

## **SMALL BANK BSA MONITORING**

*To help small banks step up their oversight of Bank Secrecy Act, veteran compliance expert Allan Virr, Bow Mills Bank & Trust, (\$65 million), Bow, N.H., developed his own audit scopes for each regulatory area rather than relying on outside vendor software for the five community banks that share his services as compliance administrator. Virr's modus operandi includes these 10 steps.*

1. **Review internal controls and day-to-day procedures.** ☐
2. **Read the bank's BSA policy and procedures** and verify that the board of directors has reviewed them. ☐
3. **Review CTRs for a specific period** and compare with daily aggregation report. ☐
  - a. Look at all CTRs for a selected one-week period and check for completeness. ☐
  - b. Track the frequency of wire transfers by the same customers and red-flag unusual activity. ☐
  - c. Touch base with each bank's independent auditor to coordinate monitoring efforts. ☐
4. **Review designated exempt persons to determine whether they qualify and have eight reportable transactions each year.** ☐
  - a. An exempt person must be a customer for one year. ☐
  - b. An exempt person must not appear on the list of prohibited professions, i.e., auto dealers, lawyers, accountants and casinos. ☐
  - c. Consider revoking exempt status if it appears unlikely that the customer can maintain a high level of reportable transactions. ☐
5. **Review Taxpayer Identification Number list for missing TINs** and bank's follow-up procedures. ☐
6. **Review bank-training records, initial and periodic.** ☐
  - a. Document BSA training in personnel files. Have employees formally acknowledge their initial training by signing a document. ☐
  - b. Offer annual BSA training as a refresher. ☐
7. **Review record-keeping requirements on official checks and wire transfers.**
  - a. If you sell cashier's checks for cash payments between \$3,000 and \$10,000, keep a record of purchasers, including their TIN. ☐
  - b. Do *not* sell bank checks to noncustomers. ☐
  - c. Sell bank checks to customers only after they deposit funds into their account to create an audit trail. A bank with this policy must have a formal written procedure on file. ☐
8. **Check to see if BSA-related SARs have been filed.** ☐
9. **Check written procedures for monitoring suspicious activity.** ☐
  - a. Designate one employee with ongoing customer contact to review daily reports, e.g., cash-in, cash-out; kiting, overdraft. ☐ (Small banks may know their customers better than large banks, but examiners still like to see procedures in writing to provide consistency in the event of employee turnover.)
10. **Review the cash shipments to and from branch locations to detect unusual cash flow.** ☐

(Sudden increased demand for cash at one location is a red flag for further investigation.)