

**SECTION .0300 - BASIC INTERNAL CONTROLS: ACCOUNTING PROCEDURES AND OPERATION
STANDARDS FOR STATE-CHARTERED CREDIT UNIONS**

04 NCAC 06C .0301 GENERAL PROVISIONS

(a) Internal controls, accounting procedures, and operational standards adequate to safeguard the assets shall be established by all credit unions.

(b) Credit unions with ten million dollars (\$10,000,000) or more in assets shall follow generally accepted accounting principles (GAAP) for financial statement and report preparation. Credit unions with less than ten million dollars (\$10,000,000) in assets may follow GAAP or use the procedures in the "Accounting Manual for Federal Credit Unions," including any subsequent amendments that are incorporated by reference, and may be found at no cost on the National Credit Union Administration website (www.ncua.gov).

(c) At least 60 days before a credit union converts its records from a manual to an Electronic Data Processing (EDP) system through an outside servicer or changes EDP services, a copy of the proposed contract and a description of the data processing system shall be submitted to the Administrator for review and approval. If an in-house EDP system or the sponsoring company's EDP facilities are to be used, the Administrator shall be notified in writing of the proposed change before planning and system programming begins. Contracts and agreements for EDP systems shall conform with the following:

- (1) the right of the Administrator or his or her representative to request and receive from the service center any reports, summaries, or information contained in or derived from the data in the possession of the service center relating to the credit union;
- (2) terms of the contract, including dates for the beginning and end with disclosure of the charges to be incurred;
- (3) notice of the termination of the servicing contract or agreement, consistent with industry standards;
- (4) the description of the equipment, services, reports, location of original documents and source data and method of transmittal of input information to the service center, and applicable controls;
- (5) a maintenance agreement that is consistent with industry standards;
- (6) availability of technically qualified personnel;
- (7) the due diligence and review by the board of directors or legal counsel; and
- (8) fidelity bond coverage for service center personnel and for losses due to system errors and insurance coverage for losses from fire, disaster, or other causes resulting in an interruption of service.

*History Note: Authority G.S. 54-109.11; 54-109.12; 54-109.16; 54-109.17(a); 54-109.17(b);
Eff. February 1, 1976;
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