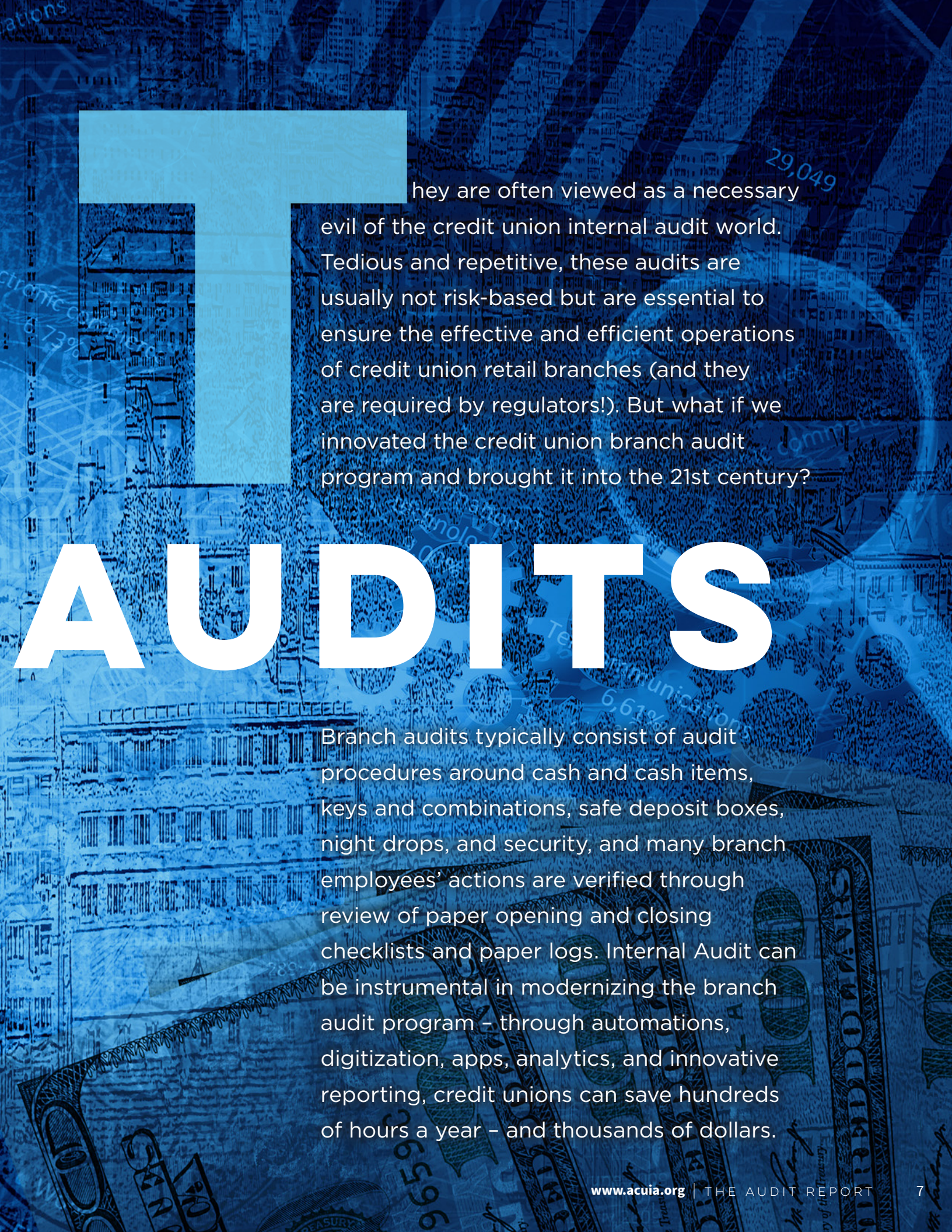




# BRANCH

## Modernize Your Program

**ELIZABETH McDOWELL**  
AUDIT FORWARD

The background is a complex collage of blue-tinted images related to finance and auditing. It includes various banknotes, including a \$100 bill, and documents with text like 'Electronic', '29,049', '6,679', and '6,679'. There are also faint architectural drawings and data-like patterns.

They are often viewed as a necessary evil of the credit union internal audit world. Tedious and repetitive, these audits are usually not risk-based but are essential to ensure the effective and efficient operations of credit union retail branches (and they are required by regulators!). But what if we innovated the credit union branch audit program and brought it into the 21st century?

# AUDITS

Branch audits typically consist of audit procedures around cash and cash items, keys and combinations, safe deposit boxes, night drops, and security, and many branch employees' actions are verified through review of paper opening and closing checklists and paper logs. Internal Audit can be instrumental in modernizing the branch audit program – through automations, digitization, apps, analytics, and innovative reporting, credit unions can save hundreds of hours a year – and thousands of dollars.

Many branch and retail operations employees don't have the knowledge or time to build these modernized apps and processes – and often neither do internal auditors! But with auditors' unique skillset of being able to learn new processes and systems quickly, as well as our internal drive to always make processes better and more efficient, there's a great opportunity for Internal Audit (or consultants working with Internal Audit) to actually build the apps and processes and then deliver them to Retail Operations or the branches for ongoing ownership and maintenance. The examples below were all developed by Internal Audit at a mid-sized credit union, in partnership with the branches and management – and then handed off to management for ongoing execution and monitoring.

## 1 Digitize the Opening and Closing Checklists

*Reviewing paper checklists provides little assurance because these checklists often aren't taken seriously or completed timely by branch employees – and sometimes employees even sign for other employees and falsify the checklist data.*

**Internal Audit can work with IT, branch staff, and retail operations to develop an app that will digitize the opening and closing checklists.** By using commonly-available software such as Microsoft PowerApps paired with a SharePoint backend, an app can be developed that allows each branch to individually complete their opening and closing checklists digitally – on their phone, a computer, or a tablet. These apps can incorporate flows (i.e. Microsoft Power Automate) for checklist items where dual control is required – such as opening and closing the vault or performing cash drawer counts.

Because the data is all digital and immediately available to Internal Audit through SharePoint, analytics can be done both on-the-fly or at month or quarter end. Internal Audit can analyze the data in new ways, such as looking at the timeliness of when the checklists are completed – is the opening checklist completed at 2pm every day? Alerts can also be set up to notify Retail Operations or branch management that specific branches haven't performed their opening or closing procedures.

In addition to providing timely information and results, these analytics and reports can also help strengthen relationships with management. By communicating to management and branch employees exactly what metrics and data you're analyzing, they have the opportunity to “ace the exam” and get a perfect score. These monthly analytics can also be used in branch employees' Key Performance Indicators and goals – for example, each

branch manager has a goal of having 95% of all opening and closing checklists performed completely and timely.

## 2 Utilize Management, Paired with Microsoft or Google Forms for Surprise Teller Drawer Counts

*Rather than Internal Audit travelling to each branch monthly/quarterly (or at whatever frequency your credit union deems necessary) to perform surprise teller drawer counts, empower the branch managers to take this responsibility.* Create a Microsoft or Google Form that the branch managers complete each quarter for each teller drawer count – data should include teller name, ID, date, and drawer totals. Quarterly, Internal Audit can verify that all counts were properly performed and reconcile cash totals to the core system to verify accuracy on a quarterly basis. Simple but powerful data visualizations easily show management which branches have room for improvement.

## 3 Digitize Key Logs and Vault Combination Logs

Many credit unions utilize written logs that manually track who has keys checked out and what employees have combinations to the vault – and these processes can also be digitized and updated! Use Microsoft PowerApps (again, with a Sharepoint backend) to track and log keys and vault permissions.

### HOW DOES INTERNAL AUDIT FIT IN?

As discussed earlier, Internal Audit can play an integral role in getting the digitization and automation of branch processes started. By partnering with management or by taking the initiative to completely develop the apps and processes themselves, Internal Audit can create trust and collaboration with management and the branches. Once the apps are developed, Internal Audit should move into a reporting and oversight role.

### MONTHLY PROCEDURES

On a monthly basis, Internal Audit can use data visualization software (Microsoft PowerBI, Tableau, or even Excel) connected to the Sharepoint data to refresh the results and exception percentages by branch. As more data is collected, trending and analysis can be performed.

# IT'S STILL IMPERATIVE THAT INTERNAL AUDIT PERFORM A SURPRISE BRANCH AUDIT ON AN ANNUAL BASIS.

Sample analytics include:

- Completion percentage rate for Opening and Closing checklists
- Verification of dual signoff for steps requiring two employees
- Analysis of timeliness of checklist completion
- Verification that only current employees have vault codes and keys checked out

Other branch audit tests can be performed monthly without physically visiting the branch. By partnering with Security/Facilities to obtain read-only access to the credit union's security camera software, Internal Audit can review security footage for each branch for random days each month. Tests to be performed include verifying that dual control is maintained where required, ensuring that the vault is not left unlocked and/or accessible to the public (it happens more than you might think!), and proper adherence to night drop procedures.

## QUARTERLY PROCEDURES

Internal Audit should perform even more analysis and testing on a quarterly basis. Create automated or IT-dependent testing to review branch vendor logs, security checks for dual controls, verify that signature guarantee medallions were properly used, and ensure that branch managers properly performed their teller drawer counts.

## ANNUAL PROCEDURES

It's still imperative that Internal Audit perform a surprise branch audit on an annual basis – both to keep relationships with branch employees strong, as well as to physically verify that additional controls are functioning properly. During these reviews, Internal Audit should perform tests including:

- Independent cash counts of all teller drawers, the vault, and cash recyclers
- Review of all required compliance signage (NCUA requirements, disclosures, etc)
- Reconciliation of key log to keys checked in/out
- Verification that certain items are secured in the vault (credit card stock, COTS supplies, signature guarantee medallion)

## REPORTING

There are many opportunities for Internal Audit to communicate the results of the branch analytics and branch audits – and it's constructive to highlight positive results and trends as well as opportunities for improvement.

- **Monthly** – On a monthly basis, send emails to each branch manager with their branch's analytics and

testing results. This allows full transparency with the branch and gives them time before quarter-end to correct recurring errors – and it's also a chance for Internal Audit to give a virtual high five to branches with few or no errors!

- **Quarterly** – develop a quarterly reporting format to share with the Supervisory or Audit Committee and management. This could include data visualizations that show trends by branch or by month for both analytics performed monthly, as well as the quarterly testing performed. Thematic and/or recurring issues should be reported as audit issues and tracked for follow-up by Internal Audit.
- **After Branch Audit** – After each on-site branch audit, issue a branch-specific audit report highlighting the results of the audit. Issues identified in the branch audits should also be tracked for follow-up by Internal Audit; branches with significant issues might require another on-site visit the same year. This audit report format can be a slimmed-down version of Internal Audit's typical report.
- **Annually** – The annual branch analytics and audit report is the opportunity to tie together all branch audit performed during the year and highlight work performed, and thematic branch audit issues (both open and closed) can be summarized. This audit report would typically mirror Internal Audit's typical report format.

## WRAPPING IT UP

All credit unions – large and small and – can innovate and modernize their branch audit program. Start socializing these ideas with management, retail staff, and the Board, and then start building your modern branch audit program! Break the project into 'chunks' and start small – it's important to get your stakeholders' buy-in as you go – and they will soon see the efficiencies, time and money savings, and valuable audit insights. ■

## ABOUT THE AUTHOR



Elizabeth McDowell, CPA, is the founder of Audit Forward, an innovative internal audit consulting firm focused on credit unions. Her most recent industry experience was as Sr. Director, Audit Strategy at Achieve; prior to that, she held internal audit leadership roles at Elevations Credit Union, Fidelity Investments, and Xcel Energy after first starting her career at Ernst & Young. Elizabeth is passionate about advancing and advocating for the internal audit profession and credit union industry and makes auditing fun (no, really!) and efficient, resulting in time and money savings. Contact her at [elizabeth@auditforward.com](mailto:elizabeth@auditforward.com)!