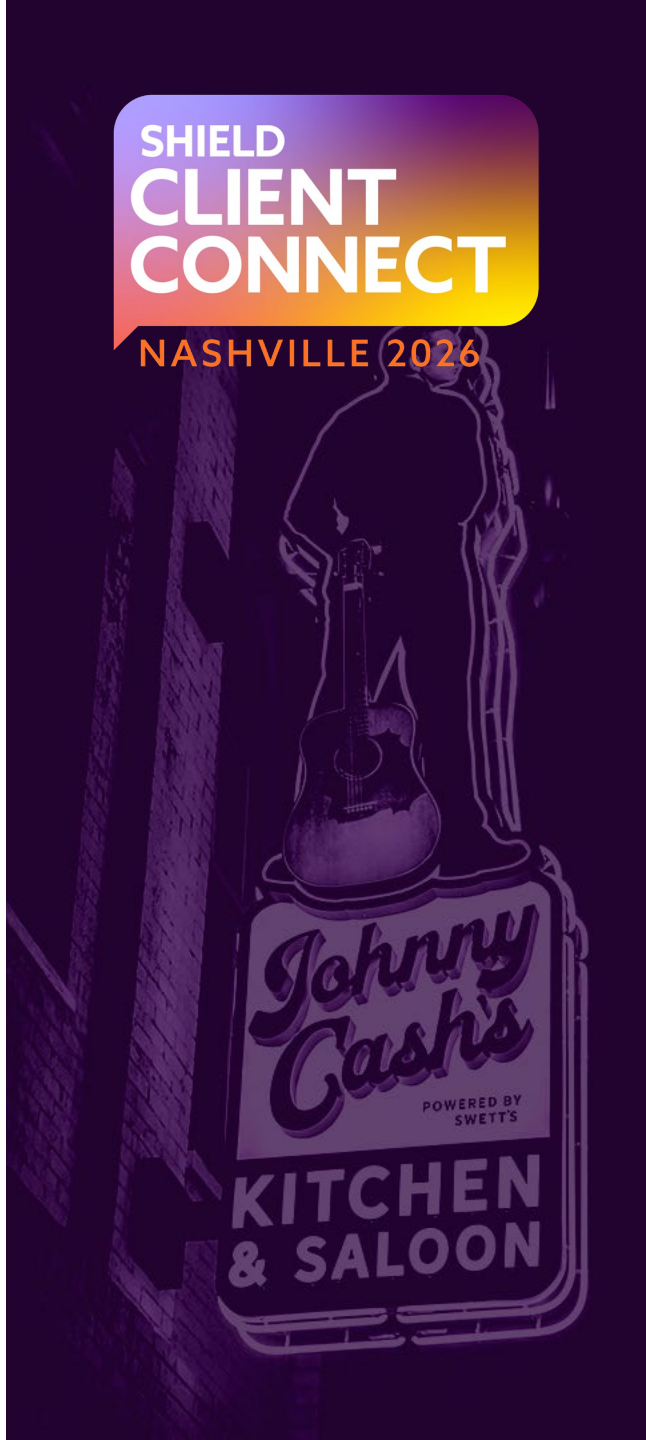
CHECK THE CHECKERS

Today’s Agenda

- Introduction
- Better Conversations with Auditors
- Think Like an Auditor
- Building an Annual Cannabis Banking Audit Plan
- Building a Quality Control Program
- Preparing for an Audit Using Shield Assure



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Trusted Quality. Proven Commitment.

At Wolf & Company, we deliver more than services; we deliver understanding. With a foundation built on integrity and deep industry expertise, we provide tailored advisory, assurance, digital, and tax solutions designed to help you confidently navigate what's next.

- Top 100 Accounting Firm
- 115+ Years in Service
- 100% Independent

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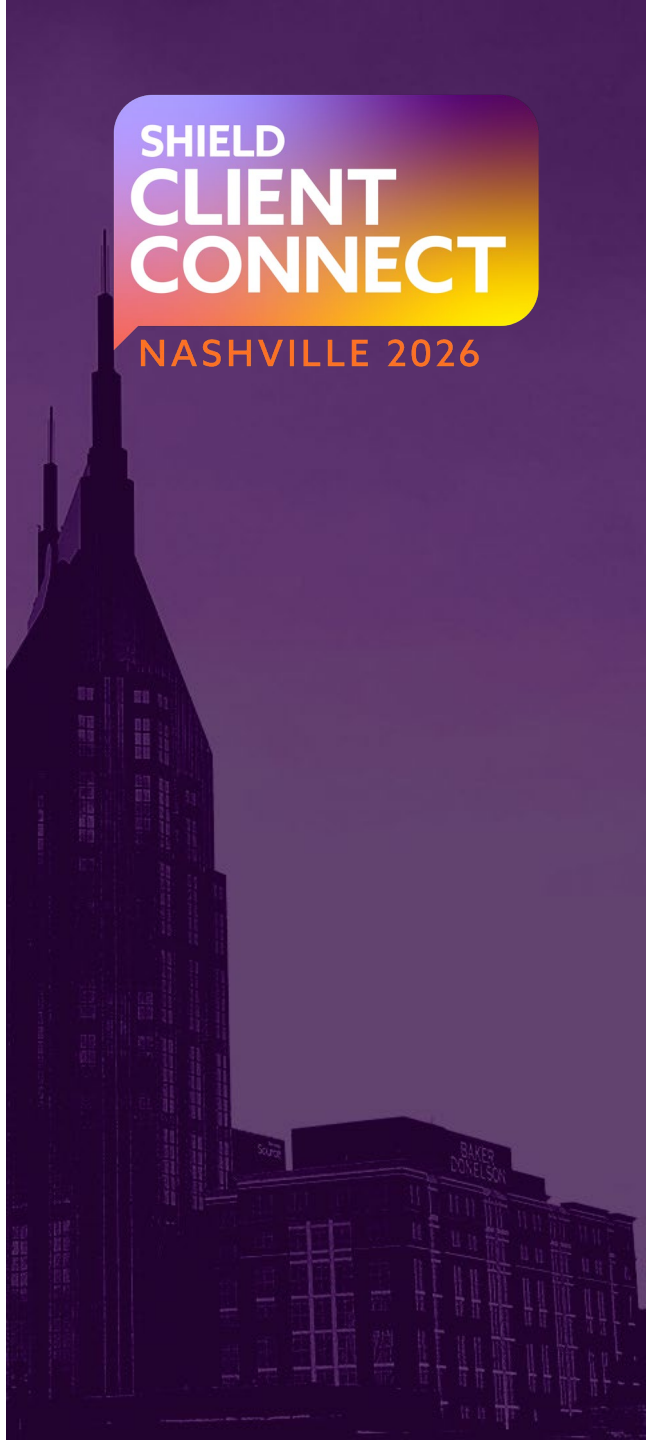

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Who I am

- Manager in Wolf's Regulatory Compliance Services Group. I am responsible for assisting in the development and execution of compliance reviews for the Firm's financial institutions and FinTech clients. Currently hold CAMS and CFE certifications.
- Joined Wolf & Company in 2024. Previously held roles as a BSA Officer and VP of Risk Management within regional banks and a large credit union.
- Adjunct university professor where I teach courses in business applications, fraud prevention, banking, and data analytics.

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Better Conversations with Internal Audit

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- Before the Audit
- During the Audit
- After the Audit

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Don't wait for the auditor to tell you what's broken. Build a program that finds it first.

Think Like an Auditor

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Plan ahead:

- Know your weaknesses
- Prepare documentation
- Make available proper resources

Common Issues

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Concerns	Common Effect
Lack of Management Oversight	Control weaknesses go undetected
Insufficient Risk-Based Practices	Higher-risk areas receive inadequate attention
Policy, Procedure, and Practice Gaps	Controls are applied inconsistently
Issue Management and Alert Resolution Weaknesses	Risks are not identified, escalated, or remediated timely
Inconsistent Review and Quality Assurance Processes	Errors and exceptions remain undetected
Incomplete Documentation and Recordkeeping	Compliance efforts cannot be adequately demonstrated
Training and Resource Constraints	Staff may perform controls inconsistently or reviews may be delayed
Data Integrity and Reporting Weaknesses	Management decisions may be based on incomplete or inaccurate information

Takeaway

Auditors are not evaluating whether your program is perfect.

They are evaluating whether:

- Controls are designed appropriately
- Controls operate consistently
- Evidence exists to support conclusions

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Banker Discussion

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What finding would concern your institution most?

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Building a Quality Control Program

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Level 1: Decisioning

Level 2: Quality Control Review

Level 3: Internal Audit

Decisioning

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Level 1:

Analyst

- Initial review completion
- Documentation verification
- Case closure validation
- Escalation process

Management

- Secondary review
- Feedback cycle

Quality Control Review

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Level 2:

- Sampling completed reviews
- Validation of conclusions
- Procedural adherence

Internal Audit

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Level 3:

- Independent effectiveness testing
- Risk-based assessment
- Program-level findings

Creating an Internal QC Checklist

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Key control areas:

- Licensing
- Financial statements
- Site visit documentation
- Case reviews
- SAR documentation
- Management reporting

Banker Discussion

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If your audit started tomorrow, what would be tested?

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Creating Your Internal Audit Program

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Step 1: Assess Risk

Step 2: Define Testing Scope

Step 3: Determine Ownership

Step 1: Assess Risk

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Review:

- Licensing monitoring
- Transaction monitoring
- Client due diligence
- Enhanced due diligence
- SAR processes
- Management reporting

Step 2: Define Testing Scope

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Establish:

- Control objectives
- Sample methodology
- Review frequency
- Escalation requirements

Step 3: Determine Ownership

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Document Ownership by Role:

- First-line testing
- QC review
- Internal audit
- Corrective action tracking

Preparing for an Audit Using Shield Assure

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Step 1: Establish Control Evidence

Step 2: Validate Onboarding

Step 3: Validate Monitoring

Step 4: Produce Audit Evidence

Step 5: Corrective Action Tracking

Establish Control Evidence

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Using Shield Assure to demonstrate:

- Ongoing compliance reviews
- Customer monitoring
- Case management

Validate Onboarding Activities

- Provide auditor access to Shield
- Document stack overview
- Provide ancillary documents
    - Background checks
    - Documented approval
- Write-up section

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Validate Monitoring Activities

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- Check outstanding cases (FI vs. Client)
- Perform QC on cases
- Review adequate documentation for:
- Escalations
    - Exceptions
    - Closures
- Demonstrate Licensing Oversight
- Utilize Vendors

Produce Audit Evidence

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Examples:

- Management reports
- Monitoring reports
- Case history
- Exception reports
- Vendor due diligence
- System code mapping
- Documentation repositories

Corrective Action Tracking

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Use findings to:

- Create remediation plans
- Assign ownership
- Document resolution
- Demonstrate continuous improvement

Banker Discussion

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After being at this Conference, what is one thing you want to fix before your next audit?

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In it. *With you.*