



State of North Carolina

OFFICE OF THE COMMISSIONER OF BANKS

GUIDE TO PERFORMING DIRECTORS' EXAMINATION OF THE TRUST DEPARTMENT/TRUST COMPANY AND PREPARATION OF AUDIT COMMITTEE REPORT (Form 8)

This guide may be used in conducting the annual Directors' Examination of the trust department/trust company and preparing the AUDIT COMMITTEE REPORT OF TRUST DEPARTMENT/TRUST COMPANY, which is required to be filed annually with the North Carolina Office of the Commissioner of Banks (NCCOB) ([04 NCAC 03D .0201](#)).

This guide is intended as a minimum procedure for conducting the examination. Directors, stockholders, certified public accountants, or the internal audit department performing the examination are encouraged to expand the scope when considerations of generally accepted auditing procedures or their own judgment indicate the need.

A. FORM OF REPORTING

Form 8 furnished by the Commissioner of Banks is a report reflecting the results of the required examination of a trust department/trust company. It contains a questionnaire covering various statutory and regulatory requirements. **This report is to be completed online and verified by the signature of an officer and is required to be filed annually with NCCOB.** This report should be reviewed by the Audit Committee at their next scheduled meeting. Should the Board provide for the examination to be performed by a certified public accountant, a copy of the management letter should be submitted to Jennifer Winborne at jwinborne@nccob.gov.

B. SUGGESTED EXAMINATION PROCEDURES

1. Balance the ledgers of trust assets and liabilities to the controls. If automated, reconcile computer reports to the general ledger controls.
2. Reconcile trust cash accounts carried in own bank or another bank. Review and monitor all large reconciling items until cleared.
3. Prepare a list of all overdrafts. Review overdraft policy and determine if overdrafts are promptly cleared. Review for compliance with State law.
4. Read minutes of all committees to determine that all important fiduciary matters and actions taken are reported and properly recorded.

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5. Review cash balances to determine that funds in excess of the immediate needs of the account are being promptly invested.
6. Review operations and internal control procedures to determine that proper segregation of duties are implemented, assets are under dual control, and there is an adequate program of proofs and verification by persons who do not post trust records.
7. Review all common trust funds for compliance with [04 NCAC 03D .0304](#) and [12 C.F.R. 9.18](#).
8. Review for transactions involving possible conflicts of interest, self-dealing and inter-account dealings.
9. Review all written complaints and threatened, pending, or actual litigation.
10. On a test basis:
 - (a) Examine or physically account for all assets on hand and confirm those held elsewhere. This may entail preparation at the beginning of the examination of a listing of securities in process of being purchased or sold.
 - (b) Review income and expense items and procedures for collection of fees, commissions, dividends, and interest.
 - (c) Review the administration of accounts to determine adequacy of documentation, compliance of assets with statutes, terms of instruments and court orders, propriety of distributions, approval of co-fiduciaries, existence of delayed administration, recordation of all assets on ledgers, and compliance with statutes and regulations. Accounts selected for review should include accounts by type, size, account officer, and branch. They should also include new accounts and a selected number of closed accounts.
11. Prepare Form 8, including the Questionnaire.