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Prepared For:-

MSB-Automobile Finance

Prepared By:-

Md Romel Sharif, CAMS, CCI

 **+8801752179689**

COMPLIANCE AUDIT MANUAL
FINANCE
AUTOMOBILE



Overview and Intent

This Compliance Audit Manual is a fully comprehensive guide designed specifically for Money Services Business (MSB) Auditors operating within the Automobile Finance sector. It serves as both a practical toolkit and a regulatory compass for conducting effective, standardized, and risk-based compliance audits aligned with the highest expectations of financial integrity, customer protection, and legal conformity.

The intent of this manual is to support auditors in verifying whether MSBs maintain a robust compliance posture in alignment with applicable federal laws, risk-management principles, and global anti-financial crime standards. Through a methodical, checklist-driven approach, this guide enables auditors to objectively assess the presence, effectiveness, and execution of critical compliance controls across all core operational areas.

This manual has been carefully structured in accordance with a wide range of foundational U.S. federal laws and regulatory acts, including but not limited to:

Consumer Leasing Act (CLA)
Electronic Fund Transfer Act (EFTA)
Equal Credit Opportunity Act (ECOA) & ECOA Baseline Review
Fair Credit Reporting Act (FCRA)
Fair Debt Collection Practices Act (FDCPA)
Gramm-Leach-Bliley Act (GLBA) – Privacy of Consumer Financial Information
Truth in Lending Act (TILA)
Truth in Savings Act (TISA)
Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

In addition, the manual is aligned with the regulatory expectations and compliance frameworks established under:

Bank Secrecy Act (BSA)
USA PATRIOT Act
Financial Crimes Enforcement Network (FinCEN) Guidance
Financial Action Task Force (FATF) Recommendations
Other relevant federal and state-level mandates applicable to MSBs

Overview and Intent

Scope and Applicability

This guide is intended for use by internal auditors, compliance officers, independent consultants, regulatory examiners, and authorized oversight personnel. It applies to all MSB functions engaged in automobile financing activities, such as installment loans, lease-to-own models, and related consumer financial services involving the transfer of funds, customer onboarding, credit risk assessment, and payment processing.

Audit Methodology

The audit framework within this manual follows a structured methodology consisting of:

Thematic Sectional Reviews

Risk-Based Scoring Models (Scoring matrix withheld for confidentiality)

Documentation Verification Checklists

Compliance Gap Indicators and Risk Flagging Protocols

Evidence-Based Sampling Recommendations

The audit sections are aligned with essential compliance domains including Governance, KYC/CDD/EDD, AML/CFT, Transaction Monitoring, STR/CTR Filing, Sanctions Screening, Employee Training, Technology Controls, Customer Risk Classification, Fraud Detection, and Ethical Culture Oversight.

Each section includes:

Defined Objectives

Comprehensive Checklist Tables

Mandatory Supporting Documentation

Detailed Auditor's Notes and Red Flags

Practical scenarios and audit triggers

Legal Disclaimer

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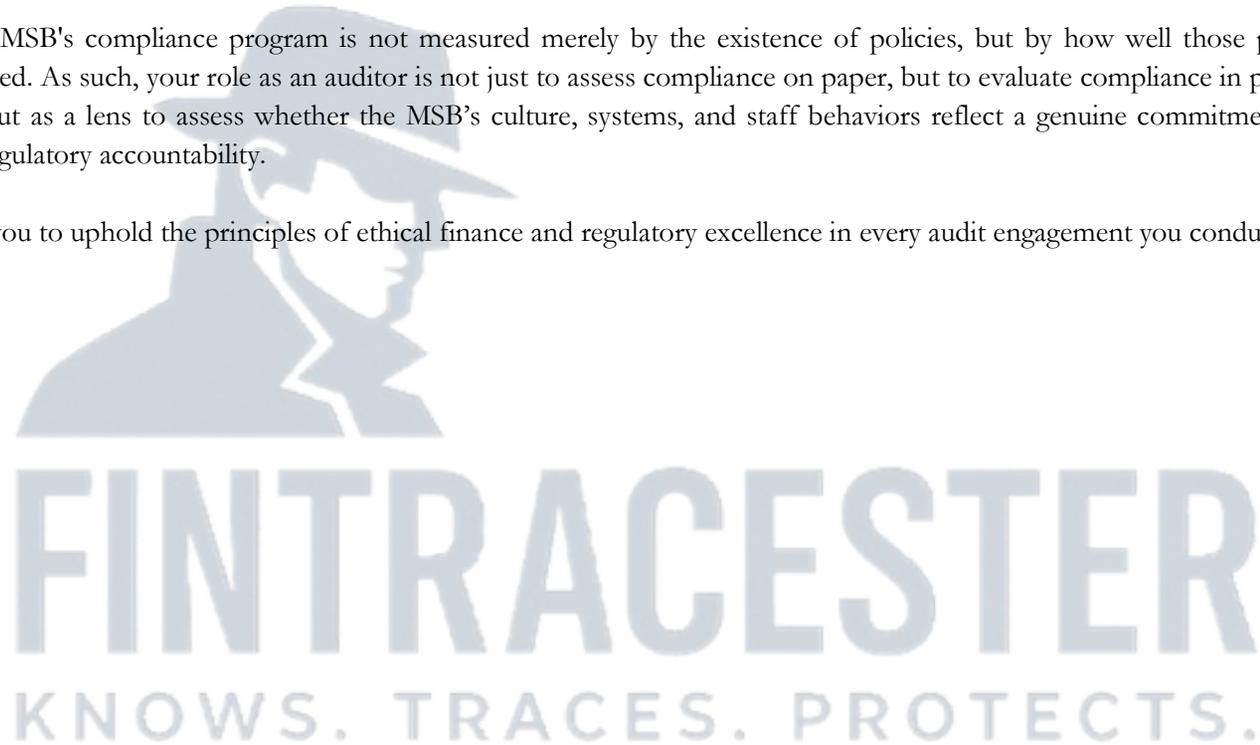
Overview and Intent

While this guide provides a detailed compliance audit methodology, users are advised that it does not constitute legal advice. Institutions should ensure the final audit findings are cross-referenced with the latest regulatory developments and internal policies.

Final Note to Auditors

The effectiveness of an MSB's compliance program is not measured merely by the existence of policies, but by how well those policies are understood, implemented, and enforced. As such, your role as an auditor is not just to assess compliance on paper, but to evaluate compliance in practice. Use this manual not just as a checklist, but as a lens to assess whether the MSB's culture, systems, and staff behaviors reflect a genuine commitment to financial integrity, customer fairness, and regulatory accountability.

Let this guide empower you to uphold the principles of ethical finance and regulatory excellence in every audit engagement you conduct.



Document Submission Instructions

Submission Instructions for Compliance Audit

To proceed with the compliance audit efficiently, please review the instructions below and submit the requested documents accordingly:

1. Submission Deadline

Please submit all applicable documents within the stipulated time as discussed previously.
If you require additional time, kindly inform the audit team in writing before the deadline.

2. Submission Method

Documents can be submitted via any of the following secure channels:

Email (encrypted, if possible): xxx@fintracester.com

Secure Upload Portal (if provided)

Physical Handover in sealed envelope (by prior arrangement only)

3. Document Format

Preferred formats: PDF, Word, Excel, JPG/PNG

Ensure all files are clearly legible and complete

Large files may be compressed into a ZIP folder for convenience

4. File Naming Convention

To ensure clarity and efficient tracking, name your files using the reference codes from the audit checklist. Examples include:

D1_AMLCO_Appointment_Letter.pdf

D5_Customer_Risk_Matrix.xlsx

D9_KYC_SampleFiles.zip

If unsure about naming, use a descriptive title that matches the document's content.

5. Partial Availability

If your MSB does not possess a particular document listed in the checklist:

Do not delay submission of available documents

Clearly state in your email or cover note which items are not applicable or currently unavailable

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Document Submission Instructions

Absence of specific items will be addressed as part of the audit observation and recommendation phase — it will not negatively impact the initial document collection process

6. Special Note for Small MSBs

For small-scale MSBs, the audit may be conducted via LIVE video conferencing, at the discretion and professional judgment of the assigned auditor.

In such cases:

A PDF copy of the draft audit report will be shared digitally

Upon receipt of all required documents, each sealed with the phrase “Original in Custody (OIC)” and signed by an authorized official,

The final signed original audit report will be securely dispatched to the auditee.

7. Point of Contact

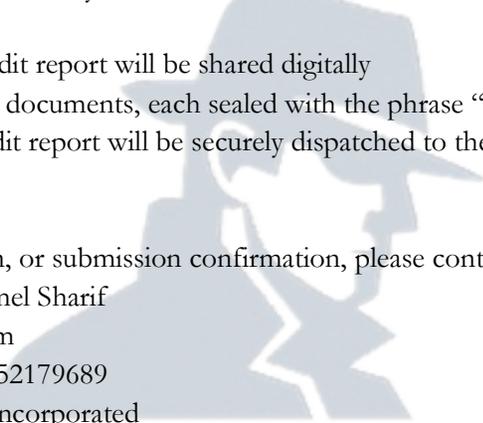
For any queries, clarification, or submission confirmation, please contact:

Audit Coordinator: Md Romel Sharif

Email: xxx@fintracester.com

Phone/WhatsApp: +8801752179689

Organization: Fintracester Incorporated



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Disclaimer & Confidentiality Note

This document has been prepared solely for the purpose of facilitating the collection of documentation necessary to conduct Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) compliance audit of the recipient Money Services Business (MSB). It is provided by the audit team (hereinafter referred to as "the Auditor") to assist the MSB in preparing and submitting documents relevant to its operations, risk profile, and internal controls.

The content, structure, and references within this document are strictly confidential and intended for use **only by the designated representatives of the MSB** to whom it is addressed. Unauthorized reproduction, distribution, forwarding, or disclosure to any external party, regulator, or service provider is **strictly prohibited** without prior written consent from the Auditor.

This document does **not** contain the internal audit methodology, scoring criteria, or proprietary risk assessment procedures of the Auditor. It does **not constitute legal, regulatory, or operational advice**, and should not be construed as such. The responsibility for ensuring regulatory compliance ultimately rests with the MSB and its management team.

The provision of this document does not create a legally binding agreement or guarantee the MSB's regulatory standing or audit outcome. The Auditor reserves the right to independently verify any information submitted, and to request additional documentation as deemed necessary.

All documentation submitted by the MSB in response to this request will be treated with the highest level of professional confidentiality and will be used **solely for the purposes of the current audit engagement**. Access to submitted materials will be limited to authorized audit personnel and will not be disclosed to any third party except as required by law or regulatory obligation.

By proceeding with the submission of documents, the MSB acknowledges and agrees to the terms outlined in this disclaimer.

Glossary for MSBs

SL NO

Government

1. AFMLS Asset Forfeiture and Money Laundering Section, Department of Justice
2. BJA Bureau of Justice Assistance, Department of Justice
3. CFTC Commodity Futures Trading Commission
4. DEA Drug Enforcement Administration, Department of Justice
5. EOUSA Executive Office of United States Attorneys, Department of Justice
6. FBI Federal Bureau of Investigation, Department of Justice
7. FDIC Federal Deposit Insurance Corporation
8. Fed Federal Reserve Board
9. FinCEN Financial Crimes Enforcement Network, Department of the Treasury
10. HIDTA High Intensity Drug Trafficking Area
11. HIFCA High Intensity Money Laundering and Related Financial Crime Area
12. ICE U.S. Immigration and Customs Enforcement
13. INL Bureau for International Narcotics and Law Enforcement Affairs, Department of State
14. IRS-CI Internal Revenue Service -- Criminal Investigations, Department of the Treasury
15. MLCC Money Laundering Coordination Center, U.S. Immigration and Customers Enforcement, Department of Homeland Security
16. NCUA National Credit Union Administration
17. OCC Office of the Comptroller of the Currency, Department of the Treasury
18. OCDETF Organized Crime Drug Enforcement Task Force
19. OFAC Office of Foreign Assets Control, Department of the Treasury
20. OJP Office of Justice Programs, Department of Justice
21. ONDCP Office of National Drug Control Policy
22. OTS Office of Thrift Supervision, Department of the Treasury
Securities and Exchange Commission
23. SOD Special Operations Division, Department of Justice
24. USPIS United States Postal Inspection Service

U.S. Statutes, Laws and Reports

25. BSA Bank Secrecy Act
26. IEEPA International Emergency Economic Powers Act

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SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
1.	Governance & Compliance Structure Audit	To verify whether the MSB maintains a strong, independent, and effective AML/CFT governance framework that is appropriate for managing risk-based compliance.	1
2.	AML/CFT Policy & Procedures Audit	To ensure that the MSB has reliable, up-to-date, and regulator-aligned AML/CFT policies and procedures — designed and implemented in accordance with FinCEN, the BSA, the USA PATRIOT Act, and FATF Recommendations.	3
3.	Employee Training & Awareness Audit	To assess whether all relevant staff of the MSB are appropriately trained and regularly updated on AML/CFT obligations, red flags, customer risk indicators, and regulatory responsibilities — in line with BSA, FinCEN, and FATF recommendations.	5
4.	Customer Due Diligence (CDD), Know Your Customer (KYC), and Enhanced Due Diligence (EDD) Audit	To ensure that the MSB has an effective and risk-based customer verification process (KYC/CDD/EDD) — capable of identifying customer identity, risk profiles, and detecting and monitoring suspicious behavior.	7
5.	Transaction Monitoring & STR/CTR Reporting Audit	To ensure the MSB has robust systems and procedures in place to detect, monitor, and report suspicious or structured transactions in compliance with BSA, FinCEN, and USA PATRIOT Act requirements.	9
6.	Recordkeeping & Documentation Audit	To verify that the MSB maintains comprehensive, organized, and regulator-compliant records for all transactions, customer onboarding, monitoring, and regulatory filings — in accordance with BSA, FinCEN, USA PATRIOT Act, and FATF recommendations.	11
7.	Sanctions & OFAC Screening	To verify that the MSB has implemented an effective sanctions screening framework in line with U.S. Office of Foreign Assets Control (OFAC) regulations, FATF recommendations, and other applicable national/international watchlists — preventing engagement with prohibited entities or jurisdictions.	13
8.	High-Risk Customer Handling	To evaluate whether the MSB has effective policies, processes, and monitoring tools in place to identify, classify, monitor, and manage high-risk customers — such as politically	15

SECTION NO.	Section Wise Checklist	PURPOSE	PAGE NO
		exposed persons (PEPs), non-face-to-face clients, foreign nationals, and customers from high-risk industries or jurisdictions.	
9.	Structuring & Smurfing Pattern Detection	To determine whether the MSB has appropriate tools, rules, and procedures to detect, investigate, and report structuring (also known as smurfing) — a common money laundering tactic involving multiple smaller transactions intended to avoid reporting thresholds or scrutiny.	17
10.	Use of Technology & System Controls	To assess whether the MSB leverages secure, efficient, and compliant technology systems to support AML/CFT operations — including customer onboarding, transaction monitoring, recordkeeping, and data analytics — and whether those systems are appropriately controlled, tested, and governed.	19
11.	Manual vs. Automated Compliance Process Comparison	To assess the balance, reliability, and risks between manual and automated components of the MSB’s compliance operations — ensuring that technology enhances, rather than weakens, regulatory compliance through proper integration, oversight, and fallback protocols.	21
12.	Audit Trail for STR/CTR Decision Making	To evaluate whether the MSB maintains a robust, tamper-proof, and traceable audit trail documenting all steps, decisions, and approvals related to Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) — ensuring transparency, regulatory defensibility, and accountability.	23
13.	Employee Background Screening	To evaluate whether the MSB performs adequate background screening and integrity checks on employees — especially those with access to compliance systems, financial controls, or sensitive customer data — to mitigate the risk of internal fraud, collusion, or misconduct.	25
14.	Ethics, Culture & Tone from the Top	To evaluate whether the MSB fosters a culture of compliance, ethical behavior, and accountability — led by senior management and the board — as evidenced by internal policies, leadership actions, communication, and reinforcement mechanisms.	27
15.	Fraud Detection and Prevention Mechanism	To assess whether the MSB has implemented a robust fraud risk management framework — including controls, detection tools, escalation procedures, and staff awareness — to prevent, identify, and respond to both internal and external fraud threats.	29

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✔ SECTION 1: Governance & Compliance Structure Audit

 **Objective:** To verify whether the MSB maintains a strong, independent, and effective AML/CFT governance framework that is appropriate for managing risk-based compliance.

A. Checklist Table

 Audit Point	Expected Compliance Practice	Risk Level	Auditor's Remarks	
1.1	Is there a formally designated AML Compliance Officer (AMLCO/MLRO)?	Board-approved appointment; clearly named in policy and regulatory documents	Low / Med / High	
1.2	Does the AMLCO have adequate qualifications and experience?	CAMS, ACFCS, or similar certification; minimum 3–5 years AML experience	Low / Med / High	
1.3	Is the AMLCO functionally independent from business/commercial operations?	AMLCO should not be directly involved in sales, marketing, or finance	Low / Med / High	
1.4	Are the AMLCO's responsibilities clearly defined in a job description?	JD should include: policy implementation, STR/CTR filing, training, reporting to board	Low / Med / High	
1.5	Does the AMLCO report directly to senior management or board?	Evidence of independent reporting line; ideally with quarterly updates to board	Low / Med / High	
1.6	Has the AMLCO received recent AML/CFT training (within last 12 months)?	Internal or external training (e.g., webinar, ACAMS conference, in-house session) documented	Low / Med / High	
1.7	Is there an up-to-date Organizational Chart showing reporting structure?	Clear visual diagram of who reports to whom, where AMLCO fits	Low / Med / High	
1.8	Is there a compliance committee or governance forum to oversee AML matters?	May include board audit committee, compliance forum, or senior risk committee	Low / Med / High	
1.9	Are there board meeting minutes reflecting AML/CFT oversight & discussion?	Board/Management meeting records showing AML review, SAR trends, regulatory updates, internal audits	Low / Med / High	
1.10	Are AML roles and responsibilities assigned across departments?	Responsibility matrix (e.g., who handles KYC, monitoring, STR filing, audit, training, etc.)	Low / Med / High	

Automobile Finance Compliance Audit Manual

B. Required Supporting Documents

 Document Name	Description / What to Look For
D1 AMLCO Appointment Letter / HR Record	Issued by senior management or board; officially names the compliance officer
D2 AMLCO Job Description (JD)	Must include scope: policy oversight, training, STR/CTR reporting, risk assessment
D3 AMLCO Resume + Certifications	CAMS/ACFCS certificate, relevant compliance or audit qualifications
D4 Organizational Chart	Should reflect AMLCO's independence and escalation path to board
D5 AML Policy Document (AMLCO Responsibilities Section)	Referenced sections defining AMLCO duties
D6 Board Meeting Minutes (AML topics highlighted)	Minutes from at least last 2–3 board meetings referencing AML, STR, FinCEN updates, etc.
D7 Compliance Governance Structure Document	Diagram or SOP of compliance committee/forum (if applicable)
D8 Compliance Training Attendance Sheet	AMLCO's participation in at least one recent training session
D9 AML Roles & Responsibilities Matrix	Department-wise responsibility table for AML tasks
D10 Reporting Calendar / Quarterly Update Log	Showing scheduled AML reporting to senior management/board

Notes for Auditor:

- If AMLCO has **dual roles** (e.g., finance + compliance), mark risk **Medium or High**.
- If board oversight is **not documented**, mark governance structure as **High Risk**.
- Check for **gaps in reporting lines**, e.g., if AMLCO reports to operations head, raise red flag.
- **In smaller MSBs**, independence may be informal — in such cases, cross-check practical control.