



OCC ADVISORY LETTER

Comptroller of the Currency
Administrator of National Banks

Subject: Audit and Internal Controls

To: National Bank Directors, CEOs, and All Examining Personnel

The purpose of this advisory is to underscore the importance of strong audit and internal control programs. Recent examinations have identified an increasing number of audit and internal control deficiencies at many national banks. Some of these deficiencies have caused significant operating losses and led to bank failures.

With new products, services, delivery channels, and other rapid changes taking place in the banking environment, it is increasingly important that bank managers and directors heighten their oversight of audit and control systems to ensure that they are effective. Effective internal control and audit programs are essential in safeguarding assets, assisting in the timely detection of operational errors, and producing accurate bank records and financial reports.

Going forward, the OCC will be re-emphasizing bank internal controls and audit processes and will soon issue an updated section of the *Comptroller's Handbook* addressing internal and external audits. National bank directors and CEOs are encouraged to use the guidance contained in the handbook to assess the adequacy of their bank's internal control and audit programs and identify areas where they may need to be strengthened. Additionally, your Assistant Deputy Comptroller or Examiner-in-Charge will be discussing the need for strong audit and control programs with you as part of their ongoing supervision activities.

The OCC will continue to evaluate the effectiveness of audit and internal control programs in the context of a bank's size, complexity, and overall risk profile. Programs will be rated as "strong," "satisfactory," or "weak" in the Report of Examination and will be incorporated into CAMELS and the Risk Assessment System ratings. The OCC's examination efforts will be balanced and fully discussed with bank management and the bank's board of directors to ensure that identified issues are promptly resolved.

If you have questions or comments about the OCC's focus on internal controls and audits, please contact your supervisory office.

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