

External Audit Selection

NACUSAC Conference

June 11, 2011 Seattle, WA



Gerry Dunning, CIA,CISA,CFE
Chairman Supervisory Committee,
Caltech Employees Federal Credit Union and
Member Supervisory Committee,
Partners Federal Credit Union

**NACUSAC ANNUAL
CONFERENCE JUNE 8-11,
2011, SEATTLE, WA**



How to Select an External Auditor?

- NACUSAC, Select One
- Provided to all NACUSAC members with membership www.nacusak.org
- What does Select One provide?



Select One Details

- Sample Request for Proposal (RFP).
- Sample Bidding and Selection Process schedule.
- Sample Letter to Current External Auditor.
- Sample Invitation to Bid Letter.
- Sample Confidentiality Agreement.



Select One Details Cont.

- Pricing Proposal Format
- Format for Professional and Technical Information.
- Sample Letter Acknowledging Receipt of Proposals.
- Proposal Evaluation Form.
- Cost Assessment Process.
- Letter to firms Not Selected.



What are the Requirements for the External Audit?

- Review the NCUA Rules & Regulations.
- Start at the NCUA web page.
- www.ncua.gov
- Look at the “Guides Manuals and Forms” section on the NCUA web site.
- The “NCUA Examiner Guide”, Chapter 5- Supervisory Committee.

NCUA Examiners Guide

Chapter 5 Supervisory Committee

- Reviewing the engagement Letter 5-5
- Finding an Audit or Verification Unacceptable 5-6
- Verifications 5-10
- Mandatory Auditor Rotation? 5-12
- Opinion Audits 5A-1



The Federal Credit Union Act

Supervisory committee duties

- “The supervisory committee shall make or cause to be made an annual audit and shall submit a report of that audit to the board of directors and a summary of the report to the members at the next annual meeting of the credit union.”
- “The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years.”



Supervisory Committee guide for Federal Credit Unions

- Available on the NCUA web page at www.ncua.gov
- Chapter 3-What Standards must we meet in performing the audit and verification?
- Chapter 4-What are our responsibilities?
- Chapter 5-Who must do the audit?



Establishing the Time-Line for the Request for Proposal Process

- Allow approximately 6 months to complete the process.
- Start the process as soon as possible after the prior audit is completed.
- Develop a tentative schedule
- Get the process started!
- Find out what the cost of the current audit is and make sure the board and management are aware there may be a need to increase the budget.



Developing a List of Credit Union CPA Firms

- Start the list with your current CPA firm.
- Callahan's Guide to Credit Union CPA Auditors-available for purchase at www.creditunions.com
- Callahan's guide has list of credit union audit firms and their market share plus the audit firms for all credit unions. This guide is updated each year.
- Check with credit union management for additional sources.



The next steps in the process

- Compile the list of CPA firms.
- Prepare a letter of interest and send it to all firms on the list. (See Sample 1.)
- Receive responses from interested firms.
- Prepare and send out the Request for proposal letter to interested firms. (See Sample 2.)
- Receive the proposals from the firms.



Next steps continued

- Prepare to evaluate the proposals.
- Define the criteria for evaluation.
- Be flexible in defining criteria.
- What if none of the firms meet your criteria?



The Evaluation Process

- Firm Experience auditing credit unions?
- Cost?
- Budget available?
- Did the firm respond to the requirements of your RFP?
- Did you check the references?
- Make sure to include references from the Supervisory Committees in the criteria.



Award the contract!

- Ask the selected firm to provide their engagement letter.
- Review the engagement letter and if it meets your criteria then sign the agreement.
- Notify the firms that were not selected.



REFERENCES:

- www.nacusac.org
- www.ncua.gov
- www.creditunions.com