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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| ***Control of Bank Accounts*** |  |  |  |  |
| Complete a Bank Signature Authorization List in advance of takeover. |  |  |  |  |
| Obtain new authorized signature specimens on an exhibit for distribution to financial institutions, investment custodians, etc. |  |  |  |  |
| Prepare a bank notification letter. Be sure letters include:   * Copy of receivership order * Request for a cut-off statement at the effective date of the order * Instructions to clear or return outstanding checks/drafts * Instructions for wire transfers, authorization procedures and authorized individuals * Request to terminate Internet access to accounts until instructed otherwise * Notification of authorized persons on the account including signatures of same * Request for a listing of all accounts in the company’s name (perhaps affiliates also) * Request to identify any liens on accounts * Request for a listing of any safe deposit boxes and authorized signers * Request that copies of monthly statements be forwarded to designated team member |  |  |  |  |
| ***Insurance Background Information*** |  |  |  |  |
| Obtain or prepare an organizational chart, job descriptions and employees responsible for various tasks or areas. |  |  |  |  |
| If a procedure manual is available for all accounting functions, obtain, review and discuss any issues with management. |  |  |  |  |
| Document the flow of accounting transactions including decision points, authorizations and controls. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Utilize above information to evaluate:   * Procedures * Controls * Staff requirements * Current personnel |  |  |  |  |
| ***Establish Control of Bank Accounts*** |  |  |  |  |
| Compare preliminary list of financial institutions holding the insurer’s cash, investments, and other assets obtained during pre- takeover phase to information provided by management and in insurer records. (The insurer’s annual statement (Schedule N) will contain a listing of their open deposits.) |  |  |  |  |
| Serve all banks with a certified copy of the receivership order, proof of service, and bank letter. |  |  |  |  |
| Obtain proof of service of court orders on senior bank official(s). |  |  |  |  |
| Remove all insurer officials’ names from signatory authority with any financial institution. |  |  |  |  |
| Continue contact and follow-up with all financial institutions and investment custodians regarding new procedures, authorizations and checks outstanding at takeover date. |  |  |  |  |
| ***Operating Bank Accounts*** |  |  |  |  |
| List all bank accounts, including current balances. |  |  |  |  |
| List all funds held, letters of credit (LOC), collateral, and trust and depository accounts with current balances and maturity dates. |  |  |  |  |
| Obtain a listing of funds held by or deposited with ceding companies by insurer. Confirm these amounts and review calculations for amounts. This should include any posted LOCs. Determine and prepare schedule identifying type of LOC and expiration dates. |  |  |  |  |
| Review current bank reconciliation and determine accuracy. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Obtain cut-off statements for all accounts. |  |  |  |  |
| Reconcile all bank accounts to cut-off statements, noting long outstanding reconciling items and any need for further investigation. |  |  |  |  |
| Determine process for monitoring available cash and overnight investing. |  |  |  |  |
| Obtain a schedule of cash utilization for the past six months. |  |  |  |  |
| Prepare cash requirement projections. |  |  |  |  |
| Determine available cash and liquid assets. Compare to cash requirement projections and determine length of time cash will be available to fund the operations of the insurer, particularly the payment of workers’ compensation indemnity, health insurance, disability and long-term care. |  |  |  |  |
| Establish cash monitoring process. |  |  |  |  |
| Consider any need to open new accounts and transfer funds. |  |  |  |  |
| Review all corporate bank resolutions. |  |  |  |  |
| ***General Ledger (G/L) Cut-Off and Accounting Records*** |  |  |  |  |
| Obtain most current trial balance. |  |  |  |  |
| Obtain chart of accounts and descriptions of any accounts that are not self-explanatory. |  |  |  |  |
| Document the insurer’s G/L closing procedures and obtain a cut-off G/L as of the takeover date. Identify the last closed accounting period. |  |  |  |  |
| Determine if all G/L accounts have been reconciled to subsidiary ledgers, listings or computer runs for the most current month end. |  |  |  |  |
| List all documents required in the above processes. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Obtain any other support reports/schedules/trial balances for the cut-off G/L to complete reconciliations. |  |  |  |  |
| Determine location of all accounting records—secure and inventory. This should include:   * General ledgers, trial balances and other month-end reports * Financial statement support work papers – for monthly, quarterly and annual financials * Bank statements, check registers, reconciliations and cancelled checks * Short-term investment/treasury files * Investment statements and reconciliations * Support for other investments – real estate, mortgages receivable, etc. * Support for premium, reinsurance and agents receivables * Support for fixed and other assets * Accounts payable and vendor files, including service and supply contracts * Support files and runs for claim and other liabilities * Debt/notes payable files * Lease files * Insurance files * Correspondence with CPA |  |  |  |  |
| Utilizing cut-off G/L and related trial balance and detailed transaction listing(s), investigate and document insurer assets as indicated in following sections. |  |  |  |  |
| Have staff begin reconciling all accounts to detail and cut-off statements as of the takeover date. |  |  |  |  |
| Monitor and review all work to determine if any additional investigation or action is required as a result of reconciliations. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Inventory and secure any original documents found in the above files such as mortgage notes, stock certificates, or notes (payable or receivable). |  |  |  |  |
| If originals of such assets and liabilities are not in above files, locate, inventory and secure. |  |  |  |  |
| Determine location of corporate documents such as corporate seal, minute books, stock registers, stock certificates, articles of incorporation and by-laws. Inventory and secure. |  |  |  |  |
| Determine need to secure or obtain any of the above items and information for any affiliates of the insurer. |  |  |  |  |
| Establish a secure room/space for accounting records. |  |  |  |  |
| ***Petty Cash*** |  |  |  |  |
| Determine if a petty cash fund exists (which may include such items as postage stamps, etc.), who has control of fund and procedures for disbursement, replenishment and reconciliation. |  |  |  |  |
| If petty cash fund exists, secure, count and inventory contents and establish receiver controls and disbursement. |  |  |  |  |
| ***Establish Cash Receipt Procedures*** |  |  |  |  |
| Document receipt procedures from receipts and deposits to the recording of receipts. |  |  |  |  |
| Determine the physical location of cash receipts – any lock boxes, mail room, post office boxes, agents, etc. Secure and change authorizations for access as necessary. Counsel may need to be consulted to secure and change authorization for post office boxes not in the insurer’s name that receive insurer’s cash. |  |  |  |  |
| Determine if any receipts are not to be accepted – e.g*.*, renewal premium, rent receipts, etc. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Establish any new procedures as appropriate to maintain security, to include that all incoming checks are logged and given to Accounting for recording and deposit. |  |  |  |  |
| Provide notice of the order and appropriate collection procedures to any third party that had been authorized to accept cash on behalf of the insurer. |  |  |  |  |
| Review the flow of all cash receipts and disbursements, and modify as appropriate. |  |  |  |  |
| ***Secure Miscellaneous Items*** |  |  |  |  |
| Determine if there are any corporate credit/phone cards outstanding; collect/cancel/secure as appropriate. |  |  |  |  |
| Determine necessity to secure blank letterhead, blank purchase order stock, blank stock certificates; blank invoice stock, billing forms, etc. |  |  |  |  |
| ***Control Check Stock and Establish Disbursement Procedures*** |  |  |  |  |
| Secure and establish cash disbursement procedures, including:   * Control of check stock * Authorization for disbursements * Check signing authority |  |  |  |  |
| Locate, secure and inventory all check and draft stock (including payroll). |  |  |  |  |
| Document current disbursement procedures, including flow of information and physical check movement from origination to mailing. |  |  |  |  |
| Establish a control log for all unused check and draft stock on each bank account. Determine who has access to and is authorized to issue check stock and at what quantities – modify as necessary. |  |  |  |  |
| Ensure segregation of duties with regard to control of check stock and check signing equipment. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Secure check imprinting machines, signature stamps, plates and signature machines. Disable electronic and digital signatures. (May also be offsite at payroll service, etc.) |  |  |  |  |
| Review and restrict signature authority. |  |  |  |  |
| Make effort to identify and hold any checks in the mailroom on day of takeover. |  |  |  |  |
| Determine disposition of checks issued prior to order date. |  |  |  |  |
| Review wire transfer procedures and modify as appropriate. |  |  |  |  |
| Identify and cancel bank accounts handled by third parties, as appropriate. |  |  |  |  |
| Obtain a schedule of all recurring disbursements including payee, frequency of payment and approximate amounts of payments. This should include items such as daily claim payments, payroll, lease payments (equipment, office, storage, etc.), supply acquisitions, insurance coverage payments, service/maintenance agreement payments, memberships and dues, etc. |  |  |  |  |
| Obtain contracts for vendors on above schedule to determine potential needed actions or modifications/cancellations of any contracts. |  |  |  |  |
| Determine if insurer handles payroll internally. |  |  |  |  |
| If appropriate, switch to payroll service. |  |  |  |  |
| Contact payroll service to set up year-end W-2 procedures. |  |  |  |  |
| If multiple entities exist, determine the entity that employs personnel and what entity will fund payroll. |  |  |  |  |
| Determine whether there are any safes on premises and conduct a physical inspection and inventory of contents. The safe should be re-keyed, if deemed necessary. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Identify and secure any investments, securities, or cash kept on premises. |  |  |  |  |
| Confiscate keys and change safe deposit box access privileges with the appropriate institutions. |  |  |  |  |
| Identify, analyze and secure control of other liquid assets. |  |  |  |  |
| ***Securities*** |  |  |  |  |
| Identify letters of credit, trust agreements and other collateral held to secure obligations of policyholders under large deductible endorsements, and review and/or establish procedures for reviewing the adequacy of such collateral. |  |  |  |  |
| Determine and list investments by type and reconcile to schedule D:   * Bonds   + Municipal   + Corporate * U.S. government obligations * T-Bills * Strips * Notes * Agency obligations * Stocks   + Common   + Preferred * Repurchase agreements * Advance Agreements * Funding Agreements * Cash balance if not above * Partnership agreements * Stock options/warrants * Collateral loans * Other |  |  |  |  |
| Identify assets that are held as collateral, outstanding advances or otherwise restricted and the circumstances that could initiate calls on such assets. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Continue contact and follow up with all custodians (and FHLBank, if applicable) regarding new transaction procedures and authorizations. |  |  |  |  |
| Obtain cut-off statements for all custodial accounts. |  |  |  |  |
| Reconcile all investment accounts to cut-off statements, noting any unusual items for further investigation. |  |  |  |  |
| Obtain current market values for all invested assets. |  |  |  |  |
| Establish procedures for monitoring status of current investments and procedures for investing maturities and new funds that will comply with maturity requirements for cash flow needs. |  |  |  |  |
| Establish a protocol with FHLBank, if insurer is a member, to corrdinate all activities relating to applicable Advance or Funding Agreement(s). |  |  |  |  |
| Notify paying agents on registered bonds to forward future checks to receiver. |  |  |  |  |
| Obtain a list of securities held for statutory deposit/state deposits; confirm with applicable states. |  |  |  |  |
| Determine type and amounts of all statutory deposits, special or general. |  |  |  |  |
| ***Review of Insurer’s Internal Controls*** |  |  |  |  |
| Obtain and review any internal control reports prepared during the previous year by a public accounting firm. |  |  |  |  |
| Obtain and review any documentation related to the insurer’s recent internal audits (e.g., internal audit reports, work papers, etc.). |  |  |  |  |
| Note any reported significant weaknesses in any of the above reports. Determine if corrective procedures were implemented. |  |  |  |  |
| Implement any additional changes in procedures as necessary. |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| ***Review Of Audit Work papers*** |  |  |  |  |
| Meet with outside auditors to discuss recent audit(s), issues and problems. |  |  |  |  |
| Obtain copies of all work papers, including correspondence, permanent files and memos. Review files for:   * Corporate documents * Analyses and memos on significant transactions * Agreements * Memos to management and internal firm memoranda that might indicate issues * Work papers for issues and unresolved items |  |  |  |  |
| ***Receivables*** |  |  |  |  |
| Review large deductible billing procedures to determine that all amounts are billed timely. Determine that there are no outstanding items for billing and obtain an aging of outstanding receivables. |  |  |  |  |
| Identify, review and evaluate:   * Trade receivables, especially premiums * Mortgage loans and other promissory notes   + Identification, location, terms, and amounts   + Notification to appropriate parties * Valuation of asset; escrow funds * Interest receivables * All MGAs, brokers and agents * Letters of credit * Notes receivable * Lease funds receivable * Royalties * Reinsurance receivables * Receivables from parents, subsidiaries and affiliates * Other receivables * Dividends * Bonds receivable * Premiums and agents’ balances receivable |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| Determine if there are any unsettled balances from affiliates or subsidiaries, how long they have been outstanding, and collectability. |  |  |  |  |
| Determine the transactions that gave rise to the outstanding balances and determine appropriateness of the transactions and amounts. |  |  |  |  |
| Obtain all agreements between insurer and affiliates that give rise to inter-insurer receivables/payables – review and determine appropriateness. |  |  |  |  |
| Review reinsurance recoverables billing procedures to determine that all amounts are billed timely. Determine that there are no outstanding items for billing, and obtain an aging of outstanding receivables. |  |  |  |  |
| If applicable, establish procedures for billing of allowed claims if in liquidation. |  |  |  |  |
| Evaluate premiums and agents’ balances receivable:   * Identify all managing general agents, brokers, agents * Perform any needed audits * Review all fiduciary accounts, deposits with brokers and agents * Analyze setoff and net settlements * Evaluate return premiums * Evaluate assumed reinsurance premium |  |  |  |  |
| Evaluate reinsurance transactions:   * Treaties and facultative certificates * Setoffs improperly taken * Ceded reinsurance premium payable |  |  |  |  |
| ***Other Assets*** |  |  |  |  |
| Identify, review and evaluate the following:   * All funds held by others * Deposits |  |  |  |  |

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| **Checklist 8—Accounting** | **Project Assigned To** | **Date Completed** | **Completed By** | **Notes** |
| * Prepaid deposits * Prepaid taxes * IRS taxes * State taxes * Local taxes * Unearned revenue * Prepaid insurance premiums * Retainers for professional services |  |  |  |  |
| Obtain listings of all retainers and advance deposits. Notice holders of the funds and recover as appropriate:   * Valuation of assets resident in subsidiaries * Overall value of companies * Initial capitalization of subsidiaries; return of investment |  |  |  |  |