**Section 190.130 Verification of Share and Loan Accounts**

a) The Supervisory Committee must make or cause to be made at least once each year a reasonable percentage verification of members' share and loan accounts. Except when prior written permission is given by the Division, for good cause shown, the verification results are to be reported in the Supervisory Committee Report filed with the Division. The verification shall be conducted by the Committee, or by a registered public accountant, under the supervision of the Committee.

b) Verifications Conducted by the Supervisory Committee

1) The Committee must test 100% of the accounts at least once every two years; however, the Committee may submit a modified program using generally accepted auditing standards for approval by the Division. When conducting the verification, the Committee must establish the following controls:

A) The commencement of the verification must be on a surprise basis, including taking possession and control of books and records, or copies thereof, necessary for the audit.

B) All work is to be done by the Supervisory Committee or its designated agents; all credit union staff, employees and other directors shall not be involved, other than to explain exceptions.

C) General notice of the verification is to be publicized to the membership in the credit union offices and by other appropriate means.

D) Separate records of members' share and loan account trial balances are to be maintained by the Committee; the Committee must also maintain a separate list of members that is to be updated from the Board minutes for new and terminated members.

E) All responses and communications to the verifications by members must be to the Supervisory Committee or its agents.

F) All records supporting the verification are to be retained by the Supervisory Committee.

2) Verification requests may be of either the positive kind, which requires a direct reply or attestation by the member as to the correctness or the balances, or the negative kind, which require replies only if the information listed is, in the opinion of the member, incorrect. Provided however, that the following accounts must be verified using the positive method:

A) Inactive or dormant accounts – members' accounts that show no member initiated activity for at least 3 years.

B) Accounts with recent activity following a period of at least 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.

3) All discrepancies reported should be resolved and, if known, the reason for the error shall be reported to the board, along with the results of the audit.

c) Verification Conducted by a CPA Firm or Individual Registered with the State of Illinois to Practice as a Public Accountant

1) When the Supervisory Committee's audit is performed by a CPA or a Registered Public Accountant, either positive or negative verification requests may be used. The extent and nature of all tests is to be decided jointly by the Committee and the CPA or Registered Public Accountant.

2) At the conclusion of the audit, a statement must be given that reflects the work performed and the responsibilities accepted by the firm or individual. This statement shall be signed by the person in charge of the audit, or by the person who accepts responsibility for the firm, and shall be attached to the audit report given to the board of directors.

(Source: Amended at 37 Ill. Reg. 12450, effective July 16, 2013)