

**STATE OF ILLINOIS  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
CREDIT UNION DIVISION  
SUPERVISORY COMMITTEE  
INTERNAL AUDIT REPORT**

**Year** \_\_\_\_\_

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**CREDIT UNION NAME**

**Internal Audit Date:** \_\_\_\_\_  
(As of date)                      **Month**                      **Day**                      **Year**

**Date Audit Completed:** \_\_\_\_\_  
   **Month**                      **Day**                      **Year**

**IMPORTANT NOTICE**

This state agency is requesting disclosure of information that is necessary to accomplish the statutory purpose as outlined under Paragraph 305/34(1) of the Illinois Credit Union Act. Disclosure of this information is required. Failure to submit the report by March 1 of the following year will result in a late filing fee for each day the report is overdue pursuant to the Department's Rules & Regulations 190.50 (amended December 20, 2002).

**Due Date:**  
***Within 60 days of completion  
or no later than March 1st\*  
of the following year***

(\*If March 1st falls on a weekend, then the due date will be pushed forward to the first Monday following March 1st)

## SUPERVISORY COMMITTEE INTERNAL AUDIT REPORT

The purpose of this Supervisory Committee Internal Audit Report, pursuant to Paragraph 305/34 (1) of the Illinois Credit Union Act, is to verify the accuracy of the credit union's books and records. Your conscientious and thorough work can only help to ensure the safety of members' funds and promote a sound and efficient credit union. Please review the following comments prior to the start of the internal audit.

- 1) Review Paragraph 305/34 of the Illinois Credit Union Act and Section 190.130 of the Illinois Credit Union Act Rules and Regulations.
- 2) The President and staff **must not help you** with any part of this internal audit other than help you locate records or explain work they have done. Remember, you are verifying their work.
- 3) All financial data must relate to the same month and **must be within the current calendar year**. Records may be examined **as of the end of the month of your choice**, though current records may be more accessible. **However, we strongly encourage you to perform the audit in the months prior to December 31**, due to the high volume of work-load because of year-end closings, the December Year-End 5300 Call Report, and tax season.
- 4) All worksheets and tapes must be kept by the Supervisory Committee members for review at a later date with an examiner from the Division of Financial Institutions.
- 5) A copy of the internal audit report is to be presented to the Board of Directors and is to be included with the minutes of that meeting, and a summary is to be given to the members at their next annual meeting.

The Supervisory Committee Internal Audit Report consists of the following pages:

| Page  | Page Description                                 |
|-------|--|
| 1     | Statement of Financial Condition                 |
| 2     | Statement of Income                              |
| 3     | Cash Programs                                    |
| 4     | Cash Schedule                                    |
| 5 & 6 | Loan Programs                                    |
| 7     | Loan Schedule                                    |
| 8     | Investment Program                               |
| 9     | Investment Schedule                              |
| 10    | Share Program                                    |
| 11    | Share (or Savings) Schedule                      |
| 12    | Fixed Asset Program                              |
| 13    | Fixed Asset Schedule                             |
| 14    | Other Assets and Liabilities Program             |
| 15    | Other Assets and Liabilities Schedule            |
| 16    | Verification of Members' Share and Loan Accounts |
| 17    | Certification of Report                          |

Also included with the Supervisory Committee Internal Audit Report are sample work-papers that may be used as a guide in completing the audit programs. These sample work-papers **need not be filed** with the report.

In order to complete the Internal Audit Report, the following will be necessary:

- 1) Record the credit union's general ledger account balances on the Statement of Financial Condition (page 1). The total amount of assets **must agree** with the total amount of liabilities and equity.
- 2) Record the credit union's year-to-date income and expenses on the Statement of Income (page 2). The amounts should also be obtained from the general ledger. The net income (loss) should agree with the "Year-To-Date Net Income (loss)" as shown on page 1.
- 3) Complete the procedures and schedules as outlined in each of the following areas:

|                              |                |
|------------------------------|----------------|
| Cash                         | pages 3 & 4    |
| Loans                        | pages 5, 6 & 7 |
| Investments                  | pages 8 & 9    |
| Shares                       | pages 10 & 11  |
| Fixed Assets                 | pages 12 & 13  |
| Other Assets and Liabilities | pages 14 & 15  |
| Verification of Accounts     | page 16        |

The person completing each procedure should initial and date in the appropriate space provided. **Please note "N/A" if a certain procedure is not applicable for your credit union.**

- 4) Read over the "Verification of Accounts Information", located on pages c & d. Record the most recent account verification results in the appropriate areas on page 16. You are reminded that **an account verification must be conducted each calendar year**. 100% verification is required every other year (see 190.130 of the Illinois Credit Union Act Rules and Regulations).
- 5) Sign and notarize page 17 of the Supervisory Committee Internal Audit Report. **All members of the Supervisory Committee must sign the Report.**
- 6) Retain a copy for your file and return a copy to:

**Department of Financial & Professional Regulation  
Division of Financial Institutions  
Credit Union Section  
320 W. Washington, Room 300  
Springfield, Illinois 62786**

If you have any questions or concerns with respect to this Supervisory Committee Internal Audit Report, please contact the Credit Union Section at (217) 782-2834.

## VERIFICATION OF ACCOUNTS

The Illinois Credit Union Act has designated in Paragraph 305/34 (Duties of the Supervisory Committee), and Section 190.130 of the Rules and Regulations (Verification of Share and Loan Accounts), the procedures that must be followed to conduct the internal audit, including the verification. You should read those sections carefully before commencing the verification. The procedures differ based on the credit union's assets, however, every credit union completing (or having completed) an **internal audit** must perform the following:

2.) **Every other year** the Supervisory Committee must perform (or have performed) a complete 100% verification of both share and loan accounts. Verification requests may be of either the positive kind, which requires a direct reply or attestation by the member as to the correctness of the balances, or the negative kind, which requires replies only if the information listed is, in the opinion of the member, incorrect. However, Section 190.130 Par b), 2) of the Rules and Regulations **requires** accounts of seven different types (as listed below) to be verified on a **positive** basis **every year**.

- A) Inactive or dormant accounts - members' accounts which show no member initiated activity for at least three (3) years.
- B) Accounts with recent activity following a period of at least three (3) years of dormancy.
- C) Accounts that show unusually large share withdrawals.
- D) Accounts that have delinquent loans.
- E) Share and loan accounts closed or charged off since the last verification was conducted.
- F) Accounts where negative requests are returned due to an inaccurate address.
- G) Any other accounts with unusual or significant activity, or which, in the judgment of the Committee, should be done on a positive basis to verify the integrity of the negative verification requests.

For all positive verifications, a signed member's response **must be received**, indicating as to whether he/she agrees or disagrees with the balance shown, and an explanation for any disagreement. (A stamped, addressed return envelope helps to expedite the response). Should a member not respond within a reasonable time, (normally around two weeks) a second request must be sent. In addition, a third request may also be sent. If there is still no response, the Supervisory Committee must satisfy itself that the balance is correct by other means.

A) Credit Unions with total assets greater than \$5,000,000 of 12/31 of the prior year:

The Supervisory Committee must contract with an outside registered accountant (CPA) each year to perform an external audit, including verification of accounts.

B) Credit Unions with total assets between \$3,000,000 and \$5,000,000 as of 12/31 of the prior year:

1) The Supervisory Committee must engage an outside registered accountant once every three years to perform an external audit, including verification of accounts\*.

\*Verification of accounts completed by an outside registered accountant may **all** be done on a negative basis if the audit is considered an External Audit. If an outside registered accountant performs an Internal Audit, then the requirements in Paragraph 2 (above) must be followed.

2) For each of the other 2 years, the Supervisory Committee should follow the same rules as found in C) for Credit Unions under \$3,000,000 (see page d).

C) Credit Unions with total assets under \$3,000,000 as of 12/31 of the prior year:

The Supervisory Committee should follow Section 190.130, Paragraph B) 2.), of the Rules and Regulations on an annual basis. If a 100% verification was not performed in the prior year, it must be done in the current year. Follow-ups **must** be performed on all statements returned, both positive with member comments, and all statements that were undeliverable. The entire verification process must be under the control of the Supervisory Committee once statements are printed or received from an outside bureau.

No statements should be separated and/or removed by management. All replies should be sent to a location controlled by the Supervisory Committee, or, if delivered to the credit union, forwarded to the Supervisory Committee unopened.

It is the responsibility of management to update the address files prior to the mailing, and to investigate those verifications returned by the Post Office after the Supervisory Committee has recorded those returns. Any statements without an address must remain under the control of the Supervisory Committee.

The verification must be performed **within the calendar year** of the internal audit. If quarterly statements are issued to the members, it is recommended that the verification be done prior to year-end so that second requests can be sent, and there will be time to investigate differences before the March 1 due date to file the Supervisory Committee Internal Audit with the Illinois Division of Financial Institutions, Credit Union Section.











# LOAN PROGRAM

(Please mark N/A if not applicable)

**CREDIT UNION:**                 **0**

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**INTERNAL AUDIT DATE:**                                 **0**                                 **0**                                 **0**

**Month**   **Day**   **Year**

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Purpose:

- To ensure that delinquent loans are being reported accurately.
- To determine proper documentation is obtained on loans.
- To verify that the aggregate amount of the subsidiary ledger(s) agree(s) with the general ledger control.
- To determine if the Reserve/Allowance for Loan Losses account is properly funded.
- To determine compliance with written lending and collection procedures.

Policies:

Yes   No

- |  |       |       |
|--|-------|-------|
| 1. Is there a Lending Policy available for use by all interested parties?                              | _____ | _____ |
| 2. Is there a Collection Policy available for use by all interested parties?                           | _____ | _____ |
| 3. Do the above policies indicate they have been approved by the Board of Directors?                   | _____ | _____ |
| 3a. Date of approval for the Lending Policy? _____   |       |       |
| 3b. Date of approval for the Collection Policy? _____  |       |       |
| 4. Are these policies being followed by administrative personnel in conducting their daily operations? | _____ | _____ |

Procedures:

Completed by   Date Completed

- |  |       |       |
|--|-------|-------|
| 1. Review the accuracy of the delinquent loan report by re-computing the number of months past due on various loans listed in the report.                      | _____ | _____ |
| 2. Check at least 10% of the loans classified as current for possible delinquency (maximum of 25 loans).   | _____ | _____ |
| 3. Evaluate all delinquent loans for collectability and determine which loans, if any, should be charged off.  | _____ | _____ |
| 4. Determine the adequacy of the balance in the Allowance for Loan Losses Account in accordance with Section 190.70 of the Departmental Rules and Regulations. | _____ | _____ |
| 5. Review all loans to directors, officers, and employees of the credit union and check for delinquency, proper loan documentation and approval.               | _____ | _____ |











## SHARE (OR SAVINGS) SCHEDULE

**CREDIT UNION:** **0**

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**INTERNAL AUDIT DATE:** **0** **0** **0**

**Month** **Day** **Year**

**(Use Whole Dollars Only)**

**Dividend Information**

| Distribution of Savings      | Total # of Accts. | Amount less than 1 Year | Amount 1-3 Years | Amount More than 3 Years | TOTAL              | Last Payment        |           |       | Accrual <sup>(2)</sup> |
|------------------------------|-------------------|-------------------------|------------------|--------------------------|--------------------|---------------------|-----------|-------|------------------------|
|                              |                   |                         |                  |                          |                    | Rate <sup>(1)</sup> | Date Paid | Freq. |                        |
| 1. Share Drafts              |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 2. Regular Shares            |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 3. Money Market Shares       |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 4. Share Certificates        |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 5. IRA/KEOUGH Accounts       |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 6. All Other Shares          |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 7. TOTAL SHARES              | 0                 | \$0                     | \$0              | \$0                      | \$0                |                     |           |       |                        |
| 8. Non-Member Deposits       |                   |                         |                  |                          | \$0                |                     |           |       |                        |
| 9. TOTAL Shares and Deposits | 0                 | \$0                     | \$0              | \$0                      | \$0 <sup>(*)</sup> |                     |           |       |                        |

<sup>(1)</sup> Dividend Rate should be that which was paid at the most recent payment date to the majority of shareholders.

<sup>(2)</sup> Accrual - Indicate whether dividends are being accrued from the last dividend payment date (yes or no).

<sup>(\*)</sup> Balance should agree with Page 1, Line 14.

**Comments:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_





## FIXED ASSET SCHEDULE

**CREDIT UNION:** 0

**INTERNAL AUDIT DATE:** 0 0 0  
Month Day Year

(Use Whole Dollars Only)

| ITEM                    | Original Cost | Accumulated Depreciation | Book Value |
|-------------------------|---------------|--------------------------|------------|
| Land                    |               |                          |            |
| Building                |               |                          |            |
| Leasehold Improvements  |               |                          |            |
| Furniture and Equipment |               |                          |            |
| Autos                   |               |                          |            |
| Computer Equipment      |               |                          |            |
|                         |               |                          |            |
| <b>TOTAL</b>            | <b>0</b>      | <b>0</b>                 | <b>0</b>   |
|                         | (*)           | (*)                      | (*)        |

(\*) Column Balances Should Agree with Page 1, Line 5.

**Comments:**  


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## OTHER ASSETS AND LIABILITIES SCHEDULE

**CREDIT UNION** 0

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**INTERNAL AUDIT DATE:** 0 0 0

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**Month** **Day** **Year**

(Use Whole Dollars Only)

**OTHER ASSETS:**

| <u>ITEM:</u>  | <u>BALANCE</u> |
|---|----------------|
| Insurance Capitalization Deposit  | _____          |
| Prepaid Expenses  | _____          |
| Accrued Interest Receivable - Loans   | _____          |
| Accrued Interest Receivable - Investments   | _____          |
| Other Assets  | _____          |
| <div style="display: flex; justify-content: space-between; align-items: center;"> <span>NCUA <input type="checkbox"/></span> <span>ASI <input type="checkbox"/></span> </div> | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>(*) Reference</span> <span>_____</span> </div>   | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>Line 6(*)</span> <span>_____</span> </div>   | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>Line 7(*)</span> <span>_____</span> </div>   | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>Total</span> <span>_____</span> </div>   | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>{ Equals</span> <span>_____</span> </div>  | _____          |
| <div style="display: flex; justify-content: space-between;"> <span>Line 8, Pg. 1 (*)</span> <span>_____</span> </div>   | _____          |
| <b>TOTAL OTHER ASSETS</b>   | <b>0</b>       |

**LIABILITIES:**

| <u>ITEM:</u>   |          |
|--|----------|
| Accounts Payable   | _____    |
| Total Borrowings   | _____    |
| Accrued Dividends Payable  | _____    |
| Payroll Taxes Payable  | _____    |
| Accrued Expenses   | _____    |
| Other Liabilities  | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>Line 10 (*)</span> <span>_____</span> </div>        | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>Line 11 (*)</span> <span>_____</span> </div>        | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>Line 12 (*)</span> <span>_____</span> </div>        | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>Total</span> <span>_____</span> </div>              | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>{ Equals</span> <span>_____</span> </div>           | _____    |
| <div style="display: flex; justify-content: space-between;"> <span>Line 13, Pg. 1 (*)</span> <span>_____</span> </div> | _____    |
| <b>TOTAL OTHER LIABILITIES</b>   | <b>0</b> |

(\*) Totals on these lines should agree with corresponding lines on Page 1.

**Comments:**

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## ANNUAL VERIFICATION OF MEMBERS' SHARE AND LOAN ACCOUNTS

CREDIT UNION NAME: 0

### NOTICE

This Section, concerning the Annual Verification of Members' Share and Loan Accounts, must be completed when filing the Annual Supervisory Committee Internal Audit Report. Please refer to Section 190.130 of the Rules & Regulations.

**As of December 31, of the prior year:**

- |  | Yes   | No    |
|--|-------|-------|
| 1) Were your total assets over \$5 million? If so, you MUST engage a Professional Accountant to perform an External Audit and Verification of Accounts.  | _____ | _____ |
| 2) Were your total assets below \$3 million?<br>If so, the Supervisory Committee may perform the verification of accounts (with the assistance of an outside professional accountant if you choose).   | _____ | _____ |
| 3) Was 100% Verification of Members' Share & Loan Accounts completed for the prior year? If yes, then a reasonable percentage verification of members' share and loan accounts may be performed. <b>If no, then 100% Verification MUST be completed.</b> | _____ | _____ |
| 4) For positive verification not returned after 2nd or 3rd requests, did the committee satisfy itself that the balances are correct?   | _____ | _____ |

**\*Note: Please refer to pages c & d of this report for information and requirements for Verification of Accounts.**

**REPORT OF VERIFICATION RESULTS:**

| Members        | Total Number of Accounts | Number of Accounts Verified |     |     | Replies Received to <b>Positive</b> Verifications |            | Replies to <b>Negative</b> Verification | Number not verified-unknown or incorrect address |
|----------------|--------------------------|-----------------------------|-----|-----|---|------------|---|--|
|                |                          | Positive Method (*)         |     |     | Negative Method                                   | No Comment |   |  |
| Share Accounts |                          | 1st                         | 2nd | 3rd |   |            |   |  |
| Loan Accounts  |                          | 1st                         | 2nd | 3rd |   |            |   |  |

(\*) Indicate the number of first, second and third requests sent.

**Indicate Cut-Off Date Used for Last Verification of Members' Accounts:**

If a Registered Public Accountant was employed to make the Annual Verification of Member's Share and Loan Accounts for the Supervisory Committee or the annual audit and preparation of this verification, show below the name of the accountant, the firm name, address and phone number:

Name: \_\_\_\_\_ Firm Name: \_\_\_\_\_

Phone: \_\_\_\_\_ Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip \_\_\_\_\_

