

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Bulletin 2005-02-CU

In the matter of:

Annual Comprehensive Audit
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Issued and entered
this 10th day of June 2005
by Linda A. Watters
Commissioner

This bulletin supersedes Bulletin 84-4.

The purpose of this bulletin is to define the minimum audit steps the supervisory committee or outside auditor must perform when completing an annual comprehensive audit in accordance with Sections 344(1) and (2) of the Michigan Credit Union Act, 2003 PA 215 as amended, MCL 490.344(1) and 490.344(2).

A comprehensive audit is an in-depth review of the credit union to determine adequacy of and compliance with the credit union's policies and procedures, including internal controls, and to verify accuracy of the credit union's records.

Examiners use the attached checklist to evaluate the effectiveness of annual, comprehensive audits. Checklist items are minimum procedures required of each credit union for a comprehensive audit and should be supplemented by additional audit procedures as required by circumstances. The checklist also addresses the verification of member accounts that either the supervisory committee or outside auditor must perform at least once every two years.

If the credit union uses an outside auditor, the credit union must communicate the minimum required audit procedures to the auditor. Each credit union must have a written audit scope from the outside auditor or supervisory committee. Examiners may review work papers, supporting documentation, and reports to coordinate the regulatory examination with the credit union's annual comprehensive audit and to avoid duplication of effort.

ANNUAL COMPREHENSIVE AUDIT CHECKLIST

Who performed the annual audit: CPA, Non-CPA, Supervisory Committee?

What period of time did the audit cover?

Did auditors conclude that financial statements fairly and accurately represent the condition of the credit union?

VERIFICATION OF MEMBERS' ACCOUNTS

Were member accounts verified? If so, when?

If so, provide name and telephone number of the party performing the verification.

A. WAS THE VERIFICATION CONTROLLED BY THE FOLLOWING MEASURES:

1. Surprise contact?
2. Posting of the general notice only after commencement of the verification?
3. Preparation of trial balances of individual ledgers?
4. Reconciliation of trial balances to general ledgers?
5. Direct delivery of statements to committee/auditor?
6. Non-participation of operating personnel?
7. Proper handling of "Do not mail" accounts?
8. Direct return of undeliverable statements to committee/auditor?
9. Prompt committee/auditor response to members' questions?
10. Maintenance of confidential list of members' accounts?
11. Periodic updating of confidential lists?
12. Periodic verification of closed accounts?
13. Retention of verification records?

B. WERE THE FOLLOWING AUDIT STEPS PERFORMED AND DOCUMENTED:

1. Cash count separate and signed for each teller?
2. Reconciliation of receipts to deposits?
3. Bank reconciliation for each account?
4. Undeposited cash reconciled?
5. Cash in transit confirmed?
6. Traveler's Checks and money orders reconciled?
7. Trial balance of general ledger?
8. Trial balance of individual ledgers?
9. Loans reviewed?
10. Delinquency checked?
11. Reserves/undivided earnings reviewed?
12. Allowance for loan losses reviewed?
13. Charged off loans and recoveries reviewed?
14. Gross test of interest and interest refunds?
15. Individual interest calculations reviewed?
16. Individual dividend calculations reviewed?
17. Expenses reviewed?
18. Fixed asset acquisition and depreciation reviewed?
19. Surety bond and insurance coverage reviewed?
20. Credit committee records reviewed?
21. Board, investment, and executive committee records reviewed?
22. Other asset accounts reviewed?
23. Other liability accounts reviewed?

24. Internal controls surveyed?
25. Bank accounts verified and confirmed?
26. Investments verified and confirmed?
27. Notes payable verified and confirmed?
28. Audit reports submitted to Board of Directors?
29. Audit steps documented?
30. Supervisory Committee or Board of Directors' report to membership at annual meeting?

C. WAS THE SCOPE OF THE AUDIT EXPANDED TO INCLUDE:

1. Share drafts?
2. Automated teller machines (ATMs)?
3. Point of sale activity (POS)?
4. Electronic data processing (EDP)?
5. Credit card activities?
6. Real estate activities?
7. Purchase and sale of eligible obligations?

D. ACCEPTABLE CRITERIA:

1. Were all significant parts of the audit performed?
2. Were all significant audit procedures documented?
3. Were requirements of the Supervisory Committee Manual met?
4. Were all significant areas of the operation audited?

Any questions regarding this bulletin should be directed to:

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/s/

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