



Is Your Auditor Working For You?

Do you believe that your auditors need to be changed on a regular basis? Management, Supervisory Committees, Boards of Directors, NCUA, CPAs, and virtually all individuals connected with the credit union industry ask this question. The answer varies depending on which of the above groups answers this question.

Currently, there is *no* regulation or requirement that requires the changing of the external auditors. The Supervisory Committee must be sure the auditors it hires to perform the credit union's annual audit will do a good job, ensure the annual audit is properly completed, and the credit union receives the best possible audit for its money!

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Then why is this question continuously asked? Perhaps scare tactics by slick salesmen? Clients and non-clients alike have asked me the question, "When should a Supervisory Committee change the auditors?" My answer is always the same:

"Change for the sake of change is wrong and a disservice to the credit union, regardless of how long the auditors have been with the credit union."

I need to further explain my position on this subject with an example. Consider the following individuals and/or organizations that are currently used by credit unions:

- Attorneys
- Corporate Credit Unions
- Bank accounts
- Investment brokers
- Insurance companies
- Safekeeping institution
- Credit card processors
- Leasing companies
- Computer system
- Various vendors
- Federal and State Agencies

Of the above organizations, it is very rare that the credit union will change these organizations and/or individuals for the sake of change. However, the credit union should ***constantly evaluate each organization to ensure the credit union is receiving the service it requires.*** It is this ongoing monitoring and evaluation by the credit union that should determine if and when a change is needed.

The Supervisory Committee must monitor and evaluate whether the credit union is receiving the service it requires from its audit firm. *Is your auditor working for you?*

Some factors the Supervisory Committee may want to consider in the decision making process are outlined below:

Extent of credit union experience - How much experience does your audit firm have with credit unions? Are the auditors up to date on industry trends? Does the firm employ former credit union

Personnel to help them understand your business?

Additional support - Does your audit firm provide free telephone support? Can you and the credit union staff call and get assistance throughout the year with accounting, operational, or regulatory issues?

Size of the CPA firm - Is the CPA firm large enough so the members of the audit team can be rotated, which would provide the credit union with a "fresh look" each period?

Bare bones vs. full service - Does your audit firm provide a full range of services so that as your credit union grows, the firm can still fulfill your needs?

Minimum requirements - Does the audit just meet minimum requirements or does the firm provide a management report with useful comments and helpful recommendations that actually help the credit union improve operations, internal controls, etc.?

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With a little guidance, each Supervisory Committee can do its "due diligence" on each auditing firm, select the most qualified auditor, and ensure the audit satisfies the credit union's needs and regulatory requirements.

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To do this, the Supervisory Committee must ask the right questions during the audit process and hold the auditors accountable after they are hired. (To obtain a free copy of our Sample Request for Proposal, call 800-288-0293 or e-mail us at info@nearman.com) It is this continuous monitoring and evaluation by the Credit Union that should determine if and when a change is needed.

In conclusion, before making any decision on whether to continue your relationship with the CPA firm or any organization, the Credit Union must determine the value of the existing service as well as requirements for future service. If you or I were making a personal decision concerning our doctor, attorney, mechanic, or our financial institution, we would base our decision on our prior experiences,

customer service, and level of service received. In addition, we would consider whether or not the same person or institution could meet our future needs. If we are satisfied that our needs are being met, then we would continue the relationship and not change. ♦

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