

AGREEMENT BY AND BETWEEN  
Milton Savings Bank  
Milton, Pennsylvania  
and  
The Office of the Comptroller of the Currency

AA-NE-2021-20

Milton Savings Bank, Milton, Pennsylvania (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practices, including those relating to board and management oversight, internal controls, audit, and information technology controls at the Bank;

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors (“Board”), hereby agree that the Bank shall operate at all times in compliance with the following:

**ARTICLE I**

**JURISDICTION**

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a Federal savings association within the meaning of 12 U.S.C. § 1813(q)(1)(C), and is chartered and examined by the OCC. *See* 12 U.S.C. §§ 1461 *et seq.*, 5412(b)(2)(B).

(3) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q).

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) By May 15, 2021, the Board shall appoint a Compliance Committee of at least three (3) members of which a majority shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the appropriate OCC official the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the appropriate OCC official within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) By July 30, 2021, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article of this Agreement; and
- (c) the results and status of the corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the appropriate OCC official within ten (10) days of the first Board meeting following the Board's receipt of such report.

### ARTICLE III

#### BOARD AND MANAGEMENT OVERSIGHT

(1) The Board shall ensure that it receives and reviews sufficient information from management (including scope, frequency, timing and content), regarding the operation of the Bank and the Bank's compliance with this Agreement, to enable the Board to provide effective oversight and Board members to fulfill their fiduciary duties and other responsibilities under law. Refer to: (i) the OCC's "The Director's Book: The Role of Directors for National Banks and Federal Savings Associations"; and (ii) the "Corporate and Risk Governance" booklet of the Comptroller's Handbook (July 2019).

(2) The Board shall ensure that the Bank has competent management and staff in place on a full-time basis to carry out the Bank's policies, ensure compliance with this Agreement, applicable laws, rules, and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(3) By July 30, 2021, the Board shall establish, implement, and maintain a comprehensive governance framework which provides for the establishment of appropriate segregation of duties and internal controls. At a minimum, this framework must include:

- (a) An independent staffing assessment that:
  - (i) identifies the skills and expertise needed to execute and sustain a safe and sound system of internal controls and risk management for key functions of the Bank including Chief Executive Officer, Controller/Operations Manager, Information Technology Manager, and Chief Loan Officer vested with sufficient authority to fulfill the duties and responsibilities of the position, carry out the Board's

policies, ensure the Bank's adherence to corporate governance and decision-making processes, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in safe and sound manner within the scope of that position's responsibilities;

- (ii) identifies any gaps in those skills and/or expertise within the Bank's current management and staff;
- (iii) evaluates current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (iv) provides for the development of a written strategy which would outline plans for how the Bank could address any gaps or deficiencies identified pursuant to Subparagraphs (3)(a)(i) or (3)(a)(ii) of this Article;
- (v) concludes on the appropriateness of each individual's compensation, including salary and fee income;
- (vi) includes an organization chart that clearly reflects areas of responsibility and lines of authority for all officers; and
- (vii) includes detailed written job descriptions for all officers, and objectives by which management's effectiveness will be measured.

- (b) A written assessment on the quality and accuracy of information that management provides to the Board to ensure that the Board receives adequate information from management on the operations of the Bank to

enable the Board to effectively supervise the Bank and Board members to fulfill their fiduciary duties. The comprehensive framework shall also require the Bank to conduct this assessment on an annual basis thereafter.

(4) Upon completion, the Board shall submit a copy of the independent staffing assessment required by paragraph (3)(a) and the written strategy required by paragraph (3)(a)(iii) to the ADC for prior written determination of no supervisory objection. At the next Board meeting following receipt of the ADC's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to the written strategy and any amendments or revisions thereto.

(5) If any senior executive officer (as defined in 12 C.F.R. § 5.51(c)(4)) position is vacant now or in the future, the Board shall within thirty (30) days of the date of this Agreement or the future vacancy, respectively, identify and provide notice to the Assistant Deputy Comptroller, of a competent, permanent, and full-time candidate for the position who has sufficient prior experience in problem bank situations. The Board shall comply with the prior notice requirements of 12 U.S.C. § 1831i and 12 C.F.R. § 5.51 when selecting an individual to serve in any senior executive officer position.

(6) Prior to the appointment of any individual to an executive officer position (other than for a senior executive officer as defined in 12 C.F.R. § 5.51(c)(4)), the Board shall submit to the Assistant Deputy Comptroller written notice containing information regarding the proposed candidate's identity, personal history, business background, and experience and any other information required by the Assistant Deputy Comptroller in writing and receive the Assistant Deputy Comptroller's written determination of non-disapproval.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such disapproval power shall not constitute an approval or endorsement of the proposed executive officer.

(8) Within thirty (30) days of receiving the Assistant Deputy Comptroller's written determination of non-disapproval of a proposed executive officer referred to in paragraphs (5) and (6) of this Article, the Board shall appoint the individual to that executive officer position. That new executive officer shall be vested with sufficient authority to fulfill the duties and responsibilities of the position, carry out the Board's policies, ensure compliance with this Agreement applicable laws, rules and regulations, and ensure the safe and sound operation of the Bank within the scope of that position's responsibilities.

(9) The requirement to submit information and the prior disapproval provisions of paragraph (6) of this Article are based upon the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his or her review and act on any such information or authority within ninety (90) days.

#### **ARTICLE IV**

#### **ACCURATE MAINTENANCE AND PRESERVATION OF DOCUMENTS, BOOKS, AND RECORDS**

(1) The Bank, subject to Board oversight, shall ensure that all of the Bank's documents, books, and records are accurately maintained and preserved within the Bank's control and shall ensure that no Bank documents, books, or records are destroyed, altered, or removed from the Bank's control until further written notice from the Assistant Deputy Comptroller. However, such documents, books, and records may be altered and amended in the course of ordinary Bank business to accurately and timely record routine banking transactions.

(2) For purposes of this Article, “documents, books, and records” shall have the broadest possible meaning and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, electronic mail, voice mail, financial instruments, and tapes.

(3) The Bank shall provide OCC personnel with prompt and unrestricted access to the documents, books, records, Board members, officers, and staff of the Bank. The Board and Bank management, subject to Board review and ongoing monitoring, shall ensure all agents and representatives of the Bank provide OCC personnel with prompt and complete access to the documents, books, and records of the Bank.

(4) Upon inquiry from the OCC, the Bank shall provide full and complete details, including but not limited to any relevant documentation, of the structure and purpose of the transactions by and between the Bank and any of its customers, transactions by and between the Bank and any of its actual or potential investors, and transactions by and between the Bank and any of its Board members, officers, and staff, to OCC personnel. For all such transactions, the Bank shall also disclose any current or former affiliations as well as any potential or actual conflicts of interest between the Bank’s Board members, officers, and staff and the entity or person with which the Bank engaged in the transaction.

(5) The Bank, subject to Board oversight, shall take the necessary steps to ensure that the Bank timely files complete and accurate Consolidated Reports of Condition and Income (“Call Reports”) in accordance with the Federal Financial Institutions Examination Council’s “Instructions for Preparation of Consolidated Reports of Condition and Income.” These steps shall include:

- a. the designation of an officer with the knowledge, skills, and abilities necessary to ensure the Bank timely and accurately files its Call Reports;
- b. training of appropriate Bank personnel in Call Report preparation;
- c. procedures to ensure the Bank retains documentation providing an appropriate audit trail for all Call Report schedules; and  
the performance of an independent review and verification of the accuracy of all Call Report schedules in advance of each Call Report filing.

(6) The Bank shall submit a copy of all adjustments to Call Reports to the Assistant Deputy Comptroller upon filing or re-filing the Call Report.

## **ARTICLE V**

### **EXTERNAL AUDIT**

(1) By May 31, 2021, the Bank shall engage the services of an independent Certified Public Accountant to, at a minimum: perform an external audit to verify, from January 1, 2018 to the present, the accuracy and completeness of the Bank's documents, books, and records; to render an opinion on the Bank's financial statement for the year ended December 31, 2020 and a full review of internal controls for year 2020.

(2) The Bank shall ensure that the independent Certified Public Accountant retained pursuant to Paragraph (1) of this Article agrees in the engagement letter to provide the OCC with access to and copies of any work papers, policies, and procedures relating to the services performed by the external auditor for the Bank.

(3) Prior to engaging the independent Certified Public Accountant, the Bank shall submit the name and qualifications of the independent Certified Public Accountant and the proposed terms of employment including the proposed engagement letter and any amendments



thereto to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. The audit must be completed within one hundred twenty (120) days of receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection. After receipt of no supervisory objection to the independent Certified Public Accountant or the scope of the engagement, the Board shall immediately engage the independent Certified Public Accountant pursuant to the proposed terms of the engagement.

(4) The Board shall evaluate the audit reports of any party providing services to the Bank and shall assess the impact on the Bank of any audit deficiencies cited in such reports and the Bank's Report of Examination started on November 2, 2020, using financial information as of September 30, 2020. The Board shall submit the results of the external audit, the opinion, audited financial statements, and comparative financial statements for December 31, 2020 to the Assistant Deputy Comptroller within thirty (30) days of receipt of such items by the Board.

(5) Based upon the results of the external audit as provided to the Assistant Deputy Comptroller pursuant to Paragraph (3), the OCC may require a longer lookback period or expand the scope of the review required by Paragraph (1). If an additional lookback is deemed appropriate by the OCC, the OCC will notify the Bank in writing and the Bank shall complete the lookback in accordance with this Article.

(6) Within thirty (30) days of the date of receipt of the external audit, the Board shall develop a plan to address the results of the external audit ("Audit Plan"). The Audit Plan shall include, at a minimum, specific plans for:

(a) making appropriate adjustments to the Bank's books and records; and

(b) exercising the Bank's rights or claims for damages, restitution, indemnification, or other monetary claims identified as a result of the external audit.

(7) By May 15, 2021, the Board shall review and revise the current audit charter to accurately set forth the objectives, authorities, responsibilities, and organization of the Audit Committee and to require the Board to document their consideration of an annual financial statement audit. The revised audit charter shall also be adopted by the Board.

(8) The Bank shall submit the Audit Plan to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. Upon receipt of a written determination of no supervisory objection to the Audit Plan, the Board shall adopt, and thereafter ensure that the Bank implements, subject to Board review and ongoing monitoring, the Audit Plan. Any proposed changes to or deviations from the approved Audit Plan shall be submitted in writing to the Assistant Deputy Comptroller for prior written determination of no supervisory objection.

(9) The requirement to submit information and the prior written determination of no supervisory objection provisions of paragraph (3) of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Assistant Deputy Comptroller to complete his or her review and act on any such information within ninety (90) days.

## **ARTICLE VI**

### **INTERNAL AUDIT**

(1) By May 31, 2021, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable, comprehensive, written internal audit program that adequately assesses controls and operations

to allow the Board and management to understand the sufficiency of the Bank's internal controls system ("Internal Audit Program").

(2) Management shall ensure the Internal Audit Program's compliance with the standards for internal audit systems set forth in Section II.B of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30. Refer to the "Internal and External Audits" booklet of the *Comptroller's Handbook* for related safe and sound principles. The Internal Audit Program shall incorporate standards of safety and soundness that are commensurate with the Bank's size, complexity, scope of activities, and risk profile and shall, at a minimum:

- (a) require the development of an internal audit plan that is risk-based and provides adequate audit scope, coverage, and frequency for all areas of the Bank, with annual documented Audit Committee approval of the internal audit plan and Audit Committee notification of any material variance from the plan;
- (b) address the use of third parties to complete any internal audit activities, including documented Audit Committee approval of selection and termination of third parties; refer to OCC Bulletin 2013-29, "Third-Party Relationships" for related safe and sound principles;
- (c) evaluate the reliability, adequacy, and effectiveness of the Bank's internal controls system, whether operated by the Bank or a third-party;
- (d) evaluate whether the Bank's internal controls system results in prompt and accurate recording of transactions and proper safeguarding of assets;

- (e) determine whether the Bank complies with laws and regulations and adheres to its established policies, procedures, and processes;
- (f) determine whether management is taking appropriate and timely steps to address control deficiencies and audit report recommendations, that the progress of such steps is adequately validated, documented, and tracked, and that such progress is reported to the Audit Committee on at least a quarterly basis;
- (g) require all internal audit reports to be in writing and distributed directly, not through any intervening party, to the Audit Committee in a timely manner after audit completion; and
- (h) require audit work papers and documentation that provides a meaningful audit trail and validation for audit findings, conclusions, and recommendations.

(3) The Board shall provide effective oversight of the Internal Audit Program, including:

- (a) verifying that management has adequately staffed the internal audit function, using internal resources and/or third parties, with respect to both the number of auditors required and their knowledge, skills, and experience;
- (b) verifying the internal audit function is independent and objective. The person responsible for implementing the Internal Audit Program shall

functionally report directly to the Audit Committee, which shall direct his or her activities, set compensation, and evaluate performance;

- (c) verifying management's actions to address material weaknesses in a timely manner and, where appropriate, directing management to take additional action; and
- (d) verifying management satisfies all statutory, regulatory, and supervisory requirements.

(4) The internal audit staff shall have access to any records necessary for the proper conduct of its activities. The OCC shall have access to all reports and work papers of the internal audit staff and any third parties providing internal audit services.

(5) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Internal Audit Program or to any subsequent amendment to the Internal Audit Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Internal Audit Program. The Board shall review the effectiveness of the Internal Audit Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Internal Audit Program as needed or directed by the OCC. Any amendment to the Internal Audit Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE VII**

### **INFORMATION TECHNOLOGY**

(1) By August 30, 2021, the Board must develop, implement, and thereafter adhere to a written, well-documented, risk-based, internal information technology audit program. At a

minimum, the IT audit program must be performed by an independent and qualified party and must include fundamental elements of a sound audit program. Refer to the “Audit” booklet of the *FFIEC’s Information Technology Examination Handbook* for guidance on IT audit programs.

(2) By August 30, 2021, the Board must develop, implement, and thereafter ensure adherence to a comprehensive, written information security program to ensure the safety and soundness of its operations and to support the Bank’s efforts to comply with Section II, Safeguarding Customer Information, of Appendix B to 12 C.F.R. Part 30. The information security program must include administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of customer information. Refer to the “Information Security Booklet” of the *FFIEC’s Information Technology Examination Handbook* for sound information security principles. At a minimum, the information security program must include a corporate-wide assessment of the risks to the Bank’s customer information or customer information systems and a written report evidencing such assessment. The assessment must include:

- (a) the identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems;
- (b) an assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information;
- (c) an assessment of the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks;

- (d) a process to monitor and control the identified risks, commensurate with the sensitivity of the information as well as the complexity and scope of bank activities; and
- (e) a test plan that provides for regular testing of key controls, systems and procedures of its information security program. The frequency and nature of such tests must be determined by the risk assessment. Such tests must be conducted or reviewed by independent third parties or staff independent of those who develop or maintain the information security program.

(3) Within ninety (90) days, the Board must develop, implement, and thereafter adhere to a plan to mitigate identified risks. The plan must address policies, procedures, organizational structure, and electronic access controls designed to mitigate identified risk. The risk mitigation plan at a minimum must address:

- (a) logical security access rights for the network, operating systems, applications databases, and network devices. This includes updating access rights based on personnel or system changes and reviewing users' access rights at an appropriate frequency based on the risk to the application or system,
- (b) access to the operating system and system utilities which provide users with the authority to make fundamental changes to the system. This includes implementing effective user access to appropriately restrict system access for both users and applications and, depending on the sensitivity, extend protection at the program, file, record, or field level, limiting the number of employees with access to operating systems and

grant only the minimum level of access required to perform job responsibilities, restricting and logging access to and activity on operating system parameters, system utilities, and sensitive system resources.

## **ARTICLE VIII**

### **GENERAL BOARD RESPONSIBILITIES**

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;
- (b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;
- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;



- (e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Agreement; and
- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

## **ARTICLE IX**

### **OTHER PROVISIONS**

(1) As a result of this Agreement, the Bank is in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(7)(ii), unless otherwise informed in writing by the OCC. In addition, as a result of this Agreement, the Bank is not an “eligible bank/savings association” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the OCC.

(2) This Agreement supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3(g)(5), 5.51(c)(7)(ii).

## **ARTICLE X**

### **CLOSING**

(1) This Agreement is intended to be, and shall be construed to be, a “written agreement” within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that

no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that warrant the desired relief or prevent the Bank from complying with the relevant provision(s) of the Agreement, and shall be accompanied by relevant supporting documentation. The OCC's decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(3) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the

corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(4) Each citation, issuance, or guidance referenced in this Agreement includes any subsequent citation, issuance, or guidance that replaces, supersedes, amends, or revises the referenced cited citation, issuance, or guidance.

(5) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(6) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Assistant Deputy Comptroller  
Office of the Comptroller of the Currency  
Philadelphia Field Office  
1150 Northbrook Drive, Suite 303  
Trevose, Pennsylvania 19053

(7) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his duly authorized representative, has hereunto set her signature on behalf of the Comptroller.

//s// Digitally Signed, Dated: 2021.04.20

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Julie A. Pleimling  
Assistant Deputy Comptroller  
Philadelphia Field Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Milton Savings Bank have hereunto set their signatures on behalf of the Bank.

/ s /  
Richard L. Allen

4/20/21  
Date

/ s /  
Timothy I. Bittner

4-20-21  
Date

/ s /  
Thomas A. Eiswerth

4/20/21  
Date

/ s /  
Mark R. Lazarus

4-20-2021  
Date

/ s /  
David C. Moser

4-20-21  
Date

/ s /  
Gary C. Quarry

20 Apr. 2021  
Date