



Office of Thrift Supervision
Department of the Treasury

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM:

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SUBJECT:

FFIEC Information Technology Examination Handbook –
Audit Booklet
FedLine Booklet
Electronic Banking Booklet

On September 30, 2003, the Office of Thrift Supervision, along with the other federal banking agencies, issued updated guidance for examiners, financial institutions, and technology service providers on Information Technology (IT) audit, FedLine, and electronic-banking (e-banking). The guidance is contained in three booklets which are the fourth, fifth, and sixth in a series of twelve booklets issued through the Federal Financial Institutions Examination Council (FFIEC) that will completely update and replace the 1996 FFIEC Information Systems Examination Handbook.

The Audit Booklet addresses effective IT audit practices. OTS examiners will use the Booklet in their evaluations of your overall audit program and the audit programs of technology service providers. The Booklet incorporates changes resulting from legislation enacted since 1996 including the Gramm-Leach-Bliley Act of 1999 and the Sarbanes-Oxley Act of 2002. It relates OTS's expectations regarding the roles and responsibilities of your board of directors, management, and internal and external auditors. An effective audit function is essential to a thrift's safe and sound operation. It provides the framework for assessing and reporting the effectiveness of the institution's risk management practices and system of internal controls to management and the board of directors. Recent changes in financial products, services, and delivery channels and the resulting reliance upon technological solutions make the inclusion of risk-based IT audit coverage an important consideration in establishing an effective overall audit program. OTS rescinded Chapter 8, Internal/External Audit, of the 1996 FFIEC Information Systems Examination Handbook with the issuance of this booklet.

The FedLine Booklet addresses the risks inherent in using the FedLine application. It outlines the necessary controls to maintain a safe and sound funds transfer operating environment. OTS examiners will use the Booklet in their evaluations of your physical, administrative, logical, procedural, and business continuity risks with the use of the FedLine system. The Booklet also provides management practices and controls you should consider implementing in order to

mitigate Fedline risks. Finally, the Booklet discusses recommended FedLine security settings which will assist you in establishing security controls commensurate with your institution's size, complexity, and funds transfer activity levels. With the issuance of the FedLine Booklet, OTS rescinded Chapter 19, Fedline EFT, of the 1996 FFIEC Information Systems Examination Handbook.

The E-banking Booklet provides guidance on the risks and risk management practices applicable to a financial institution's e-banking activities. E-banking has created new opportunities for delivering traditional as well as new products and services. With these opportunities come new challenges, including increased system availability, Internet connectivity, increased access to customer information, greater reliance on new service providers, and evolving regulations. These challenges increase threats to the institution's reputation, confidentiality of information, system and data integrity, system availability, and regulatory compliance. E-banking activities require careful planning, coordinated strategies between IT and business units, integrated subject matter expertise, strong controls, and ongoing monitoring and testing. OTS examiners will use this Booklet to evaluate the quality of e-banking risk management in financial institutions and technology service providers.

OTS and other FFIEC agencies are distributing the booklets electronically. You may download them at www.ffiec.gov/guides.htm. This site provides on-line and printable versions of all of the booklets in the series that have been published to date, as well as audio presentations related to the IT Examination Handbook update process, the booklets, and other resources. Questions regarding these booklets should be directed to your regional OTS office or to Robert E. Engebret, Director, Technology Risk Management, (202) 906-5631.