

FOR USE WITH FORMAT "B" ONLY

FOR EXAMINATIONS BY DIRECTORS

Name: _____
Location: _____
As of close of business: _____

TRUST DEPARTMENT EXAMINATION AND QUESTIONNAIRE

For the initial procedure in examining the trust department the trust ledgers should be proved to controls, uninvested cash balances to the general ledger balance, and securities and other assets checked to the ledger records.

In the case of the larger trust departments, if there is adequate internal control, the review of a recent report by an auditor, preferably one directly responsible to the board of directors, may be accepted by the committee in lieu of the above described routine procedure. In this case, additional tests may be made to the extent considered desirable.

On completion of these initial steps, the following additional procedure is recommended in order that the committee may determine whether any additions should be made to the institution's liabilities and reserves to provide for direct, indirect, or contingent liabilities not reflected on its books:

In the smaller trust departments, each personal and corporate trust account should be investigated. Where the department is too large to make this feasible, it is suggested that a test of accounts be made. Accounts selected for such tests should include estates under administration and other classifications of personal trust accounts where considerable time has elapsed since inception, or the time of the last formal accounting.

1. The investigation should include reconciliation of principal on hand in each account to original inventory or to schedule of assets on hand at time of last formal accounting.
2. At least a test check of income collections, disbursements and distributions.
3. Verification of the correctness of commissions taken.
4. Investigation of any other matters appearing to warrant attention, such as ineligible investments, self-dealing, mortgage participations, indemnification agreements, and holdings of stock in close corporations. The attention devoted to these subjects should be sufficient to bring to light any contingent liabilities which may become actual. Inspection of the minutes of the trust review committee should be helpful in locating situations calling for further investigation. In the larger trust departments, reports of the auditor covering investigations of the type outlined should be used.
5. Where the institute is trustee for bond issues and any such issues are in default, investigation should be made to determine whether the institution has taken protective measures, which may be required in this connection. Counsel should be consulted where questions of importance arise.



On completion of the procedure outlined, the committee is requested to reply to the following questions:

- 1. Are investment reviews made at least annually by the board of directors or by a committee of at least three officers or directors of the institution? Yes No
- 2. At the time of such reviews are steps taken to determine whether investments are in strict accordance with the statutes, court orders, or provisions of trust instruments? Yes No
- 3. Are the actions of the board of directors or trust committee in regard to each trust made formal and recorded in the minutes? Yes No
- 4. During the course of administration of trust accounts, is opinion of counsel obtained and filed when legal questions present themselves? Yes No
- 5. Since the previous examination of the institution made by a committee of directors:
 - a) Have any sums been paid in settlement of actual or threatened litigation against the institution because of alleged acts or omissions in a fiduciary capacity? Yes No
 If so, give particulars

[Light blue shaded area for response]

- b) Have any objections to accountings made been filed, which may or may not have resulted from the institution's acts or omissions in a fiduciary capacity? Yes No
- If so, give particulars
- c) Does the committee have knowledge of any threatened litigation against the institution based on its fiduciary activities? Yes No
- If so, give particulars

[Light blue shaded area for response]

- 6. a) Is the trust department audited regularly? Yes No
(Examinations by bank supervisory authorities should not be construed as audits)
- b) Specify whether such audit is internal or made by outside accountants Internal
External
- 7. a) In the investigation of trust activities made by the examining committee, were reasonable efforts made to detect any liabilities of the institution, direct, indirect, contingent, or otherwise for which allowance should be made to determine the true condition of the institution in accordance with the provisions of Section 123 of the Banking Law? Yes No
- b) Were any such liabilities observed? Yes No
- If so, give particulars:

[Light blue shaded area for response]

- 8. Are answers to questions 7a and 7b based on:
 - a) The committee's inspection of all accounts in the trust department? Yes No
 - b) The committee's inspection of a selected number of accounts in the trust department? Yes No
 If so, state the number of accounts selected and what approximate percentage of the total this constitutes:
 - c) An auditor's or accountant's report? Yes No
 If so, state the date and outline briefly the extent of audit or investigation made by such auditor or accountant:

[Light blue shaded area for response]

- 9. Has the committee any suggestion or criticism to offer concerning:
 - a) Trust administration procedure? Yes No
 - b) Departmental policies? Yes No
 - c) Competency of management? Yes No

Please include the committee's comments concerning these subjects on the comments page under the heading "Trust Department." Such comments should be specific so far as possible rather than general.