

# Contents

## Part I Fraud Auditing Methodologies

### Chapter 1 The Need for Fraud Audits

Understanding Fraud .....	1 — 2
Legal Issues .....	1 — 3
Perpetrators of Fraud .....	1 — 4
External Fraudsters .....	1 — 4
Internal Fraudsters .....	1 — 5
Opportunities for Employees to Commit Fraud .....	1 — 5
Personally Created Opportunities .....	1 — 6
Organizationally Created Opportunities .....	1 — 6
Management Considerations .....	1 — 6
Motives for Committing Fraud .....	1 — 6
Conditions Conducive to Fraud .....	1 — 7
Poor Controls May Result in Fraud .....	1 — 9
Warning Signs .....	1 — 10
Evaluating Fraud Costs .....	1 — 14
Sample Loan Fraud Cases .....	1 — 15
Case Number 1: Making Fraudulent Personal Loans .....	1 — 15
Case Facts .....	1 — 15
Discovery .....	1 — 15
Controls and Audit Procedures .....	1 — 15
Case No. 2: Making Fraudulent Student Loans .....	1 — 16
Case Facts .....	1 — 16
Discovery .....	1 — 16
Controls and Audit Procedures .....	1 — 16
Case No. 3: Lapping Installment Loan Payments .....	1 — 17
Case Facts .....	1 — 17
Discovery .....	1 — 17
Controls and Audit Procedures .....	1 — 17
Case No. 4: Withholding Consumer Loan Payments .....	1 — 18
Case Facts .....	1 — 18

Discovery .....	1 — 18
Controls and Audit Procedures .....	1 — 18
Different Types of Internal Audits and Audit Professionals .....	1 — 19
Fraud Auditing .....	1 — 19
Fraud Auditors .....	1 — 19
Forensic Accounting .....	1 — 20
Forensic Accountants .....	1 — 21
Financial Auditing .....	1 — 21
Financial Auditors .....	1 — 21
Fraud Audit Implementation Strategies .....	1 — 22
Fraud Audit Value Study .....	1 — 23
Managing Fraud Deterrence Controls .....	1 — 24
Varieties of Fraud Deterrent Controls .....	1 — 24
Internal Fraud Auditor’s Role in Deterrence of Fraud .....	1 — 25
Fraud Detection Expectations .....	1 — 26
The Internal Fraud Auditor’s Role in the Detection of Fraud .....	1 — 26
Federal Guidance for Audit Committee to Detect Fraud .....	1 — 27
The Audit Committee’s Role .....	1 — 28
Classifying Frauds Based on Significance .....	1 — 30
Generating an Internal Audit Annual Report .....	1 — 31
Exhibit 1.1: Sample Fraud Policy .....	1 — 32

## **Chapter 2**

### **Fraud Detection Responsibilities and Professional Standards**

Internal Auditor and External Auditor Responsibilities .....	2 — 1
Detecting Financial Statement Fraud .....	2 — 3
New Challenges and Techniques for Fraud Auditors .....	2 — 4
Other Fraud-Detection and Prevention Measures .....	2 — 8
Define Acceptable and Unacceptable Practices .....	2 — 9
Do Not Leave Rules to Interpretation .....	2 — 9
Treat Offenders in a Consistent Manner .....	2 — 9
Management Override of Internal Controls .....	2 — 9
Professional Standards for Fraud Auditors .....	2 — 11
COSO Report .....	2 — 12
Sarbanes-Oxley .....	2 — 13
Section Summary .....	2 — 14
Implementation of Key Provisions .....	2 — 16
Public Company Accounting Oversight Board .....	2 — 19
Section 103 Directives .....	2 — 20
Standing Advisory Group .....	2 — 21
Bylaws and Rules .....	2 — 22

Auditing Standards.....	2 — 22
Section 104 — Inspections .....	2 — 23
Office of Internal Oversight and Performance Assurance .....	2 — 23
Current Standards-Setting Activities .....	2 — 24
Improving the Quality of Financial Reporting.....	2 — 28
AICPA Forensics and Litigation Services .....	2 — 31
Generally Accepted Auditing Standards (GAAS).....	2 — 33
Illegal Acts by Clients.....	2 — 35
AICPA Ethics Interpretation 101-3.....	2 — 36
Exhibit 2.1: Regulatory Requirements for Internal Audit.....	2 — 40

## Chapter 3 Identifying Fraud Risks

Sample Fraud Schemes.....	3 — 1
Scheme 1 — Check Fraud Scheme Lasts More Than Two Decades .....	3 — 2
Scheme 2 — Mortgage Broker Uses Own Funds to Commit Fraud.....	3 — 4
Scheme 3 — Bank Customer Steals from Nonbank Customers .....	3 — 4
The Fraud Scheme .....	3 — 4
The Lawsuit .....	3 — 5
Preventative Measures .....	3 — 6
Scheme 4 — Equipment Leasing Company Loan Fraud.....	3 — 7
A Start-Up Company Runs Into Trouble .....	3 — 7
Financial Trouble Leads to Fraud .....	3 — 8
The Loan Proceeds Disappeared.....	3 — 8
Four Stages of Loan Fraud.....	3 — 9
Preventative Measures .....	3 — 9
Scheme 5 — Branch Manager Steals from Customer Accounts.....	3 — 10
Scheme 6 — Hackers Steal Bank Customers’ Personal Information.....	3 — 12
Computer Crime Statutes May Not Be Enforceable.....	3 — 12
Courts Need to Adopt a New Interpretation for What Is Illegal Access.....	3 — 13
Express Your Concerns to Your Lawmakers.....	3 — 13
Training Employees to Recognize Social Engineering Attacks .....	3 — 13
Fraud Training Objectives.....	3 — 15
What Is Social Engineering?.....	3 — 15
How Scammers Persuade Their Targets .....	3 — 16
Pretexting .....	3 — 19
Social Engineering and Computer Attacks .....	3 — 20
Phishing.....	3 — 20
IVR/Phone Phishing.....	3 — 20
Trojan Horse .....	3 — 21
Solving a Problem.....	3 — 21

Defending Against Attacks .....	3 — 21
Identifying Technology Fraud Risks .....	3 — 24
Review Assigned Responsibilities .....	3 — 25
Information Systems Steering Committee .....	3 — 25
Network Administrator .....	3 — 26
Systems Administrator .....	3 — 26
End-User Departments .....	3 — 27
Internal Audit Department .....	3 — 28
Classify Technology Risks .....	3 — 28
Identify Technology Risks .....	3 — 29
Posing as a Customer .....	3 — 29
Using Technology to Launch an Attack .....	3 — 29
Taking Advantage of a Trusted Employee Position .....	3 — 30
Perform a Technology Risk Assessment .....	3 — 30
Review Policies .....	3 — 31
Conduct Ongoing Monitoring and Examinations .....	3 — 31
Board and Management Reviews .....	3 — 32
Management Reviews .....	3 — 32
Compliance Reviews .....	3 — 32
Risk-Based Internal Audits .....	3 — 32
External Audits .....	3 — 33
Third-Party Certificates, Audits, and Reviews .....	3 — 33
Information Systems (IS) Reviews .....	3 — 33
Network Audits .....	3 — 33
Legal Opinions and Reviews .....	3 — 34
Enlist Employees to Identify Fraud .....	3 — 34

## **Chapter 4**

### **Conducting a Fraud Risk Assessment**

Management Is Responsible for Fraud Detection .....	4 — 2
External Audit Responsibilities .....	4 — 3
Developing a Risk-Assessment Approach .....	4 — 5
Risk Identification .....	4 — 5
Risk Measurement .....	4 — 6
Risk Scoring Example .....	4 — 7
Performing Risk Assessments .....	4 — 7
The Fraud Risk Assessment Process .....	4 — 8
The Risk Assessment Process Work Steps .....	4 — 10
Step 1 — Plan the Assessment Process .....	4 — 10
Step 2 — Determine Departments and Functions to Assess .....	4 — 10
Step 3 — Establish Cooperation .....	4 — 11

Step 4 — Describe Fraud Schemes.....	4 — 12
Step 5 — Determine the Likelihood of Fraud Occurrences.....	4 — 13
Step 6 — Assess Potential Impact of Likely Fraud Risks .....	4 — 13
Step 7 — Match Fraud Risks with Antifraud Controls.....	4 — 14
Step 8 — Integrate Assessment Results with the Fraud Audit Plan .....	4 — 14
Risk Assessment Checklists .....	4 — 15
Assessing Accounting-Risk Controls.....	4 — 15
Risk Assessment Recap .....	4 — 15
Assessing Credit Risk Management Risk Controls.....	4 — 16
Credit Risk Control Assessment Recap .....	4 — 17
Checklist 4.1: Payroll Controls Risk Assessment .....	4 — 19
Checklist 4.2: Purchasing Controls Risk Assessment .....	4 — 28
Checklist 4.3: Receiving Controls Risk Assessment.....	4 — 31
Checklist 4.4: Accounts Payable Controls Risk Assessment .....	4 — 32
Checklist 4.5: Cash Disbursement Controls Risk Assessment.....	4 — 36
Checklist 4.6: Asset Controls Risk Assessment.....	4 — 38
Checklist 4.7: General Ledger Controls Risk Assessment .....	4 — 41
Checklist 4.8: Income Tax Accounting Controls Risk Assessment .....	4 — 48
Checklist 4.9: ACH Controls.....	4 — 50
Checklist 4.10: Computer Program Controls Risk Assessment .....	4 — 64
Checklist 4.11: Trust Accounting Controls Risk Assessment.....	4 — 66
Checklist 4.12: Lending Operations Risk Management.....	4 — 76
Checklist 4.13: Loan Accounting Controls .....	4 — 98
Checklist 4.14: Loan Policy Control .....	4 — 105
Checklist 4.15: Loan Review Controls.....	4 — 107
Checklist 4.16: Controls Over Past-Due and Charge-Off Loans.....	4 — 109
Checklist 4.17: Controls Over Other Real Estate Owned (OREO).....	4 — 111
Checklist 4.18: Foreclosed Property Controls.....	4 — 113
Checklist 4.19: ALLL Controls .....	4 — 115
Checklist 4.20: Physical Safeguards Over Loan Collateral.....	4 — 116
Checklist 4.21: Compliance with Regulation O and Regulation B .....	4 — 117
Exhibit 4.1: Characteristics of Fraud Opportunities .....	4 — 118
Exhibit 4.2: Sample Fraud Risk Assessment Matrix .....	4 — 119

## **Chapter 5**

### **Evaluating and Testing Controls That Detect or Prevent Fraud**

PCAOB Standard No. 5 Requirements .....	5 — 1
Fraud Auditor’s Responsibilities for Testing Internal Controls .....	5 — 2
Testing Design Effectiveness .....	5 — 2
Testing Operating Effectiveness .....	5 — 3
Gathering Sufficient Evidence .....	5 — 4

Nature of Tests .....	5 — 5
Timing of Tests .....	5 — 5
Extent of Tests .....	5 — 6
Professional Resources for Testing Internal Controls .....	5 — 6
Treadway Commission.....	5 — 6
American Institute of Certified Public Accountants .....	5 — 7
U.S. Government Agencies.....	5 — 8
The COSO Report .....	5 — 9
Philosophy Underlying the COSO Report .....	5 — 9
Introduction to COSO Report .....	5 — 10
Contribution of Internal Controls.....	5 — 10
Definition of Internal Control .....	5 — 10
Effectiveness of Internal Control Systems .....	5 — 11
Components of an Effective Internal Control System.....	5 — 12
Control Environment .....	5 — 12
Risk Assessment .....	5 — 12
Control Activities.....	5 — 12
Information and Communication .....	5 — 13
Monitoring .....	5 — 13
External Reports on Internal Control .....	5 — 15
Control Components and Objectives.....	5 — 16
Control Environment.....	5 — 17
Integrity and Ethical Values.....	5 — 17
Commitment to Competence .....	5 — 18
Board of Directors or Audit Committee .....	5 — 18
Management Philosophy and Operating Style.....	5 — 22
Risk-Assessment Component.....	5 — 23
Establishing Objectives.....	5 — 23
Evaluating Risk Factors .....	5 — 26
Managing Change .....	5 — 26
Control-Activities Component.....	5 — 27
Control Over Safeguarding of Assets .....	5 — 28
Information and Communication Component.....	5 — 29
Turning Data into Usable Information.....	5 — 30
Designing a Communication Process .....	5 — 31
Monitoring Component.....	5 — 32
Ongoing Monitoring .....	5 — 32
Separate Evaluations of the Internal Control Structure.....	5 — 33
Reporting Deficiencies.....	5 — 33
Reengineering the Internal Control Function .....	5 — 34
Identify the Objectives of the Process, Department, or Function.....	5 — 37
Assess the Risks to the Institution.....	5 — 38
Documentation.....	5 — 39
Measures of Success .....	5 — 39
Quantitative Data .....	5 — 40

Risks to the Institution .....	5 — 41
Assessing Internal Controls After Reengineering .....	5 — 41
Mitigating Controls .....	5 — 42
Monitoring Controls .....	5 — 42
Choosing the Right Internal Controls After Reengineering .....	5 — 42
Recent Developments in Internal Control Tools and Techniques .....	5 — 43
Exhibit 5.1: Sample Charter for an Audit Committee .....	5 — 45
Exhibit 5.2: Questions to Be Considered in Evaluating an Internal Control Structure Within a Financial Institution .....	5 — 52
Exhibit 5.3: Checklist for Internal Controls .....	5 — 59

## Chapter 6 Conducting Fraud Audits

What Should Be Audited .....	6 — 1
Fraud Detection Methodology .....	6 — 2
Fraud Detection and Prevention Measures .....	6 — 4
High-Risk Areas .....	6 — 6
Subprime Residential Real Estate Lending .....	6 — 7
Predatory Lending Considerations .....	6 — 8
Underwriting Standards .....	6 — 9
Servicing and Collections .....	6 — 11
Workout Arrangements .....	6 — 11
Consumer Protection Principles .....	6 — 12
Control Systems .....	6 — 13
Subprime Credit Card Lending .....	6 — 14
Underwriting .....	6 — 14
Servicing and Collections .....	6 — 15
Payday Lending .....	6 — 16
Credit Risk .....	6 — 17
Legal and Reputation Risk .....	6 — 17
Transaction Risk .....	6 — 18
Third-Party Risk .....	6 — 18
Concentrations .....	6 — 19
Capital Adequacy .....	6 — 20
Allowance for Loan and Lease Losses .....	6 — 20
Classifications .....	6 — 21
Renewals/Rewrites .....	6 — 22
Accrued Fees and Finance Charges .....	6 — 23
Bank Secrecy Act/Anti-Money Laundering and Fraud Detection .....	6 — 23
BSA/AML Compliance Program Requirement .....	6 — 23
BSA Compliance Programs .....	6 — 24

Enforcement Actions .....	6 — 25
BSA Reporting and Recordkeeping Requirements .....	6 — 29
Other Requirements .....	6 — 29
Steps to Effectively Prevent Mortgage Loan Fraud .....	6 — 30
Residential Mortgage Fraud Definition .....	6 — 30
Types of Mortgage Fraud .....	6 — 30
Fraud for Property/Housing .....	6 — 31
Fraud for Profit .....	6 — 31
Mortgage Fraud Laws .....	6 — 32
Fraud Prevention Solutions .....	6 — 34
Red Flag Training and Control Reviews .....	6 — 35
Applications .....	6 — 35
Appraisals .....	6 — 37
Credit Reports .....	6 — 41
Escrow/Closing .....	6 — 43
Mortgage Brokers .....	6 — 45
Title Insurance/Opinion .....	6 — 47
Verification of Employment (VOE) .....	6 — 49
Verification of Deposit (VOD) .....	6 — 51
Fraud Detection Questionnaires .....	6 — 52
Initial and Final Standard Application (FNMA Form 1003) .....	6 — 53
Appraisals .....	6 — 54
Credit Reports .....	6 — 54
Sales Contracts .....	6 — 55
Title Policy/Opinion .....	6 — 55
Chain of Title .....	6 — 56
Asset Verification .....	6 — 56
Income/Employment Verification .....	6 — 57
HUD-1 Settlement Statement .....	6 — 57
Risk-Based IT Audits .....	6 — 58
Program Overview .....	6 — 58
Audit Program Objectives .....	6 — 58
Audit Coverage .....	6 — 59
Assessing Roles and Responsibilities .....	6 — 60
Board of Directors and Senior Management .....	6 — 61
IT Audit Management .....	6 — 63
Internal IT Audit Staff .....	6 — 64
Operating Management .....	6 — 65
External Auditors .....	6 — 65
Evaluating Staff Independence .....	6 — 66
Independence .....	6 — 66
Staffing .....	6 — 68
Outsourcing the IT Audit Function .....	6 — 69
Independence .....	6 — 70
Outsourcing Considerations .....	6 — 71

Developing the Internal IT Audit Program .....	6 — 74
IT Audit Program Requirements.....	6 — 74
IT Audit Policies and Procedures.....	6 — 76
Computer-Assisted Audit Techniques (CAATs) Procedures.....	6 — 77
Application Development, Acquisition, Conversions, and Testing.....	6 — 78
Third-Party Reviews of Technology Service Providers.....	6 — 80
SAS 70 Reviews .....	6 — 81
Trust Services Reviews.....	6 — 83

## **Chapter 7**

### **Analytical Techniques for Detecting Fraud**

Internal vs. External Fraud Audit Expectations.....	7 — 1
Detecting Financial Statement Fraud .....	7 — 2
Conducting Analytical Auditing Procedures.....	7 — 3
Auditing Accounting Estimates .....	7 — 5
Think Like a Fraudster .....	7 — 8
Using Computer Software to Test for Fraud .....	7 — 12
Audit Software Capabilities .....	7 — 12
Ratio Analysis .....	7 — 15
Benford’s Law .....	7 — 15
How to Use Audit Software .....	7 — 16
How Fraud Detection Programs Work .....	7 — 17
Neural-Networking Technology .....	7 — 18
How Neural Networks Work .....	7 — 18
Fraud Detection Software Resources .....	7 — 19
Build Your Own Neural Network Software.....	7 — 19
Commercial Neural Network Applications.....	7 — 19
Continuous Monitoring Software.....	7 — 20

## **Chapter 8**

### **Techniques for Detecting Employee Fraud**

Deterrents to Detecting Fraud .....	8 — 1
Controlling Employee Fraud .....	8 — 2
Identifying At-Risk Employees.....	8 — 3
Identifying At-Risk Activities.....	8 — 4
Fraud Surveillance and Monitoring.....	8 — 5

Identifying Suspicious Behavior .....	8 — 5
Monitoring Control System Access .....	8 — 6
Employing Information Security Practices .....	8 — 6
How Asking Effective Questions Can Reduce Risk .....	8 — 7
Types of Questions to Ask .....	8 — 7
Asking Questions to Detect Fraud .....	8 — 9
Questions Posed to Regulators .....	8 — 10
Sample Employee Fraud Schemes .....	8 — 12
Preventing Unauthorized Address Changes to Reduce Fraud Losses .....	8 — 13
Account Takeover .....	8 — 13
Prevention Methods .....	8 — 14
Loan Fraud Scam Starts with Fraudulent Checking and Savings Accounts .....	8 — 14
New ATM Fraud Scheme .....	8 — 15
Mortgage Fraud — Double Settlement Statement Scheme .....	8 — 15
Forged Documents Result in Mortgage Fraud Losses .....	8 — 16
How the Fraud Was Carried Out .....	8 — 16
Mortgage-Fraud Targets .....	8 — 16
Using Background Checks to Identify Possible Fraudsters .....	8 — 17
Identifying Fraudsters .....	8 — 17
Regulations Governing Other Checks .....	8 — 21
Updating Human Resource Policies to Detect Fake College Degrees .....	8 — 22
Financial Incentive for Fraudsters .....	8 — 22
Diploma Mills .....	8 — 22
Federal Government Involvement .....	8 — 23
Fraud-Prevention Solutions .....	8 — 24
Combating Credit Card Laundering to Reduce Fraud at the Source .....	8 — 26
Merchants Can Hinder Fraud Prevention Efforts .....	8 — 27
Fraud Protection Measures .....	8 — 27
Illegal Act vs. Irregularity .....	8 — 30
Example Situation .....	8 — 31
Establish an Irregularity Reporting Policy .....	8 — 31
Manage the Process .....	8 — 32
Title Fraud Can Leave Institution Loans Unsecured .....	8 — 32
Checking the Vehicle Identification Number Is Not Enough .....	8 — 32
Common Title Fraud Schemes .....	8 — 33
Government and Dealer Fraud Measures .....	8 — 34
Detecting Title Fraud .....	8 — 35
Return-Preparer Fraud May Leave the Institution with No Recourse Against a Borrower .....	8 — 37
IRS Criminal Investigation Return Preparer Program (RPP) .....	8 — 37
Return Preparer Fraud Examples .....	8 — 37
Return Preparer’s Fraud Not Attributable to Taxpayer .....	8 — 38
How to Protect the Institution .....	8 — 39
Who to Contact .....	8 — 40
Preventing Deposit Fraud .....	8 — 40

Deposit Fraud Examples .....	8 — 40
Fraud Prevention Reviews .....	8 — 42

## **Chapter 9 Dealing with Fraudulent Acts**

Conducting Fraud Investigations.....	9 — 1
Step 1 — Check with Legal Counsel .....	9 — 3
Step 2 — Plan for the Investigation .....	9 — 3
Step 3 — Decide on an Internal or External Investigation.....	9 — 3
Step 4 — Determine Who the Fraud Impacts .....	9 — 4
Step 5 — Establish Reporting Relationships .....	9 — 5
Step 6 — Conduct the Interviews .....	9 — 5
Step 7 — Gather Information.....	9 — 6
Step 8 — Get a Confession .....	9 — 7
Step 9 — Manage and Document Evidence.....	9 — 9
Step 10 — Prosecute the Fraudsters.....	9 — 10
Dealing with Whistleblower Law Issues.....	9 — 11
When Fraud Cannot Be Investigated.....	9 — 13

## **Part II Fraud Risk Areas**

### **Chapter 10 Customer Information Management Fraud Risks**

Handling Requests for Customer Information.....	10 — 1
Requests for Information by Customers Concerning Their Own Accounts.....	10 — 1
Telephone Inquiries .....	10 — 2
Requests for Information by Non-Customers Concerning a Customer’s Account .....	10 — 4
Loan and Deposit Verification Procedures .....	10 — 4
Requests for Information by Accountants and Auditors.....	10 — 5
General Credit References Requested by Financial Institutions or Others.....	10 — 5
Providing Unsolicited Information.....	10 — 6
Signing Up Customers for Online Banking, ACH Transactions, and Electronic Document Delivery .....	10 — 7

Online Banking .....	10 — 8
New Online Banking Setup.....	10 — 8
Passwords.....	10 — 9
Account Maintenance .....	10 — 9
Customer Assistance .....	10 — 9
End-of-Day Processing .....	10 — 10
Balancing Bill-Payment Systems.....	10 — 11
Research.....	10 — 11
Dial-In to Server .....	10 — 11
System Backup.....	10 — 12
ACH Transactions.....	10 — 12
Enrollment and Termination .....	10 — 12
Account Posting.....	10 — 13
Payment Trace Request.....	10 — 13
Handling Return Items .....	10 — 13
Notification of Change.....	10 — 14
Reclamation Processing .....	10 — 15
Employee Training and Reference Material .....	10 — 16
Marketing.....	10 — 16
Operations .....	10 — 16
Electronic Delivery of Documents.....	10 — 17
Electronic Delivery Regulations .....	10 — 17
Electronic Delivery Procedures .....	10 — 18
Summary of E-Delivery Action Plan Steps .....	10 — 20
Record Retention of Electronic Records.....	10 — 23
Records Needed for Litigation.....	10 — 23
Records Needed for Internal and External Audits and Controls.....	10 — 24
Records Needed for Financial Institution Supervision .....	10 — 24
Records Needed to Comply with Laws and Regulations.....	10 — 24
Security .....	10 — 25
Regulatory Examinations .....	10 — 25
Internet Banking Authentication Security .....	10 — 26
Multifactor Authentication Methods.....	10 — 27
Risk Assessment.....	10 — 28
Conducting a Risk Assessment.....	10 — 30
Step 1 — Identify Reasonably Foreseeable Internal and External Threats.....	10 — 32
Step 2 — Assess the Likelihood and Potential Damage of Identified Threats .....	10 — 35
Step 3 — Assess the Sufficiency of Policies and Procedures .....	10 — 39
Step 4 — Evaluate Control Effectiveness.....	10 — 39
Step 5 — Evaluate Customer Information Disposal Process.....	10 — 41
Step 6 — Prioritize Risks and Assign Risk Ratings .....	10 — 41

## Chapter 11

### Managing Fraud Risk in Outsourced Arrangements

Defining Third-Party Relationships .....	11 — 2
Perform Functions on the Financial Institution’s Behalf .....	11 — 2
Provide Products and Services That the Financial Institution Does Not Originate.....	11 — 3
“Franchise” the Financial Institution’s Attributes.....	11 — 3
Controlling Outsourced Systems .....	11 — 4
Outsourcing Procedures Background.....	11 — 5
Outsourced Technology Services Procedures .....	11 — 6
Summary of Key Points .....	11 — 6
Outsourcing Risks.....	11 — 7
Controls Used in Selection of a Service Provider.....	11 — 7
Contract Issues .....	11 — 9
Overseeing Service Providers .....	11 — 15
Monitor Financial Condition and Operations .....	11 — 16
Assess Quality of Support and Service .....	11 — 17
Monitor Contract Compliance and Revision Needs.....	11 — 18
Maintain Business Resumption Contingency Plans.....	11 — 18
SAS 70 Reports.....	11 — 19
Conducting Periodic Reviews .....	11 — 19
Exhibit 11.1: Supervision of Technology Service Providers Examination	
Planning Workprogram.....	11 — 20
Exhibit 11.2: Periodic Review Questions .....	11 — 23

