

RESCINDED

AL 2000-6

OCC ADVISORY LETTER

AL 2000-6 has been replaced by Comptroller's Handbook - Internal and External Audits.

Subject: Audit and Internal Controls

To: National Bank Directors, CEOs, and All Examining Personnel

The purpose of this advisory is to underscore the importance of strong audit and internal control programs. Recent examinations have identified an increasing number of audit and internal control deficiencies at many national banks. Some of these deficiencies have caused significant operating losses and led to bank failures.

With new products, services, delivery channels, and other rapid changes taking place in the banking environment, it is increasingly important that bank managers and directors heighten their oversight of audit and control systems to ensure that they are effective. Effective internal control and audit programs are essential in safeguarding assets, assisting in the timely detection of operational errors, and producing accurate bank records and financial reports.

Going forward, the OCC will be re-emphasizing bank internal controls and audit processes and will soon issue an updated section of the *Comptroller's Handbook* addressing internal and external audits. National bank directors and CEOs are encouraged to use the guidance contained in the handbook to assess the adequacy of their bank's internal control and audit programs and identify areas where they may need to be strengthened. Additionally, your Assistant Deputy Comptroller or Examiner-in-Charge will be discussing the need for strong audit and control programs with you as part of their ongoing supervision activities.

The OCC will continue to evaluate the effectiveness of audit and internal control programs in the context of a bank's size, complexity, and overall risk profile. Programs will be rated as "strong," "satisfactory," or "weak" in the Report of Examination and will be incorporated into CAMELS and the Risk Assessment System ratings. The OCC's examination efforts will be balanced and fully discussed with bank management and the bank's board of directors to ensure that identified issues are promptly resolved.

If you have questions or comments about the OCC's focus on internal controls and audits, please contact your supervisory office.

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NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

NR 2000-55

FOR IMMEDIATE RELEASE
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OCC Issues Internal Control and Audit Reminder to Banks

WASHINGTON -- The Office of the Comptroller of the Currency today reminded banks of the importance of audit and internal control systems and said deficiencies at some institutions have led to operating losses and fraud investigations.

“The OCC is making effective internal controls in banks one of its top priorities in 2000,” Comptroller of the Currency John D. Hawke, Jr. said. “National banks are in excellent condition today, but we are concerned that continued pressure to maximize earnings can lead to a relaxation of internal control systems. Ineffective internal controls can lead to serious problems in banks.”

The OCC will be reemphasizing bank internal controls and audit programs during future bank examinations, the agency said in an advisory letter issued today. “With new products, services, delivery channels, and other rapid changes taking place in the banking environment, it is increasingly important that bank managers and directors heighten their oversight of audit and control systems to assure that they are effective,” the OCC said.

Effective internal control and audit programs are essential in safeguarding assets, assisting in the timely detection of control errors, and producing accurate bank records and financial reports.

The OCC will soon issue an updated section of the Comptroller’s Handbook addressing internal and external audits.

“There have been a number of examples of banks with weak controls that have affected operational performance and, in some cases, have led to significant operational losses,” said Mark O’Dell, OCC deputy comptroller for core policy. “It is crucial for banks to maintain an effective internal control culture so that long-term strength and stability are not sacrificed for short-term profits.”

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The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches of foreign banks in the U.S., accounting for more than 57 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.