

Audit Report Requirements

Credit Unions with total assets between \$3,000,000 and \$5,000,000 as of 12/31 of the prior year:

- 1) The Supervisory Committee shall make or cause to be made an annual internal audit of the books and affairs of the credit union to determine that the credit union's accounting records and reports are prepared promptly and accurately reflect operations and results, that internal controls are established and effectively maintained to safeguard the assets of the credit union, and that the policies, procedures and practices established by the Board of Directors and management of the credit union are being properly administered.
- 2) The Supervisory Committee shall make or cause to be made at least once each year a reasonable percentage verification of members' share and loan accounts, consistent with rules promulgated by the Director (see 190.130 of the Rules & Regulations for the complete information on Verification of Accounts).
- 3) The Supervisory Committee of a credit union with assets of \$3,000,000 or more, but less than \$5,000,000, shall engage a public accountant registered by the Department of Professional Regulation to perform an external independent audit of the credit union's financial statements in accordance with generally accepted auditing standards at least once every 3 years. A copy of an external independent audit shall be completed and mailed to the Director **no later than 90 days after December 31 of each year**; provided that a credit union or group of credit unions may obtain an extension of the due date upon application to and receipt of written approval from the Director. If the annual internal audit of such a credit union is conducted by a public accountant registered by the Department of Professional Regulation and the annual internal audit is done in conjunction with the credit union's annual external audit, the requirements of subsection (1) of this Section shall be deemed met.

Section 190.130 - Verification of Share and Loan Accounts

Credit Unions with total assets between \$3,000,000 and \$5,000,000 as of 12/31 of the prior year:

- a) The Supervisory Committee must make or cause to be made at least once each year a reasonable percentage verification of members' share and loan accounts. Except where prior written permission is given by the Division, for good cause shown, the verification results are to be reported in the Supervisory Committee Report filed with the Division. The verification shall be conducted by the Committee, or by a registered public accountant, under the supervision of the Committee.
- b) Verifications conducted by the Supervisory Committee.
 - 1) The Committee must test 100% of the accounts at least once every two years; however, the Committee may submit a modified program using generally accepted auditing standards for approval by the Division. When conducting the verification, the Committee must establish the following controls:
 - A) The commencement of the verification must be on a surprise basis, including taking possession and control of such books and records or copies thereof as are necessary for the audit.
 - B) All work is to be done by the Supervisory Committee or its designated agents; all credit union staff, employees, and other directors shall not be involved, other than to explain exceptions.
 - C) General notice of the verification is to be publicized to the membership in the credit union offices and by other appropriate means.
 - D) Separate records of members' share and loan account trial balances are to be maintained by the Committee; the Committee must also maintain a separate list of members which is to be updated from the Board minutes for new and terminated members.
 - E) All responses and communications to the verifications by members must be to the Supervisory Committee or its agents.
 - F) All records supporting the verification are to be retained by the Supervisory Committee.

- 2) Verification requests may be of either the positive kind, which requires a direct reply or attestation by the member as to the correctness or the balances, or the negative kind, which require replies only if the information listed is, in the opinion of the member, incorrect. Provided however, **that the following accounts must be verified using the positive method***:
 - A) Inactive or dormant accounts – members' accounts which show no member initiated activity for at least 3 years.
 - B) Accounts with recent activity following a period of at least 3 years of dormancy.
 - C) Accounts that show unusually large share withdrawals.
 - D) Accounts that have delinquent loans.
 - E) Share and loan accounts closed or charged off since the last verification was conducted.
 - F) Accounts where negative requests are returned due to an inaccurate address.
 - G) Any other accounts with unusual or significant activity, or which, in the judgment of the Committee, should be done on a positive basis to verify the integrity of the negative verification requests.
 - 3) All discrepancies reported should be resolved, and if known, the reason for the error reported to the Board, along with the results of the audit.
- c) Verification conducted by a CPA firm or individual registered with the State of Illinois to practice as a Public Accountant.
- 1) When the Supervisory Committee's audit is performed by a CPA or a Registered Public Accountant, either positive or negative verification requests may be used. The extent and nature of all tests is to be decided jointly by the Committee and the CPA or Registered Public Accountant.
 - 2) At the conclusion of the audit, a statement must be given which reflects the work performed and the responsibilities accepted by the firm or individual. This statement shall be signed by the person in charge of the audit, or by the person who accepts responsibility for the firm, and shall be attached to the audit report given to the Board of Directors.

(Source: Amended at 30 Ill. Reg. 18919, effective December 4, 2006)

***If the credit union does not have any accounts applicable to the seven (7) accounts listed in Section 2), please indicate so on Page 16, Line 5 of the Audit Report.**