



Comptroller of the Currency
Administrator of National Banks

Management and Board Processes

Comptroller's Handbook
(Section 502)

Narrative - March 1990, Procedures - March 1998

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Management

Management and Board Processes (Section 502)

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This section was written to guide the examiner in appraising management and directors' supervision of a bank and evaluating the quality of the decision-making process. These guidelines may be adapted for use in any size or type of bank.

Managing an organization is a continuous process that must address a constant flow of problems and opportunities. In addition to performance, the directors and management should be evaluated in terms of management processes designed to control the organization.

These processes include:

- *Planning*—To ensure that current decisions consider the future operating environment.
- *Policy making*—To develop and communicate a course of action to guide present and future decisions, considering given conditions and assumptions.
- *Personnel administration*—To ensure appropriate recruiting, compensation, training, and personnel development activities.
- *Control systems*—To control and monitor delegated duties.
- *Management information system*—To ensure that decision-makers receive necessary information at the proper time and place.

The formality of these processes should be based on the organizational structure and diversity of operations. Banks operate differently so an examiner should not expect to find the same scope and documentation of management processes. The relative importance of each should be determined based on both current and future operating environments.

The review should consider the involvement of the directors, shareholders, and officers. Any or all such officials may be involved in management decisions.

Bank directors have a fiduciary duty to shareholders and depositors. They exert this responsibility by ensuring that policies are well-defined and management is competent. As stated in Interpretive Ruling 7.4425, the board of directors may not delegate responsibility for its duties but may assign the performance of the

duties to others.

The nature of a bank's operations should be considered by the directors and management in determining how to supervise and manage a bank. Similarly, the nature of operations should be considered by the examiner in reviewing management and board processes. The examiner should also consider the knowledge, skills, and abilities of individuals to handle current and planned operations and the results of their decisions. When a bank is owned by a holding company, the examiner should determine whether the bank is operated autonomously or follows certain holding company plans or policies. The examiner should also assess management services offered through the holding company or affiliated organizations, such as auditing services or internal loan review.

If the management and board review is performed along with the review of other areas, work should be coordinated to avoid duplication of effort. When possible, information may also be used from previous reviews, compliance examinations, and audits. The guidelines should not be used as a checklist for interviewing management, directors, or auditors. Items are listed to assist in organizing the examiner's thoughts. You are encouraged to have discussions with the different levels of management. Such discussions may allow you to gauge awareness and understanding of policies throughout the organization, and indirectly, evaluate the bank's decision-making process.

Remedies

The primary focus of the management and board review is to identify problems before they seriously affect the condition of the bank. Examiner diplomacy is a key in getting management and/or the directors to recognize problems and take appropriate, timely action. The following are suggestions on how to persuade management and directors to address problems when they are reluctant to do so or lack necessary expertise.

The examiner's objective should be to encourage management and/or the directors to take corrective measures without the use of formal action. Examiners should be creative in developing a course of action. A plan that works in one bank may not work in another. Whatever course of action (informal or formal) is taken, the examiner must follow-up until problems are

addressed.

Examples of informal actions that may be used include:

- Periodic reporting.
- Board meetings.
- Periodic calls to management and/or directors.
- Periodic meetings with management and/or directors.
- Periodic, brief visits.
- On-site activities.
- Commitment letters.
- Memorandums of understanding.

When problems are serious and well documented, formal administrative action may be warranted. Such actions include:

- Formal agreements.
- Cease-and-desist orders.
- Civil money penalties.
- Removal actions.

The following guidance may be used to identify problems and their causes and to determine the type of information needed to pursue remedial action.

Planning

Planning is an organized and continuous process of ensuring that projections of the future operating environment influence current decisions. Planning can be divided into two classifications: strategic (developing a strategy) and operational. Strategic planning focuses on the long-term deployment of resources to achieve corporate goals. Operational planning concentrates on short-term actions, which should flow logically from the strategic plan and be revised periodically.

All banks plan; their efforts differ only in thoroughness or degree. The absence of a written plan does not mean management and the board have neglected planning. For banks lacking a written plan, the examiner must obtain the information through interviews. Written plans are desirable, but they do not

guarantee that an effective planning process exists. Evaluate the process as well as the product. If a well-designed planning process exists, the plan will generally be thoughtful and realistic.

The examiner should not evaluate bank planning with the preconception that every bank should have a “model” planning process. Discussions with management should address steps in the planning process that were neglected and potential risks inherent in the plan that were not considered by management.

At a minimum, the board of directors should approve plans and changes to them. Examiners should review board minutes for approvals whenever new activities have been implemented or operations have changed significantly. Depending on the complexity of a bank’s operations, the directors’ participation in the planning steps may vary. Planning steps may include:

- Developing a mission.
- Evaluating the bank’s internal operations.
- Assessing the present and future operating environments.
- Formulating goals and objectives.
- Allocating resources.
- Implementing plans.
- Analyzing results.
- Revising the plan.

Complexity of operations should determine the formality of planning steps in a particular bank. For example, a community bank that is funded primarily by stable, local deposits and that restricts lending to the local area should not be expected to follow the same planning process as a bank that has diverse funding and lending sources.

The degree of planning can also be affected by a bank’s organizational structure and process for decision-making. For holding-company subsidiary banks, the level of central control exerted by the parent company will influence the extent of planning autonomy in each bank. The examiner should determine the interaction between the subsidiary bank and the parent company in the planning area and adjust the scope of the review accordingly.

The most important ingredient to an effective planning process is the commitment and involvement of the chief executive officer (CEO). The CEO of any organization is the chief planner. Also, the board of directors should be equally committed. Without support, the planning function will be reduced to an exercise, and plans may be unreliable indicators of future actions.

Policy Making

The purpose of policy making is to provide guidance to employees for making decisions and taking actions. This guidance, known as policies, are statements of direction from management and the board. They indicate a course of action that is expected to achieve a particular goal. Policies should be stated in terms broad enough to allow for varying situations and discretion in execution. At the same time, they should communicate known and agreed upon goals. The anticipated effects of these goals on the organizational structure, financial matters, existing products and services, and marketing should be considered in policy development. Because conditions change, policies should be reviewed periodically to determine whether they have the intended effect or whether revisions are necessary.

The process of developing and implementing policies can provide a number of benefits to the organization:

- An integration of organizational needs, managerial philosophy, and personal preference.
- Consistency of behavior among employees without imposing uniformity.
- Continuity of action even though personnel change.
- A means to measure results.

Divisional or senior management generally write policies. To do this, they study existing documents, survey industry and community practices, and interview other executives within the organization. Although a bank may obtain written policies from an outside source, management must ensure that they are tailored to the bank. Actions that are acceptable in one institution may be unsafe and unsound in another. The board of directors or a delegated committee should give final approval of policies and subsequent revisions.

The examiner must be alert for situations in which executive management dominates the board or, conversely, where executive management acts solely at

the direction of a dominant influence on the board. Such situations generally are detrimental to the bank. Directors must set objectives and formulate policy consistent with their responsibilities. Dialogue between directors and executive management reduces potential conflict in policies.

Personnel Administration

A bank's personnel policies and procedures are vital to the development and continuity of a quality staff. Personnel policies and procedures to consider in determining how well a bank is managed include those relevant to the bank's organizational structure, position descriptions, recruitment program, training and professional development activities, performance appraisal system, compensation, and internal communications.

The structure of an organization should be designed to:

- Guide the efforts of employees (responsibilities, limitations, and reporting requirements).
- Define lines of authority and control.
- Decrease duplication of effort.

An organizational chart is an effective way to communicate some of this information. Position descriptions clarify and amplify information shown by the organizational chart. A comprehensive set of position descriptions forms a factual basis for developing a fair salary structure. They give information about the knowledge, training, and abilities needed for each position. Position descriptions help orient new employees and provide a basis for performance appraisals.

An effective recruitment program enhances the continuity of executive and middle management. Training procedures and advancement policies should be designed to keep the organization viable and dynamic.

Training and professional development activities are available for bank personnel through numerous sources. The quality of a bank's training program is affected by the variety of opportunities provided and the degree of participation by personnel. Only through a review of operating and individual performance can a bank determine whether training is developing its staff

adequately.

A formalized appraisal system encourages supervisors to observe employees' performance on an ongoing basis; to emphasize development; and to base decisions on specified standards of performance. The timeliness of appraisals and the degree to which managers follow established procedures also influence the effectiveness of a performance appraisal system.

Performance appraisal procedures must be designed to evaluate the performance of managers. Factors that may be considered for evaluating managers include the ability to carry out policy; to react positively and effectively to adversity; and to recognize and correct problems on a timely basis.

The comparability of a bank's payroll and benefits structure with that offered by competitors affects the quality of the bank's staff. Salary equity for similar positions within the organization should be considered. Bank salary surveys are available through various sources.

An effective internal communications system improves employee morale and cooperation and discourages duplication of effort. Such a system provides for communication among all levels of the organization. It may include direct dialogue through the lines of authority, and written communication, such as policy and procedures manuals, performance appraisals, management bulletins, and employee handbooks.

Control Systems

To provide sound administration of bank activities, an effective system of controls must be established. Policy making, planning, and personnel administration alone cannot ensure an effectively run organization. As indicated earlier, the board of directors may delegate the performance of its duties to others but may not delegate its responsibility to ensure that a bank is operated in a safe and sound manner. Because of that responsibility, the board and management must implement control systems to monitor the activities of employees associated with the bank.

A bank's control systems may include *auditing procedures, internal control procedures, asset quality reviews, risk management, and compliance*

management. Control systems:

- Help maintain authority
- Recognize and identify management and the board's need for accurate and timely information.
- Verify compliance with policies, plans, and regulations.
- Evaluate risk.
- Inquire into causes of measured deficiencies in performance and monitor follow-up.

Management and directors use various methods for managing and supervising a bank's operations. Any system, regardless of its fundamental soundness, may deteriorate if not reviewed periodically. All control systems must be reviewed continuously to determine whether prescribed policies are interpreted and implemented properly, changes in conditions are addressed, and corrective measures are taken promptly.

Certain control systems should be supervised directly by the board. This ensures that findings and recommendations are not unduly influenced by officers or employees involved in daily operations. Several forms of control systems are discussed briefly in the following comments.

Some type of *auditing procedures* should be in place in all banks to ensure that management and employees perform their duties in a prudent manner. The audit function should also keep the directors informed on the adequacy of and compliance with policies and controls.

The directors should require periodic reports on management's progress in addressing problems identified in audit reports. Failure to address these problems nullifies the value of the audit function.

Directors must control the selection, evaluation, and compensation of internal and external auditors. Qualifications should be evaluated periodically. The value of the auditors' judgment depends to a large extent on their understanding of the issues being reviewed.

Auditors must have direct access to the board to report their findings. If auditors report to a board committee, the committee should bring key issues to

the full board's attention. The directors should review, at least annually, the adequacy of the audit policy, staffing, and coverage.

Internal control procedures are often included as part of a system's normal processing tasks. In general, good internal control exists when no one person can make significant errors or perpetrate irregularities without timely detection. Internal control includes methods to:

- Protect assets.
- Assure the integrity of financial and operating records.
- Promote operating efficiency.
- Promote adherence to policies and regulations.

Asset quality review (including internal loan review) is a bank's method of assessing its major assets. Their value has a far-reaching affect on a bank's financial condition. Reviews should include grading problem assets and identifying weaknesses in the lending process. An effective system couples independent review with the identification of loans by officers. Results of asset quality reviews should be reported to the board or an appropriate committee.

Risk management includes the assessment, selection, control, and monitoring of risk. Factors to be addressed may include credit risk, interest rate risk, internal/external fraud risk, exposure to physical hazards, and risks associated with off- balance sheet activities.

Compliance management is a system to promote, monitor, and evaluate adherence to internal policies and applicable laws and regulations. Compliance is a management function deserving the same effort as other management functions. Bank management should make individuals accountable for the bank's compliance program.

Appropriate sections of the *Comptroller's Handbook for National Bank Examiners* provide a detailed discussion of internal and external audit, internal controls, and internal loan review. Guidance regarding compliance management may be found in the *Comptroller's Handbook for Compliance* and various other handbooks and manuals.

Management Information System (MIS)

The complexity of banking activities has placed increased emphasis on the quality and extent of information necessary for decision making. Advances in technology have helped banks improve information availability, planning, decision making, and models for analysis.

A comprehensive MIS is usually comprised of special purpose information systems. Reports are generated for a specific purpose and audience. A centralized MIS may be the appropriate system for a small community bank but would probably not meet the needs of larger banks. Thus, some information reports may be generated for a small group within a bank and never be seen by senior management. Directors and management need information to define goals, guide operations, and make timely decisions. The management information system should distinguish between the types and uses of information as follows:

- *Corporate planning*—Required by management to achieve long-range plans and objectives, to allocate resources, and to evaluate programs.
- *Managerial control*—Provides management with financial performance and quality control information.
- *Operational control*—Required by line managers to develop and review operating budgets, work schedules, and resource acquisition and utilization plans.

The MIS compiles meaningful information from available sources. The bank's accounting system contributes to any management information system but alone cannot provide management with the information needed to make prudent decisions. The purpose of the accounting system is to process financial transactions. It may include departmental accounting and measurement of variances from plans. These features are useful in management decision making.

In addition, the management information system should include other nonfinancial information such as personnel statistics. It should include information from external sources on economic conditions, marketplace characteristics, technology, and regulatory requirements.

The effectiveness of management information systems can be measured in terms of quality, quantity, and timeliness. These elements are influenced by

analysis of information needs and the system design.

For management and the board to monitor activities and make timely decisions, data must be provided on a continuous basis. This can be accomplished through a well-conceived MIS, designed to meet the needs of the individual bank.

General Procedures

Many of the steps in these examination procedures require gathering information from or reviewing information with examiners in other areas. Since other areas may include examination procedures that address management processes, discussing your review with them can reduce burden on the bank and avoid duplication of effort. Sharing examination data also can be an effective cross check of compliance and help examiners assess the integrity of management information systems.

Information from other areas should be appropriately cross-referenced in working papers. Information that is not available from other examiners should be requested directly from the bank.

Objective: Determine the scope of the examination of management.

1. Obtain and review the following documents to identify items that require follow-up:
 - Prior Report of Examination and related management and board responses.
 - Internal/External audit reports.
 - Bank policies.
 - Correspondence between the bank and the OCC.
2. Determine any changes in bank management since the previous examination.
3. Review OCC's electronic information system for comments and data relating to bank management.
4. Based on the performance of the previous steps and discussions with the bank EIC and other appropriate supervisors, determine the scope and objectives for this portion of the examination.

Quantity of Risk

Conclusion: The quantity of risk is (low, moderate, high).

Objective: Assess compliance with laws, regulations, and policies relating to bank management.

1. As necessary, review findings from all examination working papers for possible violations of law.
2. As appropriate, ensure that any prior violations of law have been appropriately corrected.
3. As appropriate, quantify the risk exposure to bank earnings and capital due to noncompliance with laws, regulations, policies, or sound banking practices.

Quality of Risk Management

Conclusion: The quality of risk management is (strong, satisfactory, weak).

Note: Before completing any procedures below, confer with the examiner performing *Duties and Responsibilities of Directors* examination program.

Policy

Conclusion: The board (has, has not) approved adequate policies governing the overall supervision of the bank.

Objective: Ensure that the board has approved adequate policies for all significant areas of the bank.

1. Obtain or update a listing of all areas of the bank's operations that are administered under the provisions of objectives and policies as approved by the board of directors.
2. As applicable, inform and disseminate any policy information to appropriate examining personnel. Consider:
 - The development of new products, activities, policies, and procedures.
 - The elimination of products, activities, policies and procedures.
 - Any updates to existing policies and procedures.
3. Determine whether policies have been implemented. Note any that have not been. Consider:
 - Management's action or inaction to implement appropriate policies and procedures.
 - Any policies that are not working documents.
 - The reason why these policies are not implemented, or if implemented why not followed.
4. Determine how the board and management ensure that adopted policies

are followed and that exceptions are documented.

5. Determine if policies are appropriate. (Some testing may be necessary to answer this question.) This should be done in conjunction with the examiners reviewing each area of the bank.
6. Determine the reasonableness of the bank's vacation policy. Are management and employees required to take two consecutive weeks of vacation if they are eligible for it?
7. As appropriate and in conjunction with step #5, review findings from all examination working papers or in discussion with other assigned examining personnel and determine the overall adequacy of bank policies and the policy-making process.

Processes

Conclusion: Internal operating procedures, programs, and practices (are, are not) effective in enabling management and the board to effectively manage the bank.

Objectives: Determine the adequacy of bank operating procedures, programs, and practices.

Policy-Making Process

1. Determine the policy-making process, taking into account:
 - Regulatory requirements.
 - Risks (credit, interest rate, transaction, etc.). How does management ensure that those who need to be aware of policy decisions are informed?
 - Strategic, operating, and capital plans.
 - Bank's condition.
 - Differences between planned goals and current conditions.
 - Origins of policies and approval process.
2. Determine management's view and understanding of the planning and policy-making functions and their effect on the efficiency of operations.

Consider:

- The effect of recently adopted policies.
 - How this effect is measured.
3. Determine the system used by management and the board to ensure periodic review and revision of policies.
 4. Document conclusions regarding the effectiveness of the bank's policy-making process.

Planning

1. Determine if management has identified the type of organization it wants the bank to be in the future and how it plans to reach this goal. Determine if this has received board approval.
2. Determine how the bank is organized and how major decisions made, taking into account:
 - The direction provided by the board and management's adherence to that direction.
 - Involvement of directors in the process.
 - Whether management makes board presentations regarding new products, activities, etc.
 - How acquisitions, divestitures, and branching decisions are made.
 - Whether the bank is independent or in a holding company.
 - For holding company banks, degree of autonomy in policy making, product development, market niche determination, advertising, market research, and entering or exiting a market.
3. Determine the techniques management uses in planning, considering:
 - How goals, objectives, parameters, and assumptions are set and how they are communicated.
 - How bank activities are evaluated.
 - Action plans, including resource requirements.
 - Involvement of directors, senior managers, and middle managers.

- Role of CEO.
4. Determine how management incorporates competitive factors when making plans, developing new products, or entering new markets, considering:
 - Management's view of traditional and nontraditional competitors.
 - Comparative advantages and disadvantages relative to competition.
 5. Determine whether management identifies customers' wants and needs before making plans, developing new products, or entering new markets, taking into account:
 - Types of market research used, such as surveys, focus groups, outside services.
 - Customer information files and profile studies.
 6. Determine how management plans for new products.
 - Due diligence/feasibility study.
 - Financial projections—including when products will provide a return and when profitability of products is reevaluated.
 - Risks/liability analyses.
 - Legal opinions.
 - Level of Audit Department involvement.
 7. Determine whether management weighs the effect of its plans on its operations. Consider:
 - Risk.
 - Regulatory requirements.
 - Financial condition of the bank.
 - Management ability and human resource demands.
 - Physical facilities.
 - Adequacy of MIS and operating systems to handle growth.
 - Current product mix and future product development.
 - Technological environment.
 - Public perception.

- Sociological trends.
8. Determine whether goals and objectives have been established for the future and whether directors have approved them and managers are aware of them.
 - CEO's/board of director's vision of the future.
 - Bank's mission (what it is or what the board would like it to be).
 - Qualitative as well as quantitative goals and objectives.
 - Participation of directors and various levels of management.
 - How the information is communicated to those who need to know it.
 9. Determine whether management has plans in place to achieve stated goals and objectives. Consider:
 - Whether action plans exist.
 - How action plans are implemented.
 - Accountability of management.
 - Resource requirements.
 - Communication.
 10. Determine how management evaluates the validity of action plans to avoid conflicts among the bank's business units. Consider:
 - Capacity of bank to supply the needed resources (people, systems, facilities, advertising) to implement plans.
 - Availability of people, systems, facilities.
 - Accountability of managers to implement plans and achieve objectives.
 - CEO's and board of director involvement.
 11. Determine how plans are evaluated after implementation and whether plans are flexible enough to allow for contingencies or changes. Consider:
 - Frequency and method of evaluation.
 - CEO's and board of director involvement.

- Accountability of managers to implement plans and achieve objectives.
 - Whether the board reviews and approves plans.
 - System in place to make changes.
 - System in place to report on progress toward goals.
12. Determine whether the long-term (strategic) plan provides the framework for developing short-term (operating) plans.
 13. Determine the mechanisms in place which ensure compatibility between the short-term and long-term plans by briefing or obtaining briefs from other examiners on the following:
 - Annual financial plan/budget.
 - Capital plan.
 - Asset/liability plan.
 - Marketing plan.
 - Fixed asset plan.
 - Any others
 14. Determine whether major decisions are made within the context of an overall plan.
 15. Document conclusions regarding the bank's planning process.

Personnel

Conclusion: Given the size and complexity of the bank, management and bank personnel (do/do not) possess the required technical skills and knowledge to manage the bank's activities.

Note: The examiner should confer with the EIC and, as appropriate, other examining personnel in making conclusions regarding the adequacy of bank personnel or senior management.

Objective: Determine if the bank's personnel activities are monitored by management and the board to ensure consistency with the goals of the organization and with any applicable laws, regulations, policies.

1. Determine how management and the board determine if the organizational structure accurately reflects the functional responsibility levels and lines of authority.
2. Determine if the bank has written job descriptions/responsibilities.
3. Determine how management ensures that job descriptions are clear and reflect assigned duties and responsibilities. Consider:
 - The appropriateness of the required knowledge and skills.
 - The basis for performance appraisals.
 - The method used in developing or overseeing the job description process.
 - The relationship to compensation program(s).
4. Determine how management ensures adequate staff at all levels. Consider:
 - Recruitment methods.
 - Performance standards.
 - Training programs.
 - Management succession plans.
 - Compensation programs.
 - Employee benefits.
5. Determine how management assesses employees' performance.
6. Determine how the board assesses management's performance.
7. Determine how management and the board ensure that salaries and benefits are equitable and competitive.
8. Determine the method management uses to promote an effective communication system.
 - Staff meetings.
 - Employee interviews.

- Employee handbooks, bulletins, etc.
- All employee memoranda, e-mail, and other communications.

Controls

Conclusion: Control systems and information systems (are, are not) effective.

Objective: To ensure that management and the board have established effective control systems to fulfill their responsibilities and comply with laws and regulations.

1. Review the internal and external audit functions as they relate to management. Consider whether:
 - Management and the board review insider transactions for compliance with laws, regulations, and policies.
 - Management takes timely corrective action to address deficiencies noted by the regulatory examination, external/internal audit, compliance, and/or internal loan review functions.
2. Determine the systems that management and the directors use to control and monitor activities.
 - Internal controls.
 - Audit coverage.
 - Asset quality reviews (including loan review).
 - Risk management systems.
 - Compliance management systems.
3. Determine the extent to which the board and management are involved in control systems. Consider:
 - Adequacy, timeliness, and distribution of various reports.
 - Periodic review to determine adherence with policies and procedures.
4. Determine if the bank has a board approved external/internal audit program. Evaluate the adequacy of the program. Consider:

- Independence of auditors, including reporting lines.
 - Qualification of auditors.
 - Adequacy and appropriateness of audit program.
 - Effectiveness of management's response to and correction of identified audit concerns.
 - Degree and effectiveness of audit committee oversight.
 - External audit review of internal auditors.
 - Results of prior supervisory activities.
5. Determine the process used by management to ensure that internal controls function properly. Consider:
- Sources and accuracy of information.
 - Review of internal controls when changes in operations occur
 - Roles in the development of new products or changes in operations.
 - Training of personnel to ensure that established policies and procedures are followed.
 - Efforts made by directors and managers to correct deficiencies.
 - Relationship to internal audit.
6. Review systems established to monitor asset quality. Consider:
- Independence of personnel.
 - Accuracy of problems identified and graded.
 - Coverage of assets during a cycle.
 - Effectiveness as an early warning system.
7. Review risk management systems. Consider:
- Concentrations of credit or other activities.
 - Existing products and services.
 - New products and services.
 - Off-balance sheet activities.
 - Board involvement/understanding
8. Review for compliance management program. Consider:

- Accountability.
 - Areas covered and depth of coverage.
 - Efforts to monitor and comply with new requirements where necessary.
 - Reporting.
 - Correction of deficiencies.
 - Qualifications of those involved.
 - Regulatory requirements.
9. Document conclusions regarding the effectiveness of control systems.

Objective: Determine if information systems used by management and the board adequately measure bank performance, assist in the decision-making process, and evaluate the effectiveness of existing policies, processes, and control mechanisms.

1. Determine whether findings and conclusions from internal control systems provide appropriate, prompt, accurate, useful, and understandable information to managers and directors. Consider:
 - Asset quality reviews (including loan review).
 - Financial performance and budget comparisons.
 - Funds management reports.
 - Board committee reports.
2. Determine what mechanisms are in place to ensure relevant, accurate, useful, and timely information.
3. Evaluate dissemination of information among the organizational levels and among departments.
 - Management and the directors
 - Management and staff.
 - Banks and the holding company or affiliates.
4. Analyze the effectiveness of the MIS. Consider:
 - Management's knowledge and understanding of information systems.

- Use of data in the decision-making process.
5. Document conclusions regarding MIS.

Conclusion

Objective: To communicate examination findings and initiate appropriate corrective action.

1. Provide EIC with conclusion of findings. Consider:
 - Findings from all other areas under examination.
 - Overall conclusions.
 - Any recommendations to management.
 - Violations of law and regulation.
2. Determine the impact on the aggregate and direction of risk assessments for any applicable risks identified by performing the above procedures. Examiners should refer to guidance provided under the OCC's large and community bank supervision programs.

Considerations

- Risk Categories: Compliance, Credit, Foreign Currency Translation, Interest Rate, Liquidity, Price, Reputation, Strategic, Transaction.
 - Risk Conclusions: High, Moderate, or Low.
 - Risk Direction: Increasing, Stable, or Decreasing.
3. Determine in consultation with the EIC, if the risks identified are significant enough to merit bringing them to the board's attention in the report of examination. If so, prepare items for inclusion under the heading Matters Requiring Board Attention (MRBA).
 4. Discuss findings with management/board including conclusions regarding applicable risks.

Considerations

- Overall conclusions.
- Recommendations.
- Violations of law or regulation.
- Deficiencies.
- If applicable, commitment from management to correct violations of

law and/or Matters Requiring Board Attention.

5. As appropriate, prepare comments for inclusion in the report of examination.

Considerations

- The frequency and effectiveness of meetings.
 - The effectiveness of board and management committees.
 - Management's role in establishing policy.
 - Any major inconsistencies in policy.
 - The quality of reports for management.
 - Violations of laws, regulations and rulings.
6. Prepare a memorandum or update this program with any information that will facilitate future examinations.
 7. Update OCC's electronic information system and any applicable report of examination schedules or tables.
 8. Organize and reference working papers in accordance with OCC guidelines.