



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

June 4, 1991

Steven T. Thorson  
Bowlby, Anfinson, Crandall & Haedt, Ltd.  
P.O. Box 217  
Austin, MN 55912-0217

Re: CPA Services to Credit Unions  
(Your April 8, 1991, Letter)

Dear Mr. Thorson:

Your Certified Public Accountant (CPA) firm offers audit services to credit unions and is considering offering payroll processing services, with an output consisting of unsigned checks, earnings statements, and tax filings. You state that you are not involved in the management of credit unions in any way. You ask whether the National Credit Union Administration (NCUA) would consider the provision of payroll services to compromise your firm's independence regarding audits.

Analysis

Sections 701.12 and 701.13 of NCUA's Regulations, 12 C.F.R. §§701.12 and 701.13, set forth the annual audit requirements for federal credit unions (FCUs). Section 741.2 of NCUA's Regulations, 12 C.F.R. §741.2, applies these requirements to federally insured, state chartered credit unions.

Under Section 701.12, the supervisory committee must ensure that an FCU's books and records are audited annually. While audits under this section need not be conducted by CPAs, compensated auditors must be independent of the credit union's employees, members of the board of directors, credit

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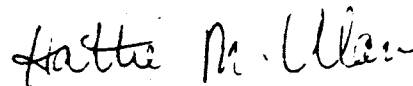
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and supervisory committees and/or the credit union's loan officers, and members of their immediate families. See 12 C.F.R. §701.12(d).

Section 701.13 requires FCUs to obtain outside, independent audits by CPAs if: 1) the supervisory committee has not conducted an annual audit; 2) the annual audit did not meet the requirements of Section 701.12; or 3) the FCU has experienced serious and persistent recordkeeping deficiencies. In the case of an audit required for either of the first two conditions, "the scope of the outside, independent audit conducted by a CPA must fully encompass the requirements set forth in Section 701.12." 12 C.F.R. §701.13(b). In the case of an audit required for the third condition, "the outside, independent audit conducted by a CPA must be an opinion audit as that term is understood by generally accepted auditing standards." Id.

Although you mention "audit opinions," it is not clear whether you are referring to supervisory committee audits, outside, independent audits by CPAs, or opinion audits. Based on the facts you provided, it does not seem that providing payroll processing services would violate the independence requirement of Section 701.12(d). However, we do not express an opinion on whether providing such services would be compatible with conducting opinion audits under generally accepted auditing standards.

Sincerely,



Hattie M. Ulan  
Associate General Counsel

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