

INSERT CREDIT UNION LOGO

Audit Program

DORMANT ACCOUNTS & UNCLAIMED PROPERTY

Audit Objectives:

- To review policies and procedures regarding dormant accounts and unclaimed property.
- To determine whether controls over dormant accounts and unclaimed property are adequate and functioning properly.
- To perform monitoring and fraud testing related to dormant accounts and unclaimed property.

Work Step	Notes	Auditor	Workpaper Reference
Planning & Preliminary Audit Work			
1. Prepare the Preliminary Audit Plan document.			
2. Review the prior audit report (if available) and any other audit, regulatory or consulting reports related to the audit area. Document changes to the audit program as a result of this review, if any.			
3. Formally announce the audit, describe the general audit plan, and ask for feedback from the CEO, COO, and other senior leaders who oversee the audit area. Document changes to the audit program as a result of this inquiry, if any.			
4. Request all job descriptions for positions in the audit area. Review the job descriptions to develop expectations and familiarize the audit team with			

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<p>processes and responsibilities.</p> <ul style="list-style-type: none"> a. Consider, over the course of the audit, whether the employees are performing in accordance with expectations and duties described in the job descriptions. b. Consider, over the course of the audit, whether the job descriptions adequately describe the functions being tested and observed. 			
<p>5. Obtain the following documents:</p> <ul style="list-style-type: none"> a. Policy and procedure documents related to dormant accounts and unclaimed property b. Detail report of all dormant accounts as of AUDIT DATE. Include member name, number, open date, dormancy date, last activity date, contact information, affiliation code, etc. c. Report of all accounts reclassified from dormant to active during AUDIT PERIOD. d. Copies of all file maintenance reports used to monitor dormant, inactive, and reactivated accounts during AUDIT PERIOD. e. Access to all imaged documents needed for testing; signature cards, membership agreements, imaged checks, deposit 			

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<p>and withdrawal slips, member statements, etc.</p> <p>f. Documentation of the most recent escheat process, including detail of any funds or property remitted and evidence of transmittal.</p>			
Policy & Procedures Review			
<p>6. Review the policy and procedure documents in full.</p> <p>a. Do the documents clearly define the inactivity period and the requirements for an account to be considered "dormant."</p> <p>b. Do the documents describe reports, processes, work steps, review, etc. for dormancy reports?</p> <p>c. Do the documents describe how dormant accounts are handled, including how members are notified, how fees are determined, etc.?</p> <p>d. Do the documents explain how accounts are remitted (escheated) to the state, including the timing, requirements, member notifications, etc.?</p> <p>e. Do the documents explain conditions under which the Credit Union may make or consider exceptions to policy?</p> <p>f. Are the policy statements and procedural statements properly included in the correct</p>			

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<p>document (and excluded from the incorrect document)?</p> <ul style="list-style-type: none"> g. Are there any instances of repetitive, inconsistent, or incorrect statements that should be changed? h. Consider whether audit steps should be added or removed, based on review of these documents. i. Consider, over the course of the audit, whether the documents adequately describe the requirements, standards and processes in the audit area. <p>Note: Bullet points a thru g are examples to help you consider best practices and make thoughtful findings. Bullet points h and i are included to help you perform a complete and comprehensive audit. There is not a regulatory list of what should/should not be included in dormant accounts and unclaimed property policy and procedures.</p>			
Dormant Account Testing			
<ul style="list-style-type: none"> 7. Select a sample of dormant accounts for testing. <ul style="list-style-type: none"> a. Start with the dormant account report obtained in step 5b. Foot the report and compare to a system or control total to ensure you are working with the complete population. b. Using a random sample generator, select 25 			

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<p>accounts coded dormant as of AUDIT DATE. Note: 25 selections is probably sufficient for this test.</p> <ul style="list-style-type: none"> c. Spot check the sample selections, and determine whether you have selected a diverse sample. (i.e. does the sample include multiple locations, account types, branches, accounts opened both online and in-person, etc.) d. Make additional judgmental selections if necessary. e. Document your sample, and your reasoning. 			
<p>8. Perform dormant account testing:</p> <ul style="list-style-type: none"> a. For each account selected in the sample, review the transaction history. b. Ensure that the account was properly coded as dormant by comparing the last activity date to the date of dormancy. c. If there is any override history, status changes from dormant to active or vice versa, or other red flags, determine whether the account was handled properly. d. Research any unusual or suspicious transactions noted during this testing. 			
<p>9. Select a sample of accounts reactivated from dormant status during AUDIT</p>			

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<p>PERIOD.</p> <ul style="list-style-type: none"> a. Start with the reactivated account report obtained in step 5c. Foot the report and compare to a system or control total to ensure you are working with the complete population. b. Decide whether you will test the entire report, or make sample selections. c. If you will sample the report, select a random sample of 25 reactivated accounts. Note: 25 sample size is probably sufficient for this test. d. Spot check the sample selections, and determine whether you have selected a diverse sample. (i.e. does the sample include multiple locations, account types, branches, accounts opened both online and in-person, etc.) e. Make additional judgmental selections if necessary. f. Document your sample, and your reasoning. <p>Note: The reactivation report will likely be much shorter than the dormant accounts report. We added the additional step of considering 100% testing for this reason.</p>			

Steps 10 – 13 of the Dormant Accounts & Unclaimed Property Audit Program continue dormant account testing, and then include extensive steps to ensure escheats and file maintenance are adequately reviewed.

There are also steps to guide the auditor through surprise testing of dormant accounts. To view and use these steps, please [subscribe](#) to The Audit Library. The free preview of this document continues below.

Audit Finalization & Reporting			
<p>14. Hold an exit meeting with the leader responsible for the audit area, and any others you deem appropriate.</p> <ul style="list-style-type: none"> a. Discuss all audit findings and issues, including those that will likely not be reportable. b. Document management's comments and feedback, and adjust the draft report and issues as needed. 			
<p>15. Prepare the draft audit report. Provide the draft audit report to the responsible leaders.</p> <ul style="list-style-type: none"> a. Include all reportable issues in the draft, and request management's responses and expected timeline to resolve the issues. b. Give the leader(s) a reasonable deadline to provide their responses. c. If the leader(s) require further assistance, or would like to discuss the report with you further, arrange additional meetings. 			
<p>16. Prepare the final audit report, including management's responses, report your results, and complete the audit.</p> <ul style="list-style-type: none"> a. The report should be distributed to the Audit Committee or Supervisory 			

<p>Committee, CEO, Chief Operations Officer, and other responsible leaders.</p> <p>b. Audit issues and findings included in the report should be included in the quarterly audit issue tracking report.</p> <p>c. Include the audit report in the agenda for your next Supervisory Committee meeting.</p> <p>d. File the final report in the workpapers, and any other folders or locations used by your department.</p> <p>e. Close the audit workpapers.</p>		
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General Background:

- **Dormant accounts are shares which have not had any member generated activity for a period of time defined by your Credit Union's policy. It is inevitable that some of the accounts at your Credit Union will not be used, for various reasons, and will eventually become dormant.**
- **Due to member inactivity, and the fact that the accounts are flagged in the system, dormant accounts are common targets of fraudulent activity by dishonest employees.**
- **Your Credit Union has many incentives to put processes in place that minimize the dormant account portfolio. In addition to the risk of fraud, dormant accounts must eventually be escheated (or remitted) to the state. This process varies by state, and is complicated and prone to error.**