

# Funds Management Program

# RESCINDED

## EXAMINATION OBJECTIVES

Ascertain whether the institution's funds management policies and procedures are consistent with the institution's return objectives and risk constraints.  
Verify that management has taken appropriate corrective action where necessary and persistent problems have not recurred.

This document and any attachments are superseded by OCC 2012-17.

## EXAMINATION PROCEDURES

### LEVEL I

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1. Review scoping materials applicable to funds management. Due to the nature of the funds management review, consult and coordinate with the examiner(s) assigned to review interest rate risk, cash flow and liquidity management, investment management, and related areas. Discuss the scope of the proposed review with the examiner in charge if needed.

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2. Review the previous report of examination and all funds management-related exceptions noted and determine if management has taken appropriate corrective action.

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3. Review the Matters Requiring Board Attention and Corrective Actions from the three or four previous ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.

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4. Identify the institution's return objectives and risk constraints.

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5. Review and evaluate trends in the institution's return on equity, return on assets, and net interest margin. Review the interest rate risk exposure report to evaluate trends in net portfolio risk.

6. Review the institution's policies, procedures, and controls regarding funds management. Determine whether objectives are reasonable, and whether risk constraints are prudent given the association's capital and earnings characteristics. Determine whether written policies, procedures, and controls are adequate.

7. Review applicable board or committee minutes and reports.

8. Determine whether the board of directors and management have a comprehensive funds management process and adequately performs the funds management functions.

9. Evaluate senior management's depth of understanding of the funds management process.

10. Study the flow of data from the functional areas. Review any assumptions the association uses.

11. Review output reports from any analytical models used in funds management. Determine whether they are adequate to fulfill the needs of the funds management function.

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12. Determine whether the institution relies excessively on outside vendors or consultants for financial modeling.

13. Review the execution and related documentation of the association's strategies. If there are procedural or control concerns, expand scope to include Level II procedures.

14. Determine compliance with board-approved funds management policies.

15. Review Level II procedures and perform those necessary to test, support, and present conclusions derived from performance of Level I procedures.

## LEVEL II

16. Review related internal procedures and controls in detail. Verify the institution follows all procedures and controls.

17. Determine whether any inaccuracies in or misuse of data or assumptions are contributing to inappropriate or poorly executed funds management decisions.

18. Review the assumptions used in any financial modeling systems. Determine whether the models are appropriate given the association's size and complexity. Perform on-site review of vendor or consultant models, if necessary.

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19. Recommend changes in structure, functions, and other aspects of the funds management process, if necessary.
20. Ensure that your review meets the Objectives of this Handbook Section. State your findings and recommendations on the appropriate work papers and report pages.

## EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS

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