Are Dirty Little Secrets Lurking in Your Policies, Procedures & Agreements?

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Policies, procedures and agreements seem simple enough on the surface. However, these documents are a window into the operations of your organization. Your policies, procedures and agreements paint a vivid picture of how you run your daily processes. When thoughtfully and thoroughly written, they can help to train new employees, mitigate loss and streamline operations. On the flip side, when put together loosely or not updated regularly, policies, procedures and agreements can put your organization at risk and raise red flags for auditors and examiners.

The importance of these documents, and the level of detail required, is what makes our Policies, Procedures & Agreements Review service one of our most popular Advisory Services. And, if you think you are behind the competition by leaving your policies and procedures as an afterthought, our Advisory Services team can assure you that you are not alone! While one goal of our service is to help you create better documents, we also pull back the curtain and provide recommendations, so your policies and procedures become a reflection of even stronger processes and practices, which sharpens your competitive edge. Believe me, we have seen a lot and we're here to help! We continue to be surprised by some of the findings we uncover during the services we conduct. Here's a list of some dirty little secrets we have uncovered so you can be on high alert and avoid making the same mistakes.

- **One-page policy:** Succinctness is always a great goal. BUT, if you process ACH at all, your policy will need at least a few more pages.
- **Policies are not reviewed annually:** In the eyes of an auditor or examiner, it only happened if it's on paper. Update your policies regularly to ensure they match your practices and then be sure to document the date of your review on your policy.
- **Outdated or inaccurate policies:** See above, it is kind of a twofer. You don't want your auditors and examiners to see that.
- **Decade-old agreements:** Ok, it is a threefer. The same idea applies to agreements and oh boy have there been some regulatory and rules changes over the last few years.
- **One size fits all:** One agreement does not fit all clients. Each agreement should match the services that particular client is using AND what your institution says it allows in its policies.
- **A little too hands-on with incoming ACH:** Redirecting payments to other accounts, splitting payments between accounts or holding ACH entries increases your institution's liability.
- **Letting everyone have at it:** Payments leave plenty of room for error and risk, but a little training goes a long way when it comes to managing your risk. Require your staff to attend training that is specific to their duties.
- **Assuming no news is good news:** Check in with your clients to ensure they have proper training and know what they are doing. As an example, be sure they are not initiating WEB entries as PPDs.
- **Taking the hard road:** Manually reviewing 300 Originators' exposure limits is a daunting task. You may already have the option to automate so explore what your processing systems offer.
- **Not using or letting the core do its job:** Many of our clients don't realize their core processing systems can automate exception and other processes which can alleviate pain points and risk. Does your system offer automated processes that could lighten your load?
- **Leaving the key under the doormat:** It's tempting to give all clients the same exposure limit or open mobile deposit services, but you are opening the door for unnecessary risk. Vet your clients individually and use an appropriate qualification process.
- **Leaving the door wide open (with a sign that your purse is inside):** Not placing a hold on funds when an account is opened online equals HUGE risk.

Wait! It gets even juicier! Here are some nightmare-worthy findings that give folks a good shock more often than you might think:

- **Wait! I'm an ODFI?!** If your institution originates ANY ACH transactions, then YES, you are an ODFI. Sometimes this activity is disguised within value-added services or other add-on platforms outside of the main ACH platform. I'm lookin' at you, Loan Department…
- **What?! I'm the Originator?!** If the multiple systems and vendors you rely on are using your financial institution's ABA number, you may be the Originator, as well as the ODFI.
- **Written Procedures Containing Passwords!** Please, stop that! Dr. Nefarious and his evildoers are doing quite well on their own. And, your IT department will thank you.

Are there dirty little secrets lurking in your policies, procedures and agreements? If you are afraid to look, just give our fearless Advisory Team a shout at advisoryservices@epcor.org.