



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

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Obtaining Audit Reports¹ from Third-Party Providers

The National Credit Union Administration (NCUA) recently announced a change in their supervision policy that requires their examiners to obtain a copy of a newly completed audit report directly from the outside audit firm from all federally insured credit unions. This change is in response to recommendations made by the Office of Inspector General following material loss reviews conducted by that office.

NCUA examiners conduct off-site reviews for all federally insured credit unions once a quarter. These reviews primarily consist in studying the most recent Financial Performance Report and 5300 Call Report. In addition, and as part of the off-site monitoring process, NCUA now requires their examiners to review each credit union's Online Profile to determine if the credit union has reported a newly completed annual audit completed by a third-party. If so, the NCUA examiner is required to contact the auditor, supervisory committee, and/or audit committee to obtain a copy of the audit report **directly** from the auditor. Once received, the examiner will read the audit report, and if material problems are identified, will follow up as necessary.

In order to reduce the burden to credit unions (and third-party audit providers) from receiving multiple requests for audit reports by both the Division of Credit Unions (DCU) and the NCUA, DCU will coordinate the audit report requests as a single point of contact.

When required, NCUA will notify DCU of the need to obtain an audit report, and DCU will notify the credit union and/or third-party audit provider to request an electronic copy of the audit and the applicable management letter be sent directly (via encrypted email) to both the DCU at DCU@dfi.wa.gov and at the same time, send a cc to NCUA at r5dosmail@ncua.gov. Upon review and as required, the DCU, NCUA, and the credit union will work together to resolve any concerns.

If you have any questions about this Bulletin, please contact Keith Schuster at Keith.Schuster@dfi.wa.gov or (360) 902-8717.

¹Annual audit reports are required for Federally Insured State Credit Union's (FISCUs) with \$500 million or more in assets. For those with less than \$500 million, either of three supervisory committee audit options are available. See: §715.4 Audit responsibility of the Supervisory Committee. <http://www.ecfr.gov/cgi-bin/text-idx?SID=3a2a547a46463337db3cc01b1fb68f21&mc=true&node=pt12.7.715&rgn=div5>