



Office of Thrift Supervision  
Department of the Treasury

1700 G Street, N.W., Washington, D.C. 20552 • (202) 906-6853

John F. Downey  
Deputy Director

Regional Operations

September 11, 1992

**MEMORANDUM FOR:** Chief Executive Officer  
Savings Institution

**FROM:** John F. Downey *JF Downey*

**SUBJECT:** Guidance on the Use of External Audits in  
Safety and Soundness Examinations

Attached is the Office of Thrift Supervision's ("OTS") guidance on the use of external audits in safety and soundness examinations. The guidance replaces the Thrift Activities Regulatory Handbook Section 125: Independent Audit. The guidance identifies regulatory monitoring, and examination procedures that will help examiners use external audits to supplement supervision and examination of savings associations. The procedures include timely review of audit-related reports (audited financial statements, internal control letters, etc.), changes in auditors for supervisory concerns, increased communication between examiners and external auditors, and review of external audit workpapers by examiners.

Association management is encouraged to include external auditors in meetings with examiners. External auditors and examiners are encouraged to discuss supervisory concerns and share audit and examination findings. Examiners may review the external audit workpapers to obtain support that can be used to limit or supplement the scope of an examination, or direct the external auditor to perform agreed-upon procedures that address complex transactions or supervisory concerns. OTS may also provide the external auditors with access to examination workpapers. Such coordination and cooperation should reduce any duplication of efforts between external audits and examinations and improve the reliability of external audit and examination findings.

Attachment

cc: Regional Directors