NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

August 21, 1987

GC/JT:sg
3500

Office of General Counsel

Alex Koseluk, Esq.
General Counsel
Nebraska Credit Union League & Affiliates
NCUL Building
4315 Frances Street
Omaha, Nebraska 68105

Dear Mr. Koseluk:

This is in response to your recent letter regarding Section
701.12 of the NCUA Rules and Regulations.

You stated in your letter that the Nebraska Credit Union League
Services Corporation Audit Department (Audit Department) will be
performing the annual audit for a Federal credit union (FCU).
The Director of Audit Services is a member of the FCU. The
Director's wife has a loan from the FCU that is secured by shares
in a joint account held at the FCU with the Director. You asked
whether joint ownership of collateral securing a spouse's loan
would prevent the Director, who will participate in the audit,
from meeting the "independent auditor" requirement under Section
701.12 of the NCUA Rules and Regulations.

Section 701.12(d) provides in part that FCU-compensated auditors
must be independent of the credit union's employees, members of
the board of directors, credit and supervisory committees and/or
the credit union's loan officers, and members of their immediate
families. Use of the term "independent" in this Section is
intended to ensure that compensated auditors will not have a
relationship with any of the individuals listed in Section
701.12(d) that would impair their objectivity. Assuming that the
subject Director has no such relationship, the fact that he is a
joint owner of the collateral securing a loan to his wife does
not in itself violate Section 701.12(d).

Our opinion is limited to an interpretation of the NCUA Rules and
Regulations. You should be aware that there may be other
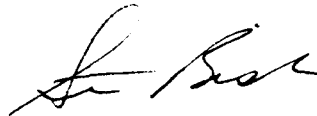
FOIA III C1 Accounting Procedures

standards that an independent auditor must meet, including the AICPA Code of Professional Ethics you made reference to in your letter.

We trust this has been of assistance.

Sincerely,

STEVEN R. BISKER
Assistant General Counsel

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