

1 04 NCAC 06C .0304 is amended with changes as published in 35:22 NCR 2404 as follows:

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3 **04 NCAC 06C .0304 MANAGEMENT DUTIES**

4 All credit unions shall conduct their business and the selection of their employees using a high degree of  
5 management and business skills to assure the safe and sound operation of the credit union. ~~To maintain familiarity~~  
6 ~~with current developments in the field of credit union management, services, and operations as may be necessary, all~~  
7 ~~management personnel and employees of credit unions may avail themselves of the educational opportunities as~~  
8 ~~may be provided by the League, the Credit Union Division, other trade associations, credit union support groups,~~  
9 ~~and other industry training organizations.~~ Management shall be responsible for:

10 (1) implementing the policies established by the board of directors;

11 (2) ensuring the accuracy of the credit union's financial statements, reports, and any other supporting  
12 documents;

13 (3) adopting and implementing an annual budget;

14 (4) developing and implementing a written plan that guides the strategic direction of the credit union and  
15 that is also commensurate with the credit union's size and complexity;

16 (5) conducting performance evaluations of all employees of the credit union; and

17 (6) ensuring all directors, committee members, and employees of the credit union receive training through  
18 educational opportunities commensurate with their responsibilities and duties and document completion of  
19 the training. In the event examiners find that a director, committee member, or employee of the credit  
20 union has not received training commensurate with ~~their~~ his or her responsibilities and duties, the Credit  
21 Union Division shall require training. Educational opportunities may be obtained from but not limited to  
22 the League, the Credit Union Division, other trade associations, credit union support groups, and other  
23 industry training organizations.

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26 *History Note: Authority G.S. 54-109.12; 54-109.19; 54-109.35; ~~54-109.36~~; 54-109.92;*

27 *Eff. February 1, 1976;*

28 *Readopted Eff. April 4, 1978;*

29 *Amended Eff. October 1, 1983;*

30 *Readopted Eff. February 1, 2018;*

31 *Amended Eff. September 1, 2021.*

1 04 NCAC 06C .0305 is amended with changes as published in 35:22 NCR 2405 as follows:

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3 **04 NCAC 06C .0305 INDEPENDENT AUDITS**

4 ~~(a) An audit of each state-chartered credit unions shall occur at least once each calendar year and shall cover the period~~  
5 ~~elapsed since the last audit. The audit will be performed using generally accepted auditing procedures and standards. It~~  
6 ~~is the responsibility of the supervisory committee, or board of directors if there is no supervisory committee, to ensure~~  
7 ~~that the annual audit is timely, that generally accepted auditing standards are used, that an adequate audit of the credit~~  
8 ~~union records is conducted, and the audit report is promptly prepared and submitted to the board of directors.~~  
9 ~~Workpapers of the supervisory committee and/or its independent auditors shall be made available for review by the~~  
10 ~~Credit Union Division.~~

11 (a) An audit of each State-chartered credit union shall occur at least once each calendar year and shall cover the period  
12 elapsed since the last audit. The audit shall be performed using generally accepted auditing standards. It shall be the  
13 responsibility of the supervisory committee, or board of directors if there is no supervisory committee, to ensure that:

14 (1) generally accepted auditing standards are used;

15 (2) an audit of the credit union records is conducted using the minimum procedures applicable to federally  
16 insured [State-chartered] state-chartered credit unions as set forth in 12 CFR Part 715, which is herein  
17 incorporated by reference, including subsequent amendments and editions, and may be found at no cost at  
18 www.ecfr.gov; and

19 (3) the audit report is prepared and submitted to the board of directors.

20 Workpapers of the supervisory committee or its independent auditors shall be made available for review by the Credit  
21 Union Division.

22 (b) Compensated auditors performing audits for credit unions ~~must~~ shall be independent of the credit union's employees,  
23 members of the board of directors, supervisory committee, credit committee, ~~and/or~~ or the credit union's loan officers  
24 and members of their household or immediate families. For the purposes of this Rule, "member of their immediate  
25 families" includes immediate blood [relatives, as well as those family] relatives and members attained by marriage,  
26 including spouses, biological children, adopted children, and [step-children.] step-children, as well as domestic partners.  
27 Compensated auditors must be a Certified Public Accountant (CPA), or a bonded auditing firm, or a person who is  
28 bonded or has accountants' professional liability insurance coverage.

29 ~~(e) Annual verification of depositors' and members' accounts will be done in conjunction with the annual audit and shall~~  
30 ~~be made by either a controlled verification of 100 percent of share, deposit and loan accounts or a controlled random~~  
31 ~~sampling method that provides assurance that the General Ledger accounts are fairly stated and that members' and~~  
32 ~~depositors' accounts are properly safeguarded.~~

33 (c) The supervisory committee, or board of directors if there is no supervisory committee, shall verify or cause to be  
34 verified all depositors' and members' accounts annually. The results of the member account verification shall be  
35 submitted to the board of directors for review. The verification of members' accounts shall be made using either of the  
36 following methods:

37 (1) a controlled verification of 100 percent of share, deposit, and loan accounts; or

1           (2)       a controlled random sampling method that provides assurance that the general ledger accounts are  
2                   fairly stated and that members' and depositors' accounts are properly safeguarded.

3 (d) A credit union shall obtain an outside independent audit by a ~~certified public accountant~~ CPA for any fiscal year  
4 during ~~which~~ which: ~~any one of the following is present:~~

5           (1)       the required annual audit was not performed or was not in accordance with Paragraphs (a), (b), ~~and/or~~  
6                   or (c) of this Rule; or

7           (2)       the credit union has experienced serious ~~and/or~~ or persistent recordkeeping deficiencies. For the  
8                   purposes of this Subparagraph, "persistent" ~~Persistent~~ means continuing to exist or endure. For the  
9                   purposes of this Subparagraph, "serious" ~~Serious~~ is when ~~the Division has~~ there is given cause for  
10                  concern that the financial condition is not fairly and accurately presented ~~and/or~~ or that management  
11                  practices are not sufficient to safeguard the assets of the credit union.

12           When a credit union fails to comply with this Rule, the ~~administrator~~ Administrator has the authority to engage  
13           an outside ~~certified public accountant~~ CPA at the credit union's expense to conduct the required annual audit.

14 ~~(e) This Rule shall not in any manner modify or limit the administrator's responsibility or authority to examine credit~~  
15 ~~unions as set forth in G.S. 54-109.16, and it shall not modify or limit the administrator's authority to assess the cost of~~  
16 ~~the examination against any credit union.~~

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18 *History Note:*     Authority G.S. 54-109.12; ~~54-109.17~~; 54-109.35(b); 54-109.49;

19                   Eff. February 1, 1976;

20                   Readopted Eff. April 4, 1978;

21                   Amended Eff. October 1, 1991; October 1, 1983; May 1, 1983; January 1, 1983;

22                   Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6,  
23                   2016.

24                   Amended Eff. September 1, 2021.