

# NCUA LETTER TO CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION

1775 Duke Street, Alexandria, VA 22314

DATE: February 27, 1997 LETTER NO. 97-CU-2

**DEAR SUPERVISORY COMMITTEE MEMBERS AND BOARD OF DIRECTORS:**

You may have read reports in the press that persons who are not licensed to practice accountancy under state law may not perform supervisory committee audits for credit unions and, if they do so, may be subject to prosecution for "practicing auditing without a license." The purpose of this letter is to correct these inaccurate reports and to reemphasize to credit unions that NCUA continues to support the supervisory committee's right to hire *anyone it deems qualified* to meet its responsibilities.

**FEDERAL LAW PREEMPTS STATE LICENSING LAW.** The issue is whether state statutes which limit the practice of public accountancy to licensed individuals prohibit member volunteers or non-licensed individuals from performing supervisory committee audits for credit unions. It is NCUA's long-standing opinion that, insofar as a state's statute prohibits a supervisory committee from performing a supervisory committee audit itself, or prohibits such audits from being performed by non-licensed individuals, it is preempted by Federal law and regulation.

This means that the Federal Credit Union Act, 12 U.S.C. 1761d, and NCUA's supervisory committee audit regulation, 12 C.F.R. 701.12, *override* state accountancy laws and licensing requirements.

NCUA is committed to defending **the supremacy of federal law over state accountancy laws whenever those laws restrict the right of credit union supervisory committees and chosen non-licensed individuals to perform supervisory committee functions as mandated and permitted by the Federal Credit Union Act and NCUA's supervisory committee audit regulation.**

**NCUA DOES NOT REQUIRE OPINION AUDITS.** NCUA accepts that those who set standards governing the practice of accounting by licensed individuals have the authority "to regulate" those licensed individuals relative to auditing functions within auditing standards. Similarly, NCUA has authority to establish supervisory committee requirements within the law and interpret what it will accept as satisfactory in meeting those requirements. **NCUA will accept a supervisory committee product which is less than an opinion audit on the financial statements.**

Supervisory committee volunteers and the individuals chosen to assist them in performing supervisory committee functions may continue their work as has been the case previously.

Sincerely,

/S/

David M. Marquis  
Director  
Office of Examination and Insurance

