



TAILORING THE STAFFING ASSESSMENT

Using the Risk Assessment to Drive Staffing

Abstract

Like everything else in the AML/BSA/CTF program, the staffing assessment and resource allocation is risk-based.

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Executive Summary

Nearly as important as understanding the risk to an institution is understanding the staffing expertise and resources needed to adequately mitigate that risk. A lack of experienced and qualified staff may directly affect an institution's ability to mitigate and manage the risks identified in risk assessment.

Attracting and retaining qualified resources is often a struggle for financial institutions that have a finite amount of monetary resources, especially for those that determine that investing in a "cost center," such as compliance, is not as lucrative and beneficial to the business as a "revenue center." However, regulating agencies have shown through both their guidance and enforcement actions that failing to allocate adequate resources, personnel and financial, for the AML/BSA and CTF departments can be a costly mistake.

As with everything else in the AML/BSA and CTF program for an institution, staffing assessment and resource allocation are risk-based and ongoing cycles. Below is a sample process flow based on the U.S. Office of Personnel Management's guidance on workforce planning.¹



Utilizing the institution's risk assessment should allow the executive management and board of directors to properly allocate and support the AML/BSA and CTF compliance functions. In recognizing the areas of higher risk, balancing of staffing resources may be accomplished. This process also allows for cross-training, business continuity planning, and growth within the institution's workforce, thereby increasing staff retention, depth of knowledge, and expertise within the AML/BSA and CTF compliance department. Each of these factors contributes to lowering the overall risk exposure to the financial institution, as the strongest internal control for an institution is its staff.

After the risk-based assessment and planning of resource allocation has been completed, it must be tested. Internal audit plays an invaluable role in assessing the documentation validating the resource allocation and qualification assessments. Internal audit will apply an independent lens to the allocations.

¹ (U.S. OFFICE OF PERSONNEL MANAGEMENT, 2011)

Taking the time to conduct a proper staffing assessment and resource allocation, one based specifically on the risk of the institution, is vital to the success and strength of an AML/BSA and CTF program.

Risk-Based Strategic Direction

When attempting to build a strong and effective Anti-Money Laundering (AML), Bank Secrecy Act (BSA), and Counter-Terrorism Financing (CTF) program, one is often told to utilize a risk-based approach. Understanding the institution's risk profile allows one to apply appropriate risk mitigants to effectively manage the risk present for the institution; lower risk exposures will require fewer mitigants, allowing an institution to apply more robust mitigants to those issues that may present a higher level of money laundering and/or terrorist financing risk. The same logic may be applied to resources and staffing. The most significant internal control an institution has is its staff, those responsible for the implementation of its AML/BSA and CTF compliance program. Without adequate and qualified staff, even the most robust program will be subject to further risk and possibly failure.

According to the Financial Action Task Force's (FATF) Risk-Based Approach (RBA) Guidance to the Banking Sector, issued in 2014, the risk-based approach is not a "zero failure" approach. Rather, it is designed to demonstrate that the institution took appropriate measures and controls to prevent, detect, identify, and report instances of possible money laundering or terrorist financing. In the 2012 revisions to the FATF Special Recommendations, an increased focus on the RBA was emphasized as a crucial foundation for an effective AML/CTF program.²

The FFIEC Exam Manual provides institutions with guidance on how to complete a risk assessment of an institution's customers, entities, geographies, products, and services. However, it provides little guidance on how to assess the qualifications and risk factors associated with an AML/CTF program's staffing. The FFIEC Exam Manual states that a BSA officer should have "sufficient authority and resources (monetary, physical, and personnel)"³ to operate an effective AML/BSA and CTF program based on the institution's risk profile. It goes on to state that the BSA officer should be knowledgeable of the BSA and its implementing and supplemental regulations. It further describes and defines internal controls as an institution's policies, procedures, and processes designed to limit and control risks and achieve compliance. The level of complexity for these controls should correspond with the complexity of the institution's risk profile.⁴ While the manual does not specifically describe the staff of a financial institution as an internal control, as the ones responsible for operationalizing those policies, procedures, and processes, one could argue that the staff is the most significant and critical internal control in an organization.

Therefore, once the risk assessment of the financial institution's customers, entities, geographies, products, and services is complete, one must then assess the AML/BSA and CTF compliance staff.

² (Financial Action Task Force - OECD, 2014)

³ (Federal Financial Institutions Examination Council, 2/27/2015.V2)

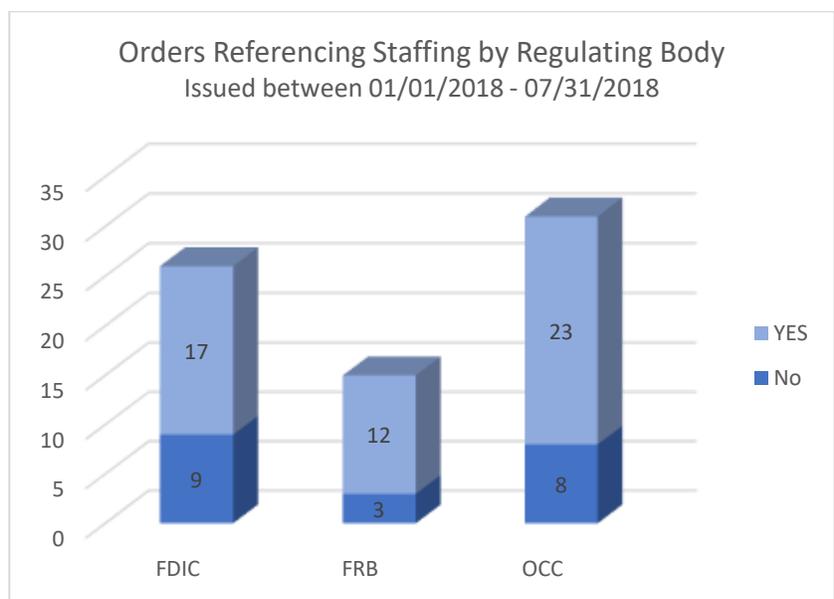
⁴ (Federal Financial Institutions Examination Council, 2/27/2015.V2)

The Department of Justice issued guidance to assist prosecutors in evaluating the effectiveness of a financial institution’s AML/BSA and CTF compliance program at the time of a potential offense.⁵ This guidance may also be utilized in evaluating the structure of the AML/BSA and CTF program and appropriate risk-tailored resource allocation.

A strong and effective AML/BSA and CTF program must have strong and experienced leadership to direct the program. This leadership must have appropriate authority and autonomy to manage the program as needed, based on the risk profile of its financial institution. The program should build upon this foundation, with the board of directors ensuring adequate resources and personnel. The expectation for adequate personnel and resources also implies an expectation for appropriately trained and experienced personnel. Investments in the form of salaries, additional full-time equivalents (FTE), and training into the AML/BSA and CTF program may be required.

Regulating Agencies Direction

While FATF, the FFIEC Exam Manual, and the recent guidance from the U.S. Department of Justice advocate for a risk-based approach, regulating agencies have cited numerous institutions for their lack of adequate staffing and resources. This enforcement goes beyond just the standard bank or credit union to include securities firms and casinos. A review of all consent orders, civil money penalties, and written agreements issued by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank (FRB), and the Office of the Comptroller of Currency (OCC) between the dates of 01/01/2018 – 07/31/2018 revealed that of the (72) orders issued, (52) included references to staffing, or 72.22 percent.



⁵ (U.S. Department of Justice Criminal Division, 2019)

⁶ (FDIC, n.d.), (Currency, n.d.), (Govenors, n.d.)

Of those that do not specify staffing or adequate resources, many reference clearly defined roles and responsibilities, proper training, and improvement to a system of internal controls and monitoring; which, one could argue, involves assessing the institution staff to comply with these requirements.

The statements around the staffing assessment may vary, but the intent and meaning remains the same: the financial institution must ensure that the AML/BSA function is appropriately staffed with the right expertise, authority, and resources. For example, the FRB regulators issued two recent consent orders against United Bank Limited and All Nations Bank. Within these, they required that the bank “ensure that the BSA compliance program has adequate resources and expertise,”⁷ and that the bank “allocate adequate resources for the AML/BSA Compliance Officer and staff.”⁸

The OCC cited in its enforcement action against MidSouth Bank, N.A. that the bank had an “inadequate system of internal controls and a weak BSA staffing function” and further tasked the board with “ensuring the BSA Officer had sufficient executive authority, time, and resources to ensure BSA compliance.”⁹ In February 2018, the OCC assessed a \$75,000,000 civil money penalty against U.S. Bank as a result of its failure to address the findings in a 2015 consent order. In the 2015 order, it was cited for “systemic deficiencies included the capping, or limiting, of suspicious activity alerts based on staffing considerations, which resulted in a significant amount of unreported suspicious activity.”¹⁰ Beyond the \$75 million, an additional \$453 million was to be collected in forfeiture to the United States government, bringing the total fine amount to the institution to \$528 million.¹¹

The Financial Industry Regulatory Authority (FINRA), responsible for monitoring and regulating member brokerage firms and exchange markets, reprimanded Morgan Stanley Smith Barney LLC for “failing to devote sufficient resources to review AML system alerts, leading to analysts’ closing alerts without conducting and/or documenting investigations.”¹²

With the implementation of the New York Department of Financial Services (NYDFS) Regulation 504 on April 15, 2018, an increased focus was placed on an effective AML/BSA program with significant repercussions for failure to do so. To certify to NYDFS that the institution has an effective AML/BSA program, extensive and thorough testing of the financial institution’s data capture and transaction monitoring rules must be conducted and documented. Furthermore, after testing the effectiveness of the transaction monitoring rules, and the capture of data to conduct adequate sanctions screening and transactions monitoring, the financial institution is expected to make the necessary enhancements to its program to ensure ongoing effectiveness. The NYDFS cited Mashreqbank PSC and its New York branch for “failure to staff appropriately for their manual processes,” which “led to failures in their ability to capture necessary information in CDD and Sanctions screening documentation resulting in a 5-month backlog of alerts.”¹³

⁷ (Federal Reserve Bank, Board of Governors of the Federal Reserve System, 2018)

⁸ (Federal Reserve Bank Board of Governors, 2018)

⁹ (Department of the Treasury Office of the Comptroller of the Currency, 2018)

¹⁰ (Department of the Treasury Office of the Comptroller of the Currency, 2018)

¹¹ (US Department of Justice, 2018)

¹² (Financial Industry Regulatory Authority, 2018)

¹³ (New York State Department of Financial Services, 2018)

A backlog of alerts for sanctions and transaction monitoring is detrimental to the overall strength and effectiveness of an AML/BSA compliance program. If the primary purpose of an AML/BSA compliance program is to prevent, and if failing to do so, detect, identify, and report suspicious activity, then a backlog of alerts will result in untimely reviews and reporting to law enforcement. Failure to collect and document appropriate customer due diligence at the time of onboarding may affect the institution's ability to determine unusual activity for the customer or whether the customer is a potential sanctions match. Mashreqbank was fined \$40 million by NYDFS for AML, sanctions, and recordkeeping violations described above.¹⁴

Analysis

Using the institution's risk assessment, one may begin determining where resources need to be allocated to successfully mitigate the risks identified within the assessment. The completed risk assessment will provide the institution with a holistic view of the areas requiring additional scrutiny and mitigation. Conversely, it will also show the areas that are currently controlled well and present a lower-level risk; possibly freeing up resources to be used elsewhere. In reviewing the resultant or residual risk present to the institution, the AML/BSA and CTF officer may begin to evaluate the current resources on staff and where the individuals will be most effective in mitigating present risk.

The risk assessment should also show any strategic plans for the institution in the coming year or years. This is the key warning to the AML/BSA and CTF compliance department that additional expertise may be needed. It is also this documentation that will allow one to identify whether additional training or outside resources will need to be obtained. For example, if the institution has determined to expand into trade finance, and there is not anyone on staff with any experience, then hiring someone with this background may be warranted. However, if the BSA officer has this experience, then he or she may be able to train for the new product. Participation in certain high-risk industries and markets may require specialized certifications, such as Certified Anti-Money Laundering Specialist, Certificate in Trade Finance Compliance, and specialties in Sanctions Compliance.

This analysis, any determinations, and logic should be documented to assist in the justification for allocation of resources.

Resource allocation documentation should include and detail the following points:

- who;
- what;
- why; and
- how.

Who

When allocating resources, it is important to detail the role and level of the position needed to complete the task. It is better to use position titles or seniority levels than names, as individuals are likely to change.

¹⁴ (New York State Department of Financial Services, 2018)

What

Describe the task to be completed as well as any training that was developed according to the risk profiles and positions.

Why

To document this resource allocation, one must determine how many resources will be needed to successfully mitigate the risk. Detail why the number/amount of resource was allocated; e.g., the resultant risk of the category within the risk assessment was high, therefore, several resources were allocated. Conversely, the resultant risk of the category within the risk assessment was low, and a low number of resources was allocated. It is also important to detail the reason any resources were reassigned from one area to another based on the risk.

How

Once it has been established who will be completing which task, one must document how the staff was appropriately advised and trained on the policies, procedures, and any changes to them.

The Pareto Principle

The Pareto Principle indicates that about 80 percent of the results will come from 20 percent of the effort.¹⁵ When applied to a task list and priorities, it is often found that on a list of ten items, there are two that will result in as much impact as the other eight combined. This is a good rule to keep in mind when working through staffing allocation. Question processes and look for efficiencies that may contribute to the 20 percent.

Using this principle in strategic planning allows the institution to better allocate finite resources. In reviewing the risks present, if the institution may only mitigate one of those risk factors, then it should be the one most critical to the safety and soundness of the institution and mitigate any money laundering or terrorist financing risk. As resources allow, select the second most critical risk, and so forth. This will govern the allocation of resources to the most important 20 percent of the risk to the institution. Resources may continue to be allocated according to the risk present, but with each review of the risk assessment, the most essential risks to be mitigated should be identified.

Method Study and Work Measurement

Workforce planning may be defined as how an organization assesses its workforce and business strategies to determine staffing needs now and into the future. Standard workforce planning, of X widgets an hour times 8 hours, results in Y number of staff, does not work in the world of AML/BSA and CTF compliance and needs to be finessed. However, while it needs to be finessed, the basics remain the same.

¹⁵ (Staron, 2018)

The first step in all workforce planning is to determine each responsibility and task needed to be completed to mitigate the risks identified within the risk assessment. When doing this, there are several techniques and resources one may use. Policies, procedures, and work instructions, if documented properly to capture the day-to-day operations of the compliance department, are a good place to start. However, when one sits down with an employee to observe the employee working the task, one may find that there are more steps involved or fewer. Therefore, employee interviews and observations are invaluable.

While interviewing the employee, it may be valuable to ask if there is anything the individual does on a daily, weekly, monthly, etc., basis that is not captured within the policy, procedures, and work instructions. This process will also help the institution identify any gaps within these procedures and work instructions. It is recommended to have all employees who are being assessed complete a worksheet outlining everything they do on a daily, weekly, bi-weekly, monthly, quarterly, semi-annual, and annual basis. This is similar to the “Method Study” approach in standard workforce planning and assists in identifying missing or unnecessary actions in a process.

All aspects of the AML/BSA and CTF program need to be assessed in this process; from customer onboarding to exiting a relationship, and everything in between. It is also advisable to consider any responsibilities of the AML/BSA and CTF compliance department that may have been outsourced to another department, either due to operational efficiencies or deficiencies in current staffing. For example, if the frontline office staff is responsible for preparing all currency transaction reports (CTRs), how would this impact the AML/BSA and CTF compliance department staff if this task was brought back to the department?

Using historical metrics will also assist in determining the quantity of reports and tasks needed to be completed each day, week, month, etc. The institution data, including the number of regulatory reports filed (CTRs and suspicious activity reports, or SARs) and the types of customers and clients needing review (e.g., international versus domestic), complex ownership structures, and the number and type of high-risk customers and industries will all impact this assessment.

Establishing all the tasks that need to be completed is only a third of the equation. One must also determine the number of hours needed to complete said tasks by a qualified individual. To do this, the “Work Measurement” method may be used. According to Joseph Prokopenko’s Productivity Management - A Practical Handbook,¹⁶: “Work measurement establishes the time a qualified worker needs to carry out a specified job at a defined level of performance.” Work measurement also helps in examining and reducing unproductive time and processes.

When one is determining the amount of time a task may take, it is preferable to use the time of the average worker. For workforce planning, using the time of an expert may not provide the institution with an accurate accounting of time. Conversely, one should not use the time it would take the newest employee to complete the task. Using the time of the “all-star” employee will skew the results and times, similar to using the time of the “newbie.” By using the time of the average employee, this will

¹⁶ (Propenko, 1987)

allow for the institution to plan for and consider the movement of institution staff. The all-star employee may get a promotion, and others may move on from the organization altogether, resulting in turnover and new hires. Each of these events will impact the staffing and therefore risk levels of the institution.

There are tasks that will require a more senior level or more experienced staff member to complete the task and to conduct secondary quality control reviews. This must also be taken into consideration: does the institution have staff qualified to perform these tasks?

When evaluating these times, it is not always an exact science. In working AML/BSA and CTF, there are alerts and cases that are very straightforward and simple to clear and work. Then there are cases that involve multiple levels of investigation, weeks of research, and possible working with law enforcement. Planning is challenging for these cases. However, the AML/BSA and CTF officer must be able to level-set an expectation for efficiency and diligence. For example, one must consider what is a reasonable amount of time to spend on a task, then set the expectation. If most alerts will take an analyst eight minutes to clear, but one or two during that hour may take 20 minutes, then setting an expectation of four alerts per hour (15 minutes per alert) may allow for appropriate time management and calculation. Please note, this is an example and not numerical guidance. The determination of the appropriate expected number of alerts per hour should be based on the risk, procedures, and staff of each institution individually. Proper management of staff and expectations is critical to the assessment of the institution's compliance staff.

When calculating this time, one must also consider any required meetings, training, or other events that may take away from the staff's effective hours.

Once the number of tasks has been identified, the frequency of each task must be completed and calculated with the time needed to complete each task. One must calculate the number of available hours among the current staff.

To determine how many staff members are needed, one may take the needed hours per day and multiply them by the number of days available. Consider vacation time, sick time, holidays, and lunch hours when calculating the number of available hours of staff. This number is then divided by the net available work hours for an employee. The result is the number of employees needed to complete all duties.

In the example below, the following assumptions are made:

- The total number of hours per day needed to complete all tasks is 24.763 hours.
- The employee is presumed to work a standard 40-hour work week.
- The employee is allowed three weeks of (15 business days) vacation.
- The institution allots 10 sick days a year and observes 11 federal holidays.

Taking this information and an estimated total hours per day calculated from the task list assessment of 24.763, a sample calculation of the net available work hours (NAWH) for an employee may be observed as:

Total hours per day calculated from Work Assessment (a)	24.763	
Total hours for one full time employee (40 hours a week times 52 weeks a year)	2080	
Average vacation leave (15 days of vacation time)	(120.00)	
Average sick leave (10 days)	(80.00)	
Holidays (11 Federal Holidays)	(88.00)	
Net Available Work Hours per employee (NAWH)	1792.00	224 Days
(The total hours per day(a)) x (the days worked- 224)	5546.912	
Divided by NAWH	1792	
Total Number of Employees Needed to Complete Tasks:	3.095375	

In the example above, the total number of employees needed to complete the task is three. Again, this assumes all tasks in this category are being completed by the same level of employee working a standard 40-hour work week. This calculation may be run with different variables to account for part time, and other variations to an employee's schedule.

Expect the Unexpected

If one learns anything quickly in AML/BSA and CTF compliance, it is to expect the unexpected. When conducting a staffing assessment, this must also be considered. Think about the tasks that may occur on an as-needed basis, such as grand jury subpoenas or a national security letter. If either of these is presented at the institution, it may require significant resources to comply. As these can be difficult to quantify in a staffing assessment and resource allocation, use historical averages to determine how long it may take to complete. For example, if historical activity shows that the institution received four grand jury subpoenas a year, and the average time it takes to fulfil one takes approximated 40 work hours, then one may determine that accounting for one of these at 40 hours a quarter will allow enough time to prepare for this type of unexpected occurrence.

Also, one must consider any upcoming regulatory changes. When regulation or guidance change, a gap analysis to the current process must be conducted, with a corresponding implementation plan. The amount of time it will take to analyze the change, identify any gaps or changes needed to policy and procedures, make said changes, train, and implement the change needs to be assessed and documented. One must also consider the number of employees who will be affected and training the staff to comply with the new regulation.

Qualification Assessment

Once the institution has determined the number of compliance staff needed, one must assess the qualifications of the staff performing the tasks.

According to David Schwartz, the president and chief executive of the Florida International Bankers Association, “too few universities have developed curricula that can produce professionals capable of stepping into high-demand compliance roles.”¹⁷ Determining whether or not the current AML/BSA and CTF compliance staff is proficient and qualified is critical to the overall success and strength of the program.

Internal audit may assist in this process. When assessing the qualifications of staff, the following may be considered:

- Experience
- Training
- Results of quality control and quality assurance testing

Experience

When evaluating the experience level of staff, one must consider the length (time) and type of their experience. Even if an employee may have been employed by an institution for ten years, if nine of those were spent as a teller, then that is not the same experience as working in the compliance department for ten years.

Training

Training should be tailored, specialized, and relevant to the position and the task. As indicated previously, for some skillsets, additional certifications may be required, or at least preferred. All certifications are not created equal and should be evaluated on a case-by-case basis for applicability to the position.

Results of Quality Control and Quality Assurance Testing

The results of quality control and quality assurance testing may reveal a lot about an AML/BSA and CTF compliance staff. If there are multiple issues identified during testing, then one of a few issues may be present:

- lack of training and/or experience;
- incomplete or inaccurate procedures; and/or
- lack of sufficient time to adequately and accurately complete the task.

In all cases, it is something that will be identified in your assessment.

If it is identified that the current compliance staff is lacking a skillset or experience, then identify the skill deficits linked to key initiatives for the institution. Then, risk rate these gaps and assign priorities based

¹⁷ (Broughton, 2019)

on the institution risk assessment and goals of the AML/BSA department. Again, the Pareto Principle comes into play. If budget will only allow the addition of one full-time employee (FTE), then one must prioritize the skillset needed based on the risk. Other lower risk deficiencies must not be ignored. These should be evaluated for other mitigating factors and processes to address the risk identified.

In addition, a cost benefit analysis must be completed to determine whether hiring a qualified individual is the best option or employing talent management of the current staffing to recognize growth potential. Even with an internal resource, one must consider the cost of the training and time for the individual to become qualified to complete the task, including the reallocation of other duties in order to allow the individual time to become competent on the new task. It may be determined that the cost of training and time outweighs the cost of hiring a qualified individual. However, always hiring in is not practical and can be demoralizing to existing staff. Cross-training is an excellent way to allow for business and risk continuity, while motivating staff for internal growth.

Another cost to consider when hiring is that hiring a less qualified individual may indicate a decreased salary but an increase in the risk profile of the institution. After all, a fine for failing to adequately staff the compliance department with qualified individuals may be much more costly to an institution than the salary of a qualified individual.

Whatever path is chosen, an action plan to remediate the staffing deficiency and timelines for that action plan is needed. Included in the action plan should be any plans for additional in-house or external training or additions to staff.

Forecasting

When forecasting for future staffing needs, one must consider the strategic plan of the institution, including expansion into any new markets, products, or geographies. Evaluating past trends in a ratio-trend analysis may assist in forecasting staffing needs. It involves analyzing current ratios between two factors, such as the number of new accounts opened and the number of employees in the AML/BSA compliance department. One may forecast future ratios based on this comparison, making allowances for any expected changes due to the institution's strategic plan.¹⁸

Currently, it is not uncommon for an institution to focus on growth via acquisition versus organic growth. One should consider how an acquisition would affect the risk of the AML/BSA and CTF program as well as staffing. If this occurs, assess approximately how many additional accounts, and especially high-risk accounts, the acquisition will add to the institution. Also consider the impact to the expected number of SARs, CTRs, and increases in alerts for transaction monitoring and sanctions screening.

Documenting the Action Plan

As with everything else in AML/BSA and CTF compliance, documentation of the staffing assessment is key. Everything from the tasks, time, NAWH computation, qualification assessment, and cost benefit

¹⁸ (Thompson, 2019)

analysis to determine hire versus internal resource allocation must be documented. This evidence is crucial to documenting the institution's process and critical elements to internal audit.

Similar to examiners, internal audit will be reviewing this evidence to determine if appropriate measures were taken to ensure adequate resources, both financial and personnel, and their qualifications were available to the AML/BSA and CTF compliance department. If gaps have been identified, then the action plan should document the corrective measures and their completion timeline to internal audit.

It is also this documentation that will support the AML/BSA officer's request for additional resources and staffing. However, while each step of the process is critical, the most effective way to communicate the request is through a summary of the results. Summarize the results of the assessment as well as any action plan developed to address any gaps identified through the assessment. The results need to be communicated in a clear and concise manner to ensure that the human and financial resources are in place and that the risks and expectations are understood. Submit the summary of the results with a clear request to the executive management or board of the institution as applicable (depending upon the structure of the program).

If the request for resources, human and/or financial, is approved, then ensure that the proposal/request and decision is documented in the meeting minutes. Ensure that the proposed timeline for pursuing these requests is also discussed, agreed to, and documented.

Appropriately allocating resources may positively affect the institution's overall AML/BSA and CTF risk assessment. Therefore, update the risk assessment accordingly, track the remediation plan, and note whether it's off-target or delayed.

If the request for resources, human and/or financial, is denied, then this must also be captured within the meeting minutes. If a deficiency in staff has been identified and is not being remediated, this affects the overall AML/BSA and CTF risk of the institution and must be documented accordingly.

Auditing the Staffing Assessment

As with all assessments, periodic monitoring, evaluation, and revision are necessary. Internal audit should be able to follow the documentation prepared in the assessment to understand how the resource allocation was completed.

While preparing to review a staffing assessment, an internal auditor should review for the following documentation as evidence of this process:

- Risk assessment – does the risk assessment corroborate the staffing allocations?
- Policies, procedures, and work instructions – have all duties been captured within these documents?
- Task list – have all tasks expected by the policies and procedures been captured and assigned a time?
- Time evaluation – is the time allotted reasonable? Too little? Too much?
- Qualification studies, including resumes, training prepared and completed, and by whom

- Summary of results
- Action plan
- Documented approval/denial of the action plan

Through the review and evaluation of these supporting documents, internal audit will be able to successfully validate the process used to establish and ensure that resources, human and financial, have been properly allocated.

If through the review and evaluation of these documents, the allocation is not supported, this should be reported to executive management and/or the board of directors. Internal audit may then choose to complete its own assessment of staff, the results of which should be summarized and reported to executive management and/or the board of directors. At that point, management must develop an action plan to address the issues identified by internal audit, starting the process over again.

Conclusion

An institution's AML/BSA and CTF compliance staff is arguably the most impactful internal control for an institution. One size does not fit all, and it must be evaluated and tailored to the risk of the institution. In working to comply with AML/BSA and CTF regulations, AML/BSA and CTF officers have learned to apply best practices where regulation and guidance is vague. Effectively assessing and allocating the finite compliance resource of an institution is crucial to the success and strength of the AML/BSA and CTF program. Failure to do so may result in increased turnover, lack of expertise, inadvertent misses and mistakes, and an overall increase in risk to the institution. As an AML/BSA and CTF officer, one's job is to protect the institution, and assessing the staffing needs of the institution is imperative to doing so.

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