

04 NCAC 06C .0305 INDEPENDENT AUDITS

(a) An audit of each State-chartered credit union shall occur at least once each calendar year and shall cover the period elapsed since the last audit. The audit shall be performed using generally accepted auditing standards. It shall be the responsibility of the supervisory committee, or board of directors if there is no supervisory committee, to ensure that:

- (1) generally accepted auditing standards are used;
- (2) an audit of the credit union records is conducted using the minimum procedures applicable to federally insured state-chartered credit unions as set forth in 12 CFR Part 715, which is herein incorporated by reference, including subsequent amendments and editions, and may be found at no cost at www.ecfr.gov; and
- (3) the audit report is prepared and submitted to the board of directors.

Workpapers of the supervisory committee or its independent auditors shall be made available for review by the Credit Union Division.

(b) Compensated auditors performing audits for credit unions shall be independent of the credit union's employees, members of the board of directors, supervisory committee, credit committee, or the credit union's loan officers and members of their household or immediate families. For the purposes of this Rule, "member of their immediate families" includes immediate blood relatives and members attained by marriage, including spouses, biological children, adopted children, and step-children, as well as domestic partners. Compensated auditors must be a Certified Public Accountant (CPA), or a bonded auditing firm, or a person who is bonded or has accountants' professional liability insurance coverage.

(c) The supervisory committee, or board of directors if there is no supervisory committee, shall verify or cause to be verified all depositors' and members' accounts annually. The results of the member account verification shall be submitted to the board of directors for review. The verification of members' accounts shall be made using either of the following methods:

- (1) a controlled verification of 100 percent of share, deposit, and loan accounts; or
- (2) a controlled random sampling method that provides assurance that the general ledger accounts are fairly stated and that members' and depositors' accounts are properly safeguarded.

(d) A credit union shall obtain an outside independent audit by a CPA for any fiscal year during which:

- (1) the required annual audit was not performed or was not in accordance with Paragraphs (a), (b), or (c) of this Rule; or
- (2) the credit union has experienced serious or persistent recordkeeping deficiencies. For the purposes of this Subparagraph, "persistent" means continuing to exist or endure. For the purposes of this Subparagraph, "serious" is when the Division has cause for concern that the financial condition is not fairly and accurately presented or that management practices are not sufficient to safeguard the assets of the credit union.

When a credit union fails to comply with this Rule, the Administrator has the authority to engage an outside CPA at the credit union's expense to conduct the required annual audit.

*History Note: Authority G.S. 54-109.12; 54-109.35(b); 54-109.49;
Eff. February 1, 1976;
Readopted Eff. April 4, 1978;
Amended Eff. October 1, 1991; October 1, 1983; May 1, 1983; January 1, 1983;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016;
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