian sign the count worksheet to indicate that all funds and cash items were returned intact.			
12.G	Foot the daily teller recap of all cash funds, and review the bank's reconciliation of the daily teller recap to the general ledger.			

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PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Cash and Cash Items related findings. Ensure that the Institution has taken steps to remediate.			
GENERAL PROCEDURES - CASH AND CASH ITEMS				
CONCLUSIONS				
1	Follow up on prior period findings:			
1.A.	a) Obtain the list of recommendations from the prior audit report. Using this list, obtain documentation that supports resolution of each recommendation. Assess the appropriateness of resolution for each recommendation, and discuss with management action plans for outstanding audit issues.			
1.B.	b) Summarize results of the follow-up of prior period audit recommendations.			
2	Document all work performed, including related conclusions and recommendations, discuss the results with institution personnel, and include a summary in the report to the Board of Directors.			

ICBA - Internal Audit Manual & Workpapers
Due from Banks
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Is the Control in Place?			Comments
		Yes	No	N/A	
	CASH				
1	Are correspondent bank statements promptly reconciled				
2	Are reconciliation schedules initialed or signed by both the reconciler and the reviewer?				
3	Is access to reconciliation schedules restricted for employees that handle cash, sign official checks, and reconcile official checks?				
4	Are reconciliations made by an employee who does not otherwise have access to the related accounting records or unissued checks?				
5	Are all reconciling items carefully reviewed as to regularity and subsequent disposition by an officer?				
6	Are reconciliations prepared in accordance with the reconciliation schedule and in a timely manner?				
7	Are employees with cash disbursement and bank reconciliation duties required to take vacations at least one week in length each year?				

Client:	
Project:	Due From Banks
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As of Date:	

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#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Due from Banks related findings. Ensure that the Bank has taken steps to remediate.			
GENERAL PROCEDURES - DUE FROM BANKS				
1	Determine how often accounts are reconciled to select a cut-off date and select a date for confirmation			
2	Prepare requests for correspondent banks' cut-off statements as of the selected reconciliation date.			
3	Mail/Fax/Request via Confirmation.com requests to the appropriate correspondent bank. Note: Some correspondents no longer accept confirmations in a paper format. Consider contacting the correspondent bank prior to sending a confirmation to determine the best method of inquiry.			
4	Request reconciliations for all correspondent accounts to be tested.			
4.A	Prove reconciled totals to applicable general ledger controls.			
4.B	Obtain explanations for all reconciling items that have been open for an unreasonable length of time.			
4.C	Trace reconciling items greater than \$XX,XXX to subsequent disposition			
5	Review XX reconciliations since the previous date of examination and determine that:			
5.A	Periodic reconciliations are prepared and in the proper format			
5.B	Reconciling items are adequately explained			
5.C	All reconciliations are prepared and reviewed in a timely manner			
5.D	Perform a validation of due from reconciliations			
5.E	Rotate a selection of the "due from" reconciliations and have an independent employee trace all or a sample of reconciling items back to source documents and original entries.			
6	Review compliance with Regulation F- Interbank Liabilities			
6.A	Verify that the bank has adopted written policies and procedures to prevent excessive exposure to any individual correspondent bank.			
6.B	Confirm that the policies and procedures concerning interbank liabilities are reviewed at least annually by the board of directors.			

Client:	
Project:	Due From Banks
Document:	Audit Program
As of Date:	

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	Estimated Hours to Complete Additional (Optional) Steps

#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Due from Banks related findings. Ensure that the Bank has taken steps to remediate.			

GENERAL PROCEDURES - DUE FROM BANKS

6.C	Verify that periodic reviews are made of the financial condition of a correspondent if the exposure is considered significant. Confirm that the bank verifies quarterly that correspondents' capital levels are "adequately capitalized," as required by Regulation F.			
6.D	Review documented procedures that the bank uses to assess the financial conditions of a correspondent. The bank may use information obtained from Call reports, Thrift Financial reports, Uniform Bank Performance reports, or Annual reports. In evaluating the financial condition, the bank may rely on the holding company, bank rating agency, or another correspondent if the Board of Directors has reviewed and approved of the criteria used.			
6.E	Confirm that the bank documents the procedures in place to reevaluate the financial condition of a correspondent if it deteriorates.			
6.F	Verify that policies reviewed in (A) above establish internal limits on exposure to correspondents based on the financial condition and size, form, and maturity of the exposure. Amounts may be fixed or flexible and may vary for different exposures, products, and maturities.			
6.G	Review bank personnel's analysis to determine that correspondents are adequately capitalized.			
6.G.1	For correspondents that are not adequately capitalized, review annual activity to determine that credit exposure did not exceed 25% of the bank's total			
6.G.2	Review bank's quarterly evaluation of correspondents considered to be adequately capitalized. (To be adequately capitalized the correspondent must have a capital ratio of 8.0 or greater, tier 1 risk-based capital ratio of 4.0 or greater, or leverage ratio of 4.0 or greater.)			
6.G.3	Document the bank's monitoring procedures to deal with any excessive exposure over internal policy limits due to unusual market disturbances, market movements favorable to the bank increases in activity, operational problems, or other unusual circumstances.			
7	Follow up on prior period findings			

Client:	
Project:	Due From Banks
Document:	Audit Program
As of Date:	

	Estimated Hours to Complete Basic Program
	Estimated Hours to Complete Additional (Optional) Steps

#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate the dates of the fieldwork.			
3	Determine if there have been any significant changes within this area to determine if extra time will be necessary.			
4	Review prior audit reports and regulatory exams for any Due from Banks related findings. Ensure that the Bank has taken steps to remediate.			
GENERAL PROCEDURES - DUE FROM BANKS				
7.A	Obtain the list of recommendations from the prior audit report, and obtain documentation that supports resolution of the recommendations.			
7.B	Assess the appropriateness of resolution of these recommendations, and discuss with management action plans for outstanding audit issues.			
7.C	Summarize results of follow-up of audit recommendations.			

ICBA - Internal Audit Manual & Workpapers

Investments

Internal Control Questionnaire

Examination Date: _____

Interviewed (Name and Title): _____

Date Interviewed: _____

Item #	Description	Is the Control in Place?			Comments
		Yes	No	N/A	
1	Are authorizations for purchases and sales formally approved and recorded in the minutes of the Investment and Executive Committees?				
2	Are detailed records of securities balanced to the general ledger controlling accounts at least once each month by an employee or officer not directly connected with the processing or recording of security transactions?				
3	Is the recordkeeping function separated from the actual execution of security transactions so that the employee posting the detailed records cannot originate entries or handle securities?				
4	Are securities on hand maintained under dual control?				
5	Are bank-owned securities on hand carefully segregated from other securities that may be held by the bank?				
6	Where securities are held by a custodian, does authorization for withdrawal require the authorization of two officers?				
7	Are documents (brokers' bills, advices, and so forth) on file in support of securities transactions?				
8	Does an officer or employee, other than the person originating and/or recording the entry, review the supporting documents to substantiate each security transaction entry?				
9	Are write-downs in book value of securities formally authorized by the Board of Directors or a committee of the Board?				
10	Are detailed records maintained of income collected on bank-owned securities and are these records reconciled with general ledger account balances?				
11	Is the portfolio periodically evaluated for compliance with the institution's policy and for valuation purposes?				
12	Have limitations been imposed on the investment authority of officers?				
13	Has the Board of Directors adopted written investment securities policies that outline the following: - Objectives? - Permissible types of investments? - Diversification guidelines? - Maturity Schedule? - Limitation of quality ratings? - Assignment of authority for investment transactions? - Exceptions to current policy? - Policies to select and evaluate safekeeping agents and brokers? - Limits to investment authority of officers? - Valuation of the portfolio?				

ICBA - Internal Audit Manual & Workpapers

Investments

Internal Control Questionnaire

Examination Date: _____

Interviewed (Name and Title): _____

Date Interviewed: _____

Item #	Description	Is the Control in Place?			Comments
		Yes	No	N/A	
14	Are investment transactions and policy changes reported to the Board of Directors or committee of directors?				
15	Are pledged securities approved by the Board of Directors?				
16	Does the Board of Directors receive regular reports on investment securities showing such data as valuations, maturity distributions, and average yield?				
17	Are employees with investment responsibilities required to take vacations with others performing these functions in their absence?				
18	Are investments held as trading or available-for-sale marked to market on a monthly basis?				
19	Are investments that are in a continuous unrealized loss position tested for other-than-temporary impairment on at least a quarterly basis?				
20	If the institution obtains the valuation of their investment portfolio from a third party, is management performing periodic tests to ensure these values are reasonable and can be relied upon?				
21	Are nonmarketable equity securities periodically monitored to ensure that the proper valuation is recorded?				
22	Are securities pledged as collateral separately documented in the records?				
23	Are actual yields on securities compared to expected yields with explanations of significant differences?				

Bank:	
Document:	Audit Program
Project:	Investment Audit
As of Date:	

	Estimated Time to Complete Basic Program
	Estimated Time to Complete Additional (Optional) Steps

#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate with bank contact the dates of the fieldwork.			
3	Inquire to determine if there have been any significant changes within this area to establish the time budget and if extra time will be necessary to complete the procedures.			

PROCEDURES				
1	Obtain an understanding of the process and internal control procedures for the audit area through inquiry, observation and/ or review of existing policies and procedures. Document the employees' responsibilities, process and internal controls in the form of a memo.			
2	Complete and review the Internal Control Questionnaire.			
3	Obtain the most recently BOD approved investment policy. Review the policy to verify if the policy addresses the following: - The purposes and objectives of bank's investment activities - The characteristics of the investments the bank may make including issuer, maturity, index, cap , floor, coupon rate, call provision, average life, and interest rate risk. - How the bank will manage interest rate risk - How the bank will manage liquidity risk - How the bank will manage credit risk - How the bank will manage concentration risk - Who has investment authority and is qualified by education and experience to adequately assess the risk characteristics of the investments			
4	Obtain the reconciliation of the investment trial balance report to the general ledger for all investment securities including accrued interest as of the audit date and perform the following procedures:			
4.a	Analytically review the reconciliation for overall reasonableness of account balance and composition of reconciling items.			
4.b	Test mathematical accuracy of reconciliation. Compare the net book value, premium amortization, discount accretion, accrued interest receivable and YTD interest income amounts to corresponding amounts on GL.			
4.c	Obtain explanation for all reconciling items in excess of \$5,000 and 30 days old. Trace to subsequent disposition.			

4.d	Review reconciliation for compliance with bank policies including documentation of adequate descriptions as well as sign offs and dating by preparer and reviewer.			
5	Determine existence and ownership of bank owned investment securities and the accuracy of the investment trial balance by performing the following procedures:			
5.a	Inspect any securities held at the bank to verify if they are kept under dual control and tie par value, description, interest rate, and maturity date to the investment trial balance.			
5.b	Request an independent safekeeping report from custodians as of the audit date. Trace security #, par value, description, interest rate, and maturity date for a sample of X securities from the safekeeping report to the bank's investment trial balance and vice versa.			
5.c	Verify pledge status of each investment security in comparison with bank's records and compare the safekeeping list of pledged securities to the bank's pledged security report.			
5.d	Verify accuracy of pledged security reporting using the most recent call report.			
5.e	Haphazardly select X securities from the investment trial balance and confirm their existence and major security information (par value, maturity date, interest rate).			
6	Obtain activity reports detailing the investment security transactions during the year.			
6.a	Select X purchases and X sales and compare the description, interest rate, maturity, par value, cost, and market value on date of transaction to the brokers' advice, trial balance, and safekeeping receipts.			
6.b	Determine whether purchases are made in compliance with bank's Investment policy.			
6.c	For a sample of sales, verify the general ledger has been properly relieved of the investment, accrued interest, and premium/discount.			
6.d	Verify purchases and sales were accurately reported to the board of directors in a timely manner.			
7	Select a sample of X investment securities and perform the following procedures:			
7.a	Recalculate ending balance of amortization or accretion based on the original purchase price, purchase date, and maturity date.			
8	Perform reasonableness test of investment security interest income and accrued interest receivable for the audit period.			
8.a	Determine reasonableness of the average monthly yields for each type of investment security.			
8.b	Select a sample of securities using the interest accrual report and recalculate interest income and accrued interest receivable.			
8.c	Review investment income account and trace any unusual debit transactions to source documents.			
9	Review investment valuations for possible impairment. Determine if impairments other than temporary are properly accounted for.			

CONCLUSIONS

1	Follow up on prior period findings:			
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	a) Obtain the list of recommendations from the prior audit report. Using this list, obtain documentation that supports resolution of each recommendation. Assess the appropriateness of resolution for each recommendation, and discuss with management action plans for outstanding audit issues.			
	b) Summarize results of the follow-up of prior period audit recommendations.			
2	Document all work performed, including related conclusions and recommendations, discuss the results with institution personnel, and include a summary in the report to the Board of Directors.			

ADDITIONAL (OPTIONAL) STEPS				

Time
Estimate

ICBA - Internal Audit Manual & Workpapers
Loan Operations
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Place?			Comments
		Yes	No	N/A	
1	On all new and renewal loans have the following date calculations been rechecked?				
1.A.	Interest				
1.B.	Discount				
1.C.	Maturity				
2	Are adequate records maintained and proper procedures followed for the control of interest and unearned discount?				
3	Are all refunds, rebates to borrowers, or adjustments of interest or discount rechecked by someone not directly connected with loan operations?				
4	Are such refunds or rebates applicable to prepaid loans approved by an officer?				
5	Are notes checked against the daily list of new loans?				
6	Are notes reviewed for proper form, completeness, negotiability, together with collateral and other supporting documents, by someone other than the loaning officers?				
7	Are disbursements of loan proceeds made only by official check and credit to borrower's account?				
8	Are all notes locked in a vault or fire-resistant file cabinets at the close of business each day?				
9	Are notes signed in blank to be used as renewals:				
9.A.	Segregated from the current note files?				
9.B.	Maintained under dual control?				
10	Are partial cash payments received in anticipation of renewals recorded on the books on the date of receipt?				
11	Is a receipt issued to the customer covering each item of collateral deposited by him/her?				
12	Is a written acknowledgement obtained from the borrower for all items of collateral returned to him/her?				
13	Is collateral separated from the notes and filed in the bank vault under dual control?				
14	Are all paid notes cancelled and, together with related collateral, returned promptly to the borrowers?				
15	In instances where prompt return is not practicable, are notes and collateral transferred to safekeeping?				
16	Is an officer's approval necessary before collateral can be released or substituted?				
17	Does collateral register or loan card show clearly details of:				
17.A.	Items of collateral?				
17.B.	Bank's latest valuation?				
18	Is loan collateral evaluated frequently, in addition to evaluation at the time of market declines?				
19	Are warehouse receipts held as collateral periodically confirmed with the warehousing company?				
20	Is a customer's liability ledger maintained for each borrower's indebtedness?				

ICBA - Internal Audit Manual & Workpapers
Loan Operations
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Place?			Comments
		Yes	No	N/A	
21	Is customer's liability ledger balanced against the applicable note control figures at least once each month?				
22	Is there an effective follow-up procedure for collection of principal or interest?				
23	Are lists of delinquent interest prepared regularly and reviewed by an official of the bank?				
24	Are past-due loans regularly reviewed by directors? Please provide explanation of procedures				
25	Do loan operations appear to be conducted in an efficient manner?				
26	Do accounting records appear to be adequate?				
27	Is authorization to pay on file when proceeds are paid to a third party?				
28	Are daily records kept to show itemized lists of principal and interest payments on loans?				
29	Are daily records of principal and interest payments on loans reconciled to the general ledger?				

Mortgage Loans

1	Are mortgages and supporting documents rechecked for completeness by someone other than the officer approving the loans?				
2	Who rechecks mortgages and supporting documents.				
3	Are mortgages and supporting documents properly safeguarded overnight?				
4	Are access records maintained to indicate the movement of all mortgage documents?				
5	Are tickler files maintained to assure prompt renewal of insurance policies and payment of taxes?				
6	Are trial balances reconciled periodically and verified to the general ledger?				
7	How often are trial balances reconciled?				
8	Are partial payments recorded on the books on the date of receipt?				
9	Have the following been checked for accuracy:				
9.A.	Income entries				
9.B.	Accrual entries				
10	Are individual mortgagor escrow accounts reviewed periodically to determine that sufficient funds are being collected?				
11	Are the demand and/or escrow accounts reconciled periodically?				
11.A.	Who regulates these accounts?				
11.B.	How often are they regulated?				
12	Does the mortgage loan department employ standardized check lists to control documentation for individual files?				
13	Does the bank require completion insurance for all construction loans?				

ICBA - Internal Audit Manual & Workpapers
Loan Operations
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Place?			Comments
		Yes	No	N/A	
14	Are rate changes on ARM Loans checked periodically by loan personnel?				
14.A.	Who checks on these rate charges?				
14.B.	How often are rate changes checked?				

Consumer Loans

1	Are borrowers' loan applications containing all essential credit information on file to support all consumer credit loans?				
2	Are credit investigations made by checking loan applications and/or by reports furnished by outside credit bureaus?				
3	Do loaning officers initial notes or applications to establish responsibility for approval of loans?				
4	Are notes and supporting documents rechecked for completeness by someone other than the officer approving the loan?				
5	Are disbursements of loan proceeds made only by official check?				
6	Are all notes locked in a vault or fire resistant file cabinet at the close of business each day?				
7	Are discount calculations rechecked on all new loans?				
8	Are interest rate adjustments checked by authorized personnel not initiating the loan?				
9	For control of unearned discount:				
9.A.	Are adequate records maintained?				
9.B.	Are proper procedures followed?				
10	Is a tickler file maintained to determine the initial receipt of the insurance policy at inception of the loan to monitor the receipt of subsequent renewal notices?				
11	Is collateral separated from the notes?				
12	Is collateral filed in the bank's vault under dual control?				
13	Are all paid notes cancelled and, together with related collateral, returned promptly to borrowers?				
14	In instances where prompt return is not practicable, are notes and collateral transferred to safekeeping?				
15	Is an officer's approval necessary before collateral can be released or substituted?				
16	Does the collateral register or the loan card show clearly the details of:				
17.A.	Items of collateral?				
17.B.	The bank's latest valuation?				
17	Is loan collateral evaluated periodically?				
18	How often is collateral evaluated?				
19	Are permanent individual records kept on all loans charged-off as uncollectible?				
20	Who maintains the permanent individual records on uncollectible loans?				
21	Are permanent individual records on uncollectible loans periodically reviewed by directors and/or officials of the bank?				

ICBA - Internal Audit Manual & Workpapers
Loan Operations
Internal Control Questionnaire

Examination Date: _____
Interviewed (Name and Title): _____
Date Interviewed: _____

Item #	Description	Place?			Comments
		Yes	No	N/A	
22	Are all refunds or rebates, to borrowers or dealers checked by someone not connected with loaning operations?				
23	Are refunds or rebates to borrowers or dealers applicable to prepaid loans either paid by official check or disbursed against a receipt?				
24	Do loan operations appear to be conducted in an efficient manner?				
25	Do accounting records appear to be adequate?				
26	Is there a proper segregation between recording, collecting, and custody functions?				
27	Are the terms and amount of dealer installment paper purchased confirmed by direct communication with the individual customer?				
28	Are borrower's loan payments made directly to the bank for loans made through dealers?				
29	Are written dealers' reserve agreements in effect between the bank and dealer?				
30	Are reserve accounting statements sent to dealers periodically?				
31	Are sales-partner personnel restricted from changing loan information once it is input into the system?				

Bank:	
Document:	Audit Program
Project:	Loan Operations Audit Program
As of Date:	

32 - 40

Estimated Hours to Complete Basic Program
(depending on sample selection)

N/A

Estimated Hours to Complete Additional

#	Audit Step	WP#	Done By	Comments
PLANNING				
1	Prepare a planning letter to request items necessary to complete the period of review.			
2	Communicate with bankj contract the dates of the fieldwork.			
3	Determine if there have been any significant changes within Loan Operations to determine if extra time will be necessary.			

PROCEDURES				
	General Procedures			
1	Obtain an understanding of the process and internal control procedures for Loan Operations through inquiry, observation and/ or reading through existing policies and procedures. Document the employees' responsibilities, process and internal controls in the form of a memo.			
2	Complete Internal Control Questionnaire			
3	Follow up on prior period findings:			
3.A.	Obtain the list of recommendations from the prior audit report. Using this list, obtain documentation that supports resolution of these recommendations. Assess the appropriateness of resolution of these recommendations, and discuss with management action plans for outstanding audit issues.			
4	Obtain the most recent reconciliation from the subsidiary loan trial balance to the general ledger for all loan accounts including principal, accrued interest, and unearned income. Perform the following:			
4.A.	Test for appropriate evidence of reconciliation and review (initials and dates by both the reconciler and reviewer). Determine reconciliation and review are performed by individuals without access and recording capabilities.			

4.B.	Inquire of management and document whether management validates the balancing report throughout the year; if so, obtain documentation of the validation; if validation is not performed, trace the balances on the reconciliations to source documents, such as subsidiary ledgers, system reports and the general ledger			
4.C.	Read through the reconciliation for overall reasonableness and accuracy.			
4.D.	Trace large, old, or unusual reconciling items to subsequent distribution.			
5	Obtain the most recent reconciliations of the Bank's loan suspense, non-post, and in process accounts (If the Bank has multiple suspense, non-post, and in process loan accounts, select 3 for testing).			
5.A.	Trace any substantial (greater than \$10,000) or long outstanding items (greater than 30 days) to subsequent disposition. (If the Bank has multiple items meeting these criteria, trace no more than 5 items).			
5.B.	Compare the amount reported as the subsidiary balance to the subsidiary ledger			
5.C.	Compare the amount reported on the reconciliation as the general ledger balance to the general ledger.			
6	Obtain loan policy(ies) and determine loan policy was approved by the board of directors within the last year.			

6.A.	Reference the following lending functions to the loan policy, where applicable: -Portfolio composition -Loan officer approval levels -Commercial loans -Construction/land development loans, including inspection requirements -Floor plan lending, including inspection requirements -Leasing -Asset-based lending, including borrowing base requirements -Lines of credit -Participation loans -Consumer loans -Indirect/dealer paper loans -Home equity loans -Residential real estate -Secondary market loans -Appraisal/evaluation reviews -Policy exceptions -Troubled debt restructurings (TDRs) -Renewal procedures, including requiring that interest be paid prior to renewing -Collection procedures -Loan risk ratings -Loan review -Charge-off procedures			
7	Inquire of management and document whether origination costs and applicable fees for 3 loans were deferred in accordance with relevant accounting guidance. Agree the applicable loan fees to supporting documentation.			
8	Obtain a listing of loans with PO box numbers in their addresses. Identify any loans with the same PO box number (and in the same city and state) for different borrowers as a test for fraudulent loans.			

Commercial Lending				
1	Obtain an understanding of the process and internal control procedures in the commercial lending area through inquiry, observation and/ or reading through existing policies and procedures. Document the employees' responsibilities, process and internal controls in the form of a memo.			

2	Select a sample of commercial loans for file testing (sample should include loans of various types, originated by various loan officers, and contain at least one related party loan, if applicable). Test loan files for inclusion of significant loan file documentation as required by the loan policy and industry best practices (including, if applicable, signed application, signed note, proper approval, lien perfection, final title policy or attorney's opinion, current hazard insurance, appraisal, DTI ratio per policy, LTV ratio per policy, current credit report, recent tax return, W-2, cash flow projection, financial statements).			
2.A.	For each exception noted, determine if the missing item is appropriately included on the tickler system as an open item.			
2.B.	Provide a listing of exceptions to the bank.			
2.C.	Test the loan terms to system set-up for accuracy (including customer name, customer (account) number, tax ID number or employer ID number, original loan amount, origination date, maturity date, payment amount, payment frequency, collateral, interest rate, interest rate floor/ceiling (adjustable rate loans) - including frequency of change).			
2.D.	Test the loan for approval in accordance with the loan policy.			
2.E.	Test the disbursement for separation of duties from the loan approval.			
3	Obtain commercial loan clearing account statements. Agree schedule of all open items to the general ledger. Read through documentation concerning items held for propriety and reasons for items being held. Trace to subsequent clearance.			

Mortgage Lending				
1	Obtain an understanding of the process and internal control procedures in the mortgage lending area through inquiry, observation and/ or reading through existing policies and procedures. Document the employees' responsibilities, process and internal controls in the form of a memo.			
2	Based on inquiry and observation, document an understanding of the mortgage loan approval and underwriting process including the following areas, if applicable:			
2.A.	Completing a mortgage loan application.			
2.B.	Obtaining recent financial statements and/or tax returns.			
2.C.	Obtaining credit reports.			
2.D.	Obtaining real estate appraisals.			
2.E.	Obtaining title insurance and performing necessary title and lien searches.			
2.F.	Preparing a loan summary, report, or other document including debt ratios, cash flows, and other items needed to make the underwriting decision.			
2.G.	Establishing interest rates on loans (is there discounted pricing for customers?).			
2.H.	Submitting loan applications/summaries to the mortgage company.			

2.I.	Preparing/obtaining notes, mortgages, and other documents required for closing.			
2.J.	Performing loan closing.			
2.K.	Funding the loan.			
2.L.	Loading the loan onto the Bank's loan system.			
3	Select a sample of mortgage loans for file testing (sample should include loans of various types, originated by various loan officers, and contain at least one related party loan, if applicable). Test loan files for inclusion of significant loan file documentation as required by the loan policy and industry best practices (including, if applicable, signed application, signed note, proper approval, lien perfection, final title policy or attorney's opinion, current hazard insurance, appraisal, DTI ratio per policy, LTV ratio per policy, current credit report, recent tax return, W-2).			
3.A.	For each exception noted, determine if the missing item is appropriately included on the tickler system as an open item.			
3.B.	Provide a listing of exceptions to the bank.			
3.C.	Test the loan terms to system set-up for accuracy (including customer name, customer (account) number, tax ID number or employer ID number, original loan amount, origination date, maturity date, payment amount, payment frequency, collateral, interest rate, interest rate floor/ceiling (adjustable rate loans) - including frequency of change).			
3.D.	Test the loan for approval in accordance with the loan policy.			
3.E.	Test the disbursement for separation of duties from the loan approval.			
4	Read the loan policy to determine appraisal/evaluation requirements.			
4.A.	For loan sample selection above, determine whether the appraisal/evaluation was received timely and properly reviewed according to the policy.			
4.B.	Trace name of appraiser used to the "approved" list of appraisers.			

Consumer Lending				
1	Obtain an understanding of the process and internal control procedures in the consumer lending area through inquiry, observation and/ or read through existing policies and procedures. Document the employees' responsibilities, process and internal controls in the form of a memo.			

2	Select a sample of consumer loans for file testing (sample should include loans of various types, originated by various loan officers, and contain at least one related party loan, if feasible). Test loan files for inclusion of significant loan file documentation as required by the lending policy and industry best practices (including, if applicable, signed application, signed note, proper approval, lien perfection, current hazard insurance, DTI ratio per policy, LTV ratio per policy, current credit report, recent tax return, W-2).			
2.A.	For each exception noted, determine if the missing item is appropriately included on the tickler system as an open item.			
2.B.	Provide a listing of exceptions to the bank for follow-up. Determine if exception can be adequately explained or if the exception was due to an internal control breakdown.			
2.C.	Test the loan terms to system set-up for accuracy (including customer name, customer (account) number, tax ID number, original loan amount, origination date, maturity date, payment amount, payment frequency, collateral, interest rate, interest rate floor/ceiling (adjustable rate loans) - including frequency of change).			
2.D.	Test the loan for approval in accordance with the loan policy.			
2.E.	Test the disbursement for separation of duties from the loan approval.			
	Indirect Lending			
1	Obtain and read through the bank's indirect lending written policies and procedures to gain an understanding of management's expectations with regard to indirect lending.			
2	Test the Banks's indirect lending origination and approval process.			

3	Make a selection of 5-10 indirect funded loans that were processed during the audit period. The selected indirect loan files should be inspected for compliance with Board approved Indirect Loan Policies and Procedures. Testing of the selected loan files should include: 1. Borrowers source of income 2. Collateral loan to value 3. Indirect dealer 4. Tier rating 5. Contract Date 6. Date received 7. Credit report date 8. Disbursement date 9. Credit report within guidelines 10. Debt ratio within guidelines 11. Loan term within guidelines 12. Income verification within guidelines 13. Loan approved within guidelines			
4	Obtain and read through the various indirect lending reports that are reviewed by management. Determine the reports include the following: 1. Monthly indirect profitability (Yield) 2. Annual indirect profitability (Yield) 3. Monthly delinquency by dealer 4. Monthly loss by dealer 5. Dealer funding concentration trend 6. Indirect portfolio and delinquency trends 7. Funding trends by credit tier (weekly, monthly, annually)			

Lines and Letters of Credit				
1	Obtain system-generated listing of unused commitments/lines of credit and letters of credit and perform the following:			
1.A.	Reconcile the listing to the general ledger.			
1.B.	Select a sample of new or renewed letters of credit and test the file for adherence to the bank's policy. Agree most recent draw for each to approval documentation. Test the fees charged to the general ledger.			
1.C.	Select a sample of expired letters of credit and test the file for adherence to the bank's policy.			
1.D.	For three advances on unused lines of credit, assess whether the advance was used to pay the outstanding interest.			

	Participation Loans			
1	Obtain a system-generated listing of participations purchased and sold and agree to the general ledger or the subsidiary system.			
2	For a selection of 2 participations purchased, determine Bank performed credit analysis and obtained required file documentation in accordance with its loan policy guidelines.			
3	For a selection of 2 participations sold, determine the participation agreement has been written in accordance with current accounting guidance to meet sale accounting treatment.			

	Loan Tickler File			
1	Obtain a copy of the Bank's tickler report for tracking loan documentation (uniform commercial codes (UCCs), hazard insurance, flood insurance, mortgages or vehicle titles, final title insurance or attorneys opinion) and financial information (financial statements and tax returns) for all loans and complete the following:			
1.A.	Identify any long outstanding items related to mortgage loans.			
1.B.	Identify any outstanding items related to loan origination or closing for the sample of loans selected above.			
1.C.	Select a sample of 3 entries for each tickler item and verify accuracy of tickler information to loan files.			
1.D.	Select a sample of 3 other properties identified as in a flood hazard area and compare loan file information to flood tickler system.			
1.E.	Select a sample of 3 commercial, 3 mortgage and 3 consumer installment loans and compare file information to financial information tickler system and loan documentation tickler system.			

	Loan File Maintenance			
1	Obtain an understanding of the controls in place over performing file maintenance changes based on inquiries with Bank personnel.			
2	Obtain file maintenance change reports from 5 days during the current year. From the reports, select a maximum of 10 master file changes to loan accounts including change in maturity dates, payment amounts, payment frequency, borrower addresses, etc.			
2.A.	For the sample selected, obtain documentation supporting the master file change, including customer signatures for changes requiring such and approval by responsible Bank personnel.			

2.B.	If the change involved a loan modification (renewal or extension) verify that a modification agreement or new note was signed by the customer and agree the terms to the loan system.			
2.C.	For the 5 days selected for testing, verify that the file maintenance change reports were properly reviewed and signed off by a person not performing file maintenance changes.			

Payment and Payoff Processing				
1	Obtain an understanding of the Bank's procedures for processing and applying loan payments. Select a sample of 10 loans originated during the current year and obtain a copy of the loan history for each loan. (The sample selected should include all loan types including those that were sold but servicing retained with the institution.)			
1.A.	Verify the payment frequency and method (i.e. principal and interest, interest only, balloon, etc.) is properly set up in the loan system based on the terms of the note.			
1.B.	Verify that interest and principal payments are being made in compliance with the signed note. If payments are not being made, trace to inclusion on the past due listing.			
2	Obtain an understanding of the Bank's procedures for processing loan payoffs and releasing loan collateral based on discussions with Bank personnel. Obtain a listing of loans paid off during the current year and select a sample of the lesser of 10% or 10 loans , that were paid off. Determine those accounts for which collateral should have been returned to or released to customers and examine receipts for the return of the collateral.			
2.A.	Verify any accounts that were frozen or flagged because they served as collateral for the loan are no longer restricted in the system.			
2.B.	Verify that the loan is properly indicated as paid off in the system and in the loan file.			
2.C.	For loans subject to prepayment penalties, recalculate the prepayment penalty and compare to promissory note for consistency.			

Nonaccrual				
1	Obtain nonaccrual listings from the board of directors' meeting packet and agree 3 nonaccrual loans directly to a system-generated report. Agree 3 nonaccrual loans from the system-generated report to the listing presented to the board of directors.			
1.A.	Investigate reasons for any loans 90 days or more past due and still accruing interest.			

1.B.	Select a sample of 3 nonaccrual loans for which payments have been received and check for proper accounting treatment of payments			
1.C.	Select a sample of 3 nonaccrual loans which have been returned to accrual status during the audit period and check for proper accounting treatment			

Troubled Debt Restructurings (TDRs)				
1	Obtain a system-generated listing of renewed or restructured loans and select 3 loans and inspect supporting documentation to support classification as a TDR.			
2	Select 3 loans classified as a TDR and trace to the most current impaired loan listing.			
3	Select 3 loans classified as a TDR and check for proper accounting related to accruing interest.			
4	Obtain a list of TDRs currently performing under restructured terms reported for regulatory purposes (Call Report), select 3 loans and trace to documentation to support whether the loans are performing under restructured terms.			
5	Agree TDR listing to latest Call Report disclosure			

Extensions and renewals				
1	Obtain a listing of loans with extensions and renewals and perform the following			
1.A.	Select a sample and verify that these are appropriately accounted for (interest is collected at the date of the extension or renewal).			
1.B.	Test the file for compliance with the loan policy (such as approvals, DTI, DSCR limits).			

CONCLUSIONS				
1	Summarize results of follow-up of audit recommendations.			
2	Document all work performed, including related conclusions and recommendations, discuss the results with institution personnel, and include a summary in the report to the Board of Directors.			