

**2675.2610 ANNUAL EXAMINATION REPORT.**

Subpart 1. **Contents.** An annual examination report made under the direction of the board of directors pursuant to Minnesota Statutes, section 48.10, must at a minimum:

A. determine that an internal control system is in place as required by part 2675.2600 and that control procedures are being followed (describe process and findings);

B. determine when the board last reviewed loan, investment, audit, and asset/liability policies;

C. confirm securities held at the bank, in safekeeping elsewhere, or in book entry form;

D. confirm loans and deposits through a sample positive or negative verification (define and describe process);

E. determine if the board has reviewed fixed assets, other real estate, and equity accounts since the last examination;

F. examine income, expense, and related accrual accounts since the last examination (describe process and findings);

G. determine that general ledger supporting accounts are promptly reconciled and appropriateness of reconciling items, and account makeup (describe process and findings);

H. determine that the board is reviewing delinquent loans and collection action taking place (show frequency of review);

I. determine when the board last reviewed the allowance for loan loss account and the basis on which the funding determination was made;

J. determine that the board has approved charge off loans, that charge off notes and files are secure, and that IRS Forms 1099C have been prepared where appropriate;

K. sample loan files for documentation and approvals required by loan policy (describe sample methodology and findings);

L. determine that an internal audit function exists regarding the electronic data processing system or computer applications and that procedures are in place for authorizing input data and master file changes and consider the effect of a service organization on the bank's internal control system and, if applicable, obtain an auditor's report on the policies and procedures in operation at the service organization;

M. examine significant activity in employee and officer accounts (depository and loan) for propriety and compliance with bank policies and regulations (describe process and findings); and

N. determine that off-balance sheet items have been authorized and detail items that may have a material impact on the condition of the financial institution.

Subp. 2. [Repealed, 14 SR 517]

Subp. 3. **Preparation.** A written report of the annual examination must be prepared and must include the scope of the examination including the size of the samplings taken. The report must summarize the findings and make recommendations for improving conditions, where appropriate.

Subp. 4. **Transmittal.** The written report shall be transmitted to the board of directors within 30 days of completion of the annual examination.

Subp. 5. [Repealed, L 2005 c 118 s 18]

**Statutory Authority:** *MS s 45.023; 46.01*

**History:** *12 SR 623; 21 SR 1778; L 2005 c 118 s 18*

**Published Electronically:** *September 14, 2007*