

To Monitor or Not to Monitor?

IT IS IMPORTANT THAT A FINANCIAL INSTITUTION demonstrate its commitment to and investment in its employees' ongoing education and career development. After all, the cost of compliance violations—whether in monetary penalties or reputation risk—is great. The content of the compliance training courses is obviously important, but so are continuous monitoring and tracking of the program's effectiveness. After all, how can a bank manage what it cannot monitor?

To develop an effective compliance training program, a bank must first have the support of senior management. To foster such support and establish a program with teeth, responsibility for compliance—and the consequences of noncompliance—should be written into every employee's job description. Ongoing training is a means of guaranteeing that employees understand those responsibilities. Developing and implementing reports on training attendance and outcomes ensures an effective program with built-in monitoring and accountability.

To monitor the training program, the bank's compliance officer must have a training plan. The plan usually comes in the form of a compliance training schedule, which is most effective if applied uniformly across all lines

of business. Whether the bank utilizes an in-house trainer or computer-based training, a successful program will schedule all business units' training on a particular rule or regulation within the same month.

Because employee job functions and responsibilities vary, it can be difficult to create a one-size-fits-all training regimen. Consider the Bank Secrecy Act (BSA): the content of BSA training for loan officers will differ from that provided to personal bankers. Regardless of the differences in content, it will be easier to track which employees have not yet completed the required courses if all BSA training is due at the same time for all employees (see figure 1). Making similar training courses on rules and regulations due within the same month simplifies the in-house trainer's work and makes it easier to track and manage overdue training.

Why is this important? It allows the compliance officer to tell at a glance who has or has not completed the required training. When scheduled training is missed, the officer can prepare a "training overdue report" (see figure 2) to present to senior management and the bank's board of directors. This approach, which is most effective if each senior executive is held responsible for his or her business unit and its employees, gives the program teeth by making senior executives accountable to the board for employee

training.

If, for example, an internal audit shows that the bank has violated or been cited for exceptions to a rule or regulation, and auditing workpapers indicate that the majority of the violations were made by a certain employee or branch, the compliance officer can refer to the training overdue report to determine whether the individuals involved completed the relevant training. If they didn't, the lack of commitment demonstrated is cause to report them to the human resources department for disciplinary action.

If the bank requires employees to pass a standardized quiz or exam after completing in-house or computer-based training programs, the test results should also be tracked and a "training performance report" (see figure 3) developed and presented to senior management, though not to the board. (It is not necessary to report everything to the board—that's why financial institutions have senior management.) Managers should refer to employees' test scores to ensure that they retain an appropriate understanding of job-specific rules and regulations. Management should also provide the necessary tools and assistance to help employees pass the required tests.

The training performance report is useful not only to senior management, but also to the compliance officer. The information it contains will be useful if, as in the earlier example, an internal audit shows that the bank has violated or been cited for exceptions to a rule or regulation, and auditing workpapers indicate that the majority of violations were made by a certain employee or branch. It is important that the compliance officer identifies

Tips from the Trainer

- ◆ Include a compliance accountability statement within every employee's job description.
- ◆ Incorporate a compliance "training program" with like training programs for different business units within the same month.
- ◆ Develop and implement an "overdue report" showing responsible executive managers. Provide to the Board.
- ◆ Develop and implement a "performance report" allowing compliance officers and business unit managers the ability to monitor training.
- ◆ Manage what you monitor ... depending on the results recognized; can include in annual risk assessment or increase internal monitoring.

Compliance Training Program

January 1, 2009		Page 1 of 1
All employee records All task records		
Function	Program	Testing Month
Loan Officer	Bank Secrecy Act	May
	Regulation Z—Truth in Lending	July
	Flood Protection Disaster Act	September
Personal Banker	Regulation E—Electronic Fund Transfers Act	January
	Bank Secrecy Act	May
	Retail Nondeposit Products	August

any irregularities within the training performance report, looking not only at the number of tries it takes for an employee to pass the test but also at how long it took that employee to take each exam. In-house training programs might not provide this data as easily as will computer-based training programs. However, if an individual passes a test on the fifth try and the performance report shows that he spent less than a minute on each of the first four quizzes, that could indicate a lack of effort or commitment.

Figure 3 shows that although Arthur Ritis passed the privacy exam, it took him five tries. This could indicate a lack of understanding or worse, irritation at having to take such training. Either way, this should be recognized early to ensure compliance with privacy rules and regulations. And if Mr. Ritis were the individual identified for the exceptions within the internal audit, that information would be reason enough to report him to the human resources department for disciplinary action. BC

ABOUT THE AUTHOR

Keith E. Monson, CRCM, senior vice president—audit and compliance manager, Premier Bank, Jefferson City, Mo., oversees the audit and consumer compliance function for Premier Bank. He has 19 years of banking experience and frequently speaks on a variety of compliance related issues. Mr. Monson has compliance experience with both large and small financial institutions and has also provided compliance management assistance to banks as a compliance consultant. A past chairman of the CRCM advisory board and a former member of the certification council for the Institute of Certified Bankers, he is also a past chairman and current participating member of the Missouri Bankers

Training Overdue Report

January 1, 2009					Page 1 of 1
All employee records All task records					
Title	Name	Department	Responsible Executive	Complete By	
Bank Protection and Security	Arthur Ritis	Administration	Ima Bigwig	4/30/2009	
Bank Secrecy Act	Arthur Ritis	Administration	Ima Bigwig	5/31/2009	
Commercial Loan Documentation	Ivana House	Loan Officer	Jim Shorts	7/31/2009	
Consumer Loan Documentation	Ivana House	Loan Officer	Jim Shorts	7/31/2009	
Expedited Funds Availability Act	Holly Penyo	Teller	Ima Bigwig	8/31/2009	

Training Performance Report

August 31, 2009					Page 1 of 1
All employees Privacy: Information Security					
Name	Department	Date	Time to complete	Score	
Arthur Ritis	Administration	8/31/09	45 seconds	35	
Arthur Ritis	Administration	8/31/09	50 seconds	45	
Arthur Ritis	Administration	8/31/098	35 seconds	55	
Arthur Ritis	Administration	8/31/09	55 seconds	65	
Arthur Ritis	Administration	8/31/09	1 minute	85	
Hugh F. Oh	Loan Processor	8/5/09	55 minutes	85	
Holly Penyo	Teller	8/10/09	50 inutes	100	
Kit E. Katz	CSR	8/21/09	1 hour	90	
Ivana House	Loan Officer	8/24/09	58 minutes	90	

Association's compliance committee. In addition, Mr. Monson has written for and served as the chairman of the editorial advisory board for ABA Bank Compliance and was previously a member of American Bankers Association's compliance executive committee and the regulatory compliance

conference advisory committee. He was named the 2009 Distinguished Service Award winner by the ABA Compliance Administrative Committee for his work in the compliance field. He holds a bachelor of science degree in finance from Truman State University. Reach him at kmonson@premierbank.com.