

INTERNAL CONTROL GUIDELINES

These Internal Control Guidelines were prepared by the Department of Business Oversight in collaboration with the Escrow Advisory Committee and the Board of Directors of the Escrow Agents' Fidelity Corporation to assist escrow agents in determining if their internal control procedures are adequate. A system of internal control includes both accounting controls and administrative controls. After selecting and putting in place the necessary elements of accounting controls, administrative controls must also be put in place to complete the system of controls.

It is imperative that each escrow agent maintain a strong system of internal control. Therefore, take the time to answer each question carefully. Those questions which elicit a NO response indicate a weakness in internal control. If you don't know the answer, ask your accountant or the auditor that performed your fiscal year-end audit. Keep in mind, that your system of internal control should maximize separation of duties. Other controls, not contained herein may be required for your company. Consult your CPA.

Your internal control procedures should be periodically reviewed by the owner or manager (at least annually, or when record keeping changes are made), to determine if appropriate internal controls are in place and working.

THE TIME SPENT COMPLETING THIS QUESTIONNAIRE, AND SETTING UP AND MAINTAINING THE SYSTEM OF INTERNAL CONTROL NECESSARY TO SAFEGUARD THE TRUST ACCOUNT AND YOUR COMPANY ASSETS IS AN INVESTMENT IN THE FUTURE OF YOUR COMPANY AND THE ESCROW INDUSTRY AS A WHOLE.



INTERNAL CONTROL QUESTIONNAIRE
 ESCROW COMPANIES

GENERAL LEDGER ACCOUNTS:

1. Does the owner/manager understand the purpose of the general ledger accounts?
2. Are general bank and savings accounts properly authorized by the board of directors?
3. Are signatories on checks and savings accounts designated by the board of directors?
4. Are internal controls in place, to the extent necessary, for the general bank and savings accounts similar to those used for the trust bank account?
5. Is the escrow fee income recorded in the general ledger compared to the escrow fees drawn from the escrow trust records monthly?
6. Is the general ledger posted monthly?
7. Are month-end financial statements prepared by the 15th day of the following month?
8. Is the general bank account reconciled monthly?
9. Are the requirements of Section 17210 of the Financial Code met at all times (liquid assets in excess of current liabilities and tangible assets in excess of total liabilities)?

Yes	No

ADMINISTRATIVE CONTROLS
 ESCROW COMPANIES

	Yes	No
1. Does your company have an operations manual?		
2. Are functional policies and procedures established for handling:		
a) routine matters?		
b) unusual matters?		
3. Is a person designated to answer questions concerning sound escrow practice and/or company policy?		
4. Are open, closed and dormant escrow files selected at random by the owner/manager or designated person and reviewed to determine:		
a) types of escrows handled?		
b) unusual escrows handled?		
c) proper handling of funds (i.e. receipts and disbursements authorizations)?		
d) sloppiness in handling files? (May result in liability and/or losses.)		
5. Are unusual requests to open escrows and/or existing files reviewed to determine possible conspiracy to:		
a) defraud escrow company?		
b) defraud lenders?		
c) defraud one of the principals?		
d) launder funds?		
6. Does your company have an established policy for handling complaints?		
7. Is the owner/manager informed of all escrow complaints filed?		
8. Are all complaints investigated and response sent to the complainant?		
9. Are complaints and proposed responses reviewed, as necessary, by a designated person other than the escrow officer handling the escrow?		
10. Are employment applications obtained from all job applicants?		
11. Are references given on the employment application double-checked?		

ADMINISTRATIVE CONTROLS
 ESCROW COMPANIES

12. Are job applicants required to sign the application under penalty of perjury certifying that all information is true and correct to the best of their knowledge?
13. Do you have an established corporate policy concerning the hiring of persons involved in and/or reasonably suspected of previous thefts or embezzlements? (You may wish to consult with private legal counsel before drafting such a policy.)
14. Are all persons including temporary help handling and/or having access to cash covered under the ESCROW AGENTS FIDELITY CORPORATION (EAFC) bond?
15. Are fingerprint cards on file with the Department of Corporations for all employees, officers, directors and shareholders?
16. Are new employees trained to perform their duties in accordance with uniform company policy?
17. Is the work product of new employees reviewed by a responsible person?
18. Is follow-up training available to employees as necessary?
19. Is training provided to all employees to increase their level of technical competence and performance?
20. Is the owner/manager alerted when an employee and/or other owner is living a life-style beyond their means?
21. Are all employees reminded that professional service is the name of your game?

Yes	No