



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

***Senator Dale W. Schultz, Chairman***

Tuesday, December 2<sup>nd</sup>, 2003

Members  
Senate Committee on Agriculture  
Financial Institutions  
& Insurance

The following clearinghouse rule was referred to the Senate Committee on Agriculture Financial Institutions and Insurance. The thirty-day review period began on November 2<sup>nd</sup>, 2003

Clearinghouse Rule 023-133, An order to create ch. DFI—CU 73 relating to annual audits and verification of member accounts by state-chartered credit unions. Analysis: Statutory authority: ss. 186.115(1) and (2), 186.235(8) and 227.11(2), Stats. Statutes interpreted: ss. 186.115(1) and (2), and 186.235(8). Summary: The purpose of the rule is to prescribe certain responsibilities of state-chartered credit unions regarding audits and accounts. The rule provides general responsibilities for boards of directors for financial reporting; sets forth criteria for audit requirements, certain auditors and audit reports; provides financial statement audit alternatives; and establishes procedures for verification of accounts and passbooks. The promulgation of this rule has been approved by the Credit Union Review Board. Agency person to be contacted for substantive questions and responsible for the agency's internal processing: Ginger Larson, Director, Office of Credit Unions, tel. (608) 261-9543. Pursuant to the statutory authority referenced above, the Office of Credit Unions adopts the following:

A hard copy of the rule is attached. The text is also available online in the FOLIO Clearinghouse Rules infobase.

The last business day for action on this rule is **Friday, January 2<sup>nd</sup>, 2004**

If you have concerns or questions related to this rule, please contact John in my office (6-0703) with any questions, or to request the committee hold a hearing on this rule.

Thank you.

Senator Dale Schultz  
Chairman



**State of Wisconsin**  
*Department of Financial Institutions*

Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

November 25, 2003

Senator Alan J. Lasee  
Room 219 South  
State Capitol  
P.O. Box 7882  
Madison 53707-7882

Representative John Gard  
Room 211 West  
State Capitol  
P.O. Box 8952  
Madison 53708-8952

Re: Notice of Proposed Rule

Dear Senator Lasee and Representative Gard:

Pursuant to ss. 227.19(2) and (3), Stats., notice is hereby given that CR 02-133 (proposed rule creating ch. DFI—CU 73) is in final draft form. The following documentation accompanies this notice in triplicate:

- report to the legislature,
- proposed rule with analysis, note regarding form, and fiscal estimate; and
- recommendations of legislative council staff.

If you have any questions regarding this matter, please do not hesitate to contact me at tel. 267-1705.

Sincerely,

Mark Schlei  
Deputy General Counsel

encls

*Office of the Secretary*

Mail: PO Box 8861 Madison, WI 53708-8861  
Voice: (608) 264-7800

Fax: (608) 261-4DFI

Courier: 345 W. Washington Ave. 5<sup>th</sup> Floor Madison, WI 53703  
TTY: (608) 266-8818  
Internet: [www.wdfi.org](http://www.wdfi.org)

DATE: November 25, 2003

TO: Senator Alan Lasee, President  
Wisconsin State Senate

Representative John Gard, Speaker  
Wisconsin State Assembly

FROM: Mark Schlei, Deputy General Counsel  
Department of Financial Institutions

SUBJECT: Report on CR 02-133

This report is submitted pursuant to s. 227.19 (2) and (3), Stats., regarding CR 02-133 (proposed rule creating ch. DFI—CU 73), relating to annual audits and verification of accounts by state-chartered credit unions.

1. STATEMENT EXPLAINING THE NEED FOR THE PROPOSED RULE

CR 02-133 creates ch. DFI—CU 73. The purpose of the rule is to prescribe certain responsibilities of state-chartered credit unions regarding audits and accounts. The rule provides general responsibilities for boards of directors for financial reporting; sets forth criteria for audit requirements, certain auditors and audit reports; provides financial statement audit alternatives; and establishes procedures for verification of accounts and passbooks. The promulgation of this rule has been approved by the Credit Union Review Board.

2. MODIFICATIONS MADE AS A RESULT OF TESTIMONY RECEIVED AT THE PUBLIC HEARING

No modifications were made as a result of testimony received at the public hearing.

3. PERSONS APPEARING OR REGISTERING FOR OR AGAINST THE PROPOSED RULE AT THE PUBLIC HEARING

The following persons appeared or registered for the proposed rule:

Tom Barnes, First American C.U.  
John C. Engel, Wisconsin Credit Union League  
Robin Marohn, Heartland CU  
Rod Staatz, UW Credit Union  
Georgia Maxwell, WI Credit Union League

No persons appeared or registered against the proposed rule.

4. RESPONSE TO LEGISLATIVE COUNCIL RECOMMENDATIONS

Legislative council staff recommendations were accepted in whole.

5. FINAL REGULATORY FLEXIBILITY ANALYSIS

Pursuant to s. 227.19(3m), a final regulatory flexibility analysis is not required.

PROPOSED RULE  
STATE OF WISCONSIN  
OFFICE OF CREDIT UNIONS

An order to create ch. DFI—CU 73 relating to annual audits and verification of member accounts by state-chartered credit unions. Analysis: Statutory authority: ss. 186.115(1) and (2), 186.235(8) and 227.11(2), Stats. Statutes interpreted: ss. 186.115(1) and (2), and 186.235(8). Summary: The purpose of the rule is to prescribe certain responsibilities of state-chartered credit unions regarding audits and accounts. The rule provides general responsibilities for boards of directors for financial reporting; sets forth criteria for audit requirements, certain auditors and audit reports; provides financial statement audit alternatives; and establishes procedures for verification of accounts and passbooks. The promulgation of this rule has been approved by the Credit Union Review Board. Agency person to be contacted for substantive questions and responsible for the agency's internal processing: Ginger Larson, Director, Office of Credit Unions, tel. (608) 261-9543. Pursuant to the statutory authority referenced above, the Office of Credit Unions adopts the following:

SECTION 1: CHAPTER DFI—CU 73 is created to read:

CHAPTER DFI—CU 73

AUDITS AND VERIFICATIONS

**DFI-CU 73.01 Purpose and scope.** The purpose of this chapter is to prescribe the responsibilities of state-chartered credit unions for annual audits and the verification of member accounts as required by s.186.15, Stats.

**DFI-CU 73.02 Definitions.** In this chapter:

- (1) "Audit committee" means a committee of one or more capable persons appointed by the board of directors of a credit union to annually audit the records, accounts and cash of the credit union and to verify the credit union's accounts.
- (2) "Balance sheet audit" means an examination of credit union assets, liabilities and equity under GAAS by an independent public accountant for the purpose of rendering an opinion on the fairness of the presentation on the balance sheet. Credit unions required to file call reports consistent with GAAP shall ensure the audited balance sheet is prepared in accordance with GAAP. The opinion need not address the fairness of the presentation of the credit union's income statement, statement of changes in equity or statement of cash flows.
- (3) "Compensated auditor" means any accounting professional or auditing professional, excluding a credit union employee, who is compensated for performing more than one audit or verification of members' accounts, or both, in a calendar year.

(4) "Director" means the director of the office of credit unions or an authorized representative of the director.

(5) "Financial statements" means a presentation of financial data, including accompanying notes, derived from accounting records of the credit union, and intended to disclose a credit union's economic resources or obligations at a point in time, or the changes therein for a period of time, in conformity with GAAP or regulatory accounting procedures.

*Example: Financial statements include any of the following: balance sheet or statement of financial condition, statement of income or statement of operations, statement of undivided earnings, statement of cash flows, statement of changes in members' equity, statement of revenue and expenses, and statement of cash receipts and disbursements.*

(6) "Financial statement audit" or "opinion audit" means an audit of the financial statements of a credit union performed in accordance with GAAS by an independent state-licensed person. A financial statement audit shall express an opinion as to whether those financial statements present fairly, in all material respects, the credit union's financial position, and the results of its operations and its cash flows, in conformity with GAAP or regulatory accounting practices.

(7) "GAAP" means "generally accepted accounting principles," the conventions, rules, and procedures that define accepted accounting practice.

*Note:* GAAP includes broad general guidelines and detailed practices and procedures; provides a standard by which to measure financial statement presentations; and encompasses not only accounting principles and practices, but also the methods of applying them.

(8) "GAAS" means "generally accepted auditing standards," as approved and adopted by the American Institute of Certified Public Accountants. GAAS apply when an independent, licensed certified public accountant audits financial statements.

*Note:* Auditing standards differ from auditing procedures in that procedures address acts to be performed, whereas standards measure the quality of the performance of those acts and the objectives to be achieved by use of the procedures undertaken. In addition, auditing standards address the auditor's professional qualifications, and the judgment exercised in performing the audit and in preparing the report of the audit.

(9) "Independent" means the impartiality necessary for the dependability of the compensated auditor's findings and the exercise of fairness toward credit union officials, members, creditors and others who may rely upon an audit committee report.

(10) "Internal control" means the process, established by the credit union's board of directors, officers and employees, designed to provide reasonable assurance of reliable

financial reporting and to safeguard assets against unauthorized acquisition, use or disposition. Internal control over safeguarding of assets against unauthorized acquisition, use or disposition refers to prevention and timely detection of transactions involving such unauthorized access, use or disposition of assets which could result in a loss that is material to the financial statements.

(11) "NCUA" means the National Credit Union Administration.

(12) "Reliable reporting" means the preparation of call reports on NCUA-prescribed call report forms.

(13) "Reportable conditions" means a matter coming to the attention of the independent, compensated auditor which, in the auditor's judgment, represents a significant deficiency in the design or operation of the internal control structure of a credit union, and which may adversely affect the credit union's ability to record, process, summarize and report financial data consistent with the representations of management in the financial statements.

(14) "Report of examination of internal control over call reporting" means an engagement in which an independent, licensed, certified public accountant or public accountant, consistent with attestation standards, examines and reports on management's written assertions concerning the effectiveness of its internal control over financial reporting in its most recently filed semi-annual or year-end call report, with a concentration in high risk areas.

*Note:* High risk areas most often include lending activity, investing activity, and cash handling and deposit-taking activity.

(15) "State-licensed person" means a certified public accountant who is licensed by the state of Wisconsin to perform accounting or auditing services for the credit union.

(16) "Supervisory committee" means a committee appointed by the board of directors consisting of not less than three members nor more than five members, one of whom may be a member of the board of directors other than a compensated officer of the board that assumes the responsibilities under s. DFI—CU 73.03.

(17) "Working papers" means a principal record, in any form, of the work performed by the auditor or audit committee, or both, to support its findings and conclusions concerning significant matters.

*Example: Working papers include any of the following: the written record of procedures applied, tests performed, information obtained and pertinent conclusions reached in the engagement; proprietary audit programs; analyses; memoranda; letters of confirmation and representation; abstracts; credit union documents; reviewer's notes; schedules; and commentaries prepared or obtained in the course of the engagement.*

**DFI-CU 73.03 General responsibilities of the board of directors.** (1) The board of directors shall ensure that financial reporting objectives are met by management, and that management shall establish practices and procedures sufficient to safeguard members' assets.

(2) In meeting the responsibilities of this section, the board shall do all of the following:

(a) Ensure that internal controls to achieve reporting objectives are established and effectively maintained. These controls shall be sufficient to satisfy the requirements of the audit, verification of members' accounts and any additional responsibilities.

(b) Ensure that accounting records and financial reports that accurately reflect operations and results are prepared.

(c) Ensure that relevant plans, policies and control procedures are established and properly administered.

(d) Ensure that policies and control procedures that are sufficient to safeguard against error, conflict of interest, self-dealing and fraud are established.

(e) Ensure that the credit union adheres to the measurement and filing requirements for the call report or any other reports requested in writing by the office of credit unions or NCUA.

(f) Obtain an annual audit, as set forth in ss. DFI—CU 73.04 and 73.05, which occurs at least once every calendar year or the period of performance, and covers the period elapsed since the last audit period or period effectively covered.

(g) Ensure the verification of members' passbooks and accounts against the records of the credit union, as set forth in s. DFI—CU 73.07.

(3) In carrying out the responsibilities of this section, the board may appoint a supervisory committee to oversee these responsibilities and report to the board.

**DFI-CU 73.04 Audit of credit unions with total assets of \$500 million or greater.** To fulfill its audit requirement, a credit union having total assets of \$500 million or greater shall obtain an annual financial statement audit performed in accordance with GAAS by an independent state-licensed person.

**DFI-CU 73.05 Audit of credit unions with total assets of less than \$500 million.** To fulfill its audit requirement, a credit union having total assets of less than \$500 million shall obtain an annual audit as set forth in ss. DFI—CU 73.04 or 73.06.

**DFI-CU 73.06 Alternatives to financial statement audit.** (1) A credit union that is not required to obtain a financial statement audit shall fulfill its audit requirements by any one of the following methods:



- (a) *Balance sheet audit.* A balance sheet audit performed by a state-licensed person.
- (b) *Report of examination of internal control over call reporting.* A report of examination of internal control over call reporting performed by a state-licensed person, in which the management of the credit union specifies the criteria on which it based its evaluation of internal control.
- (c) *Supervisory Committee Guide audit.* An audit performed by the audit committee, its internal auditor or any other qualified person in accordance with the procedures prescribed in NCUA's Supervisory Committee Guide. Qualified persons who are not state-licensed shall not provide assurance services under this subsection.

*Example: Qualified person includes any of the following: certified public accountant, public accountant, league auditor, credit union auditor consultant and retired financial institutions examiner.*

*Note:* A copy of the guide may be obtained by writing the Office of Credit Unions, P.O. Box 14137, Madison, WI 53714-0137.

(2) Upon completion of each audit, the auditor shall make a written report of the auditor's activities, findings and recommendations to the board of directors. The report shall be retained in the records of the credit union.

**DFI-CU 73.07 Requirements for verification of accounts and passbooks.** At least once every two years, accounts which include passbooks, statement of accounts or other account records of the members shall be verified against the records of the credit union. Any of the following verification methods may be used:

- (1) **CONTROLLED.** A controlled verification of 100 percent of members' share and loan accounts.
- (2) **STATISTICAL.** A sampling that includes all of the following:
  - (a) Random selection.
  - (b) A sample which is representative of the population from which it was selected.
  - (c) An equal chance of selecting each dollar in the population.
  - (d) Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives.
  - (e) Additional procedures to be performed if evidence provided by confirmations alone is not sufficient.

**(3) NON-STATISTICAL.** When verification is performed by an independent state-licensed person, the auditor may choose among the sampling methods set forth in subs. (1) and (2), and non-statistical sampling methods consistent with GAAS, if the sampling methods include all of the following:

(a) Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives to provide assurance that the general ledger accounts are fairly stated in relation to the financial statements taken as a whole.

(b) Additional procedures to be performed by the auditor if evidence provided by confirmations alone is not sufficient.

(c) Documentation of the sampling procedures used and of their consistency with GAAS. The documentation shall be provided to the director or NCUA, or both, upon request.

**(4) RETENTION OF RECORDS.** The records of each verification of member passbooks and accounts shall be retained by the credit union until the next verification of member passbooks and accounts is completed.

**DFI-CU 73.08 Compensated auditor. (1) UNRELATED TO OFFICIALS.** A compensated auditor who performs an audit on behalf of a credit union shall not be related by blood or marriage to any management employee or loan officer, or any member of the board of directors, audit committee, supervisory committee or credit committee of that credit union.

**(2) ENGAGEMENT LETTER.** The engagement of a compensated auditor to perform all or a portion of the scope of an annual audit requirement shall be evidenced by an engagement letter. The engagement letter shall be signed by the compensated auditor and acknowledged by the audit committee, supervisory committee or board prior to commencement of the engagement.

**(3) The engagement letter shall do all of the following:**

(a) Specify the terms, condition, and objectives of the engagement.

(b) Identify the basis of accounting to be used.

(c) Set forth the procedures to be performed.

(d) Specify the rate of or total compensation to be paid for the audit.

(e) Provide that the compensated auditor shall, upon completion of the engagement, deliver a written report of the audit and provide notice in writing, either within the report or communicated separately, of any internal control reportable conditions, irregularities and illegal acts which come to the compensated auditor's attention during the normal

course of the audit. Notice is not required if there are no reportable conditions, irregularities or illegal acts.

(f) Specify a target date for delivery of the written reports, such target date not to exceed 120 days from the date of the calendar or fiscal year-end audit, or period covered, unless the credit union obtains a waiver from the director.

(g) Certify that the director or NCUA staff, or both, or their designated representatives, shall be provided unconditional access to the complete set of original working papers, either at the offices of the credit union or at a mutually agreed upon location, for purposes of inspection.

(h) Acknowledge that working papers shall be retained for a minimum of three years from the date of the written audit report.

(4) If the engagement is to perform a supervisory committee guide audit, as set forth in s. DFI—CU 73.06(1)(c), the engagement letter shall certify that the audit shall address the complete scope of that engagement unless otherwise noted.

(5) If the engagement is to perform a supervisory committee guide audit, as set forth in s. DFI—CU 73.06(1)(c), which will exclude any item required by the applicable section of the guide, the engagement letter shall do all of the following:

(a) Identify the excluded items.

(b) State that because of any exclusions, the resulting audit alone will not fulfill the scope of a supervisory committee audit.

(c) State that the credit union shall remain responsible for fulfilling the scope of a supervisory committee audit with respect to the excluded items.

**DFI-CU 73.09 Audit report and working papers. (1) AUDIT REPORT.** Upon completion of a written audit report, the person completing the report shall verify that the audit was performed and reported in accordance with the terms of the engagement letter. The report shall be submitted to the board of directors. A summary of the results of the audit shall be presented to the members of the credit union orally or in writing at the next annual meeting of the credit union. If a member so requests, access to the full audit report shall be provided. Upon request by the office of credit unions or NCUA, or both, the credit union shall provide a copy of each of the audit reports it receives or produces.

**(2) WORKING PAPERS.** A set of working papers that supports each audit shall be prepared and maintained by the credit union or auditor, or both. Upon request by the office of credit unions or NCUA, or both, the credit union shall provide unconditional access to the working papers at the offices of the credit union or at a mutually agreeable location for purposes of inspecting such working papers.

**DFI-CU 73.10 Sanctions.** The office of credit unions may order an independent audit at the credit union's expense if the annual audit requirement has not been met or the office of credit unions finds an annual audit to be unsatisfactory.

This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22(2)(intro.), Stats.

## NOTE

Pursuant to s. 227.14 (3), Stats., an agency shall include a reference to forms in a note to the proposed rule and shall attach a description of how copies of the forms may be obtained. Pursuant to s. 227.14 (3), copies of forms may be obtained at the following:

Office of Credit Unions  
P.O. Box 14137  
345 W. Washington Avenue, 3<sup>rd</sup> Floor  
Madison, WI 53714-0137

**Fiscal Estimate — 2001 Session**

- Original       Updated  
 Corrected       Supplemental

LRB Number	Amendment Number if Applicable
Bill Number	Administrative Rule Number

**Subject**

Annual audits and verification of member accounts by state-chartered credit unions.

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation       Increase Existing Revenues  
 Decrease Existing Appropriation       Decrease Existing Revenues  
 Create New Appropriation

Increase Costs — May be possible to absorb within agency's budget.

- Yes       No

Decrease Costs

Local:  No Local Government Costs

1.  Increase Costs  
 Permissive       Mandatory  
2.  Decrease Costs  
 Permissive       Mandatory

3.  Increase Revenues  
 Permissive       Mandatory  
4.  Decrease Revenues  
 Permissive       Mandatory

5. Types of Local Governmental Units Affected:

- Towns       Villages       Cities  
 Counties       Others  
 School Districts       WTCS Districts

**Fund Sources Affected**

- GPR       FED       PRO       PRS       SEG       SEG-S

**Affected Chapter 20 Appropriations**

None

**Assumptions Used in Arriving at Fiscal Estimate**

The purpose of the rule is to prescribe certain responsibilities of state-chartered credit unions regarding audits and accounts. The rule provides general responsibilities for boards of directors for financial reporting; sets forth criteria for audit requirements, certain auditors and audit reports; provides financial statement audit alternatives; and establishes procedures for verification of accounts and passbooks. The promulgation of this rule has been approved by the Credit Union Review Board. The activity will be reviewed as part of the existing examination process by the Office of Credit Unions and, therefore, has no fiscal impact.

**Long-Range Fiscal Implications**

None

Prepared By:	Telephone No.	Agency
Mark Schlei	267-1705	DFI
Authorized Signature	Telephone No.	Date (mm/dd/ccyy)
	267-1705	10/31/02



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## WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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**Ronald Sklansky**  
*Clearinghouse Director*

**Richard Sweet**  
*Clearinghouse Assistant Director*

**Terry C. Anderson**  
*Legislative Council Director*

**Laura D. Rose**  
*Legislative Council Deputy Director*

### CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

#### CLEARINGHOUSE RULE 02-133

AN ORDER to create ch. DFI-CU 73, relating to annual audits and verification of member accounts by state-chartered credit unions.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

10-31-2002 RECEIVED BY LEGISLATIVE COUNCIL.

11-25-2002 REPORT SENT TO AGENCY.

RS:NZ

**LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT**

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES  NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES  NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES  NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS  
[s. 227.15 (2) (e)]

Comment Attached YES  NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES  NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL  
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES  NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES  NO





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## WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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Ronald Sklansky  
*Clearinghouse Director*

Richard Sweet  
*Clearinghouse Assistant Director*

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*Legislative Council Director*

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*Legislative Council Deputy Director*

### CLEARINGHOUSE RULE 02-133

#### Comments

**[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]**

#### 2. Form, Style and Placement in Administrative Code

a. In s. DFI-CU 73.02 (2), the last two sentences are substantive and should be placed elsewhere in the rule.

b. In s. DFI-CU 73.02 (7), the second sentence appears to be a description of generally accepted accounting principles, rather than a direction from the department as to what those principles include. Consequently, this sentence should be placed in a note to the rule.

c. The last sentence of s. DFI-CU 73.02 (10) seems more appropriately placed in the definition of "financial statements."

d. In s. DFI-CU 73.02 (14), the term "Call Report" should be not capitalized. [See also s. DFI-CU 73.08 (4) and (5) (intro).]

e. Section DFI-CU 73.03 (1) should be rewritten to read: "The board of directors shall ensure that financial reporting objectives are met and shall establish practices and procedures sufficient to safeguard member's assets."

f. In s. DFI-CU 73.03 (2) (f), in order to maintain structural consistency, the phrase "must cover" should be replaced by the word "covers."

g. In s. DFI-CU 73.07 (3), the word "subsections" should be replaced by the notation "subs." and the word "includes" should be replaced by the word "include."

**4. Adequacy of References to Related Statutes, Rules and Forms**

a. Since s. DFI-CU 73.06 (1) (c) incorporates standards by reference, consent of the Revisor of Statutes and Attorney General is needed. [s. 227.21 (2), Stats.] The analysis should indicate whether that consent has been given.

b. In s. DFI-CU 73.08 (4) and (5), there should be a cross-reference to s. DFI -CU 73.06 (1) (c).

**5. Clarity, Grammar, Punctuation and Use of Plain Language**

a. In s. DFI-CU 73.02 (2) “. . . means the examination . . .” should be changed to “. . . means an examination . . .”

b. In s. DFI-CU 73.02 (3), the rule would be clearer if the term “compensated person” were changed to “compensated auditor.” “Compensated auditor” is the term use in s. DFI-CU 73.08. Further, “. . . each calendar year” should be changed to “. . . in a calendar year.”

c. In s. DFI-CU 73.02 (5) and (6), what are “regulatory accounting procedures”?

d. In s. DFI-CU 73.02 (10), “. . . reporting and safeguarding of assets . . .” should be changed to “. . . reporting and to safeguard assets . . .”

e. In s. DFI-CU 73.02 (13), is the intent to limit the definition to only those matters “coming to the attention” of an auditor qualify as reportable conditions? Thus, a significant deficiency that an auditor fails to notice is not a reportable condition. If that is the case, the term might be more accurate if it were “reported condition.” In addition, “. . . adversely affect its ability . . .” needs to be modified to replace “its” with either “the credit union’s” or “the auditor’s.”

f. In the note to s. DFI-CU 73.02 (14), “includes” should be “include.”

g. In s. DFI-CU 73.02 (15), would it be more accurate to change the term to “state licensed accountant”?

h. In s. DFI-CU 73.02 (16), since “director” is defined as the director of the office of credit unions, it might be clearer if “. . . be a director other than . . .” were changed to “. . . be a member of the board of directors other than . . .”

i. In s. DFI-CU 73.03 (1), what are “financial reporting objectives”? The same question applies to ss. DFI-CU 73.03 (2) (a) and 73.07 (3) (a).

j. In ss. DFI-CU 73.04 and 73.05, could the phrase “To fulfill its audit requirement . . .” be deleted, or does it refer to requirements other than those contained in ch. DFI-CU 73?

k. In s. DFI-CU 73.06 (1) (b), who is “management”? Further, s. DFI-CU 73.06 (1) (b) requires that “report of examination” be conducted a “state-licensed person,” but the definition of that term seems to allow a broader group of people to conduct the report of examination. The two provisions should be harmonized.

l. In the example in s. DFI-CU 73.06 (1) (c), "include" should be "includes." Further, the example should be moved into the body of par (c) and combined with the last sentence to create a clear definition of "qualified person."

m. In s. DFI-CU 73.07 (3), ". . . if the sampling methods includes . . ." should be changed to ". . . if the nonstatistical sampling methods include . . ."

n. In s. DFI-CU 73.07 (3) (a), who is "management," and what is "management's financial reporting objectives"?

o. In s. DFI-CU 73.08 (3) (e), ". . . and notice . . ." should be ". . . and provide notice . . ." Further, the paragraph should specify to whom the written report is delivered. Also, the word "compensated" should be inserted before the word "auditor" and before the word "auditor's."

p. In s. DFI-CU 73.08 (3) (f), ". . . date of delivery . . ." should be ". . . date for delivery . . ." and ". . . days from date of calendar . . ." should be ". . . days from the date of the calendar . . ."

q. In s. DFI-CU 73.08 (5) (b) and (c), ". . . committee audit" should be changed to ". . . committee guide audit."

r. The note to ch. DFI-CU 73 indicates where copies of forms may be obtained. If there is an agency web site at which the forms may be obtained, the address of the web site also should be provided.