

# CREDIT UNION ALERT

## AICPA Credit Union Conference Update

In connection with our ongoing commitment to stay abreast of current industry events, GBQ had a number of professionals in attendance at the 2017 AICPA Credit Union conference in October. I thought you might be interested in some of the key issues that were presented and discussed. Please feel free to reach out to us if you have any questions or we can be of assistance to you and your credit union with any of these matters.

### Regulatory

Larry Fazio, Director Office of Examination and Insurance of NCUA was on-hand this year and provided a summary of the key initiatives of NCUA as follows:

- 1. Cybersecurity** – Specifically talked about the FFIEC Cybersecurity Assessment Tool and its objectives:
  - To help institutions identify their risks and determine their cybersecurity maturity.
  - To provide a repeatable and measureable process to inform management of their institution's risks and cybersecurity preparedness.
  - To help institutions identify the best ways to improve security and plan a cost effective strategy to cybersecurity.
- 2. Bank Secrecy Act Compliance**
  - Examiners required to review credit unions' compliance with BSA and complete related exam questionnaire at every examination.
  - Focus on credit unions' relationships with money services businesses (MSBs) and other accounts that may pose a higher risk for money laundering.
  - Since the beginning of 2014, the number of Money Service Business accounts at FICUs have increased 21% to 1,600 with balances totaling \$74 million.
- 3. Internal Controls and Fraud**
  - Credit unions with limited staff may be more susceptible to insider fraud as a result of inherent challenges maintaining adequate separation of duties.
  - Examiners will continue to evaluate the adequacy of credit union internal controls, as well as overall efforts to prevent and control fraud.



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## ICPA Credit Union Conference Update (cont.)

### 4. Interest Rate Risk (IRR) and Liquidity

- Revised interest rate risk supervisory tool and new examination procedures to assess interest rate risk management practices in credit unions (*NCUA LCU 16-CU-08, Revised Interest Rate Risk Supervision*).
- Field staff will also focus on the relationship between interest rate risk and liquidity risk.

### 5. Commercial Loans

- NCUA's revised Part 723, *Member Business Loans*; Commercial Lending became effective on January 1, 2017.
- Examiners will evaluate a credit union's commercial loan policies and procedures and assess the risk management processes associated with managing a commercial loan portfolio.

### 6. Consumer Compliance

- Examiners will evaluate compliance with Military Lending Act (*NCUA LCU 16-CU-07, Military Lending Act Examination Approach*).
- Examiners will also review compliance with the Service members' Civil Relief Act.

### Current Expected Credit Loss (CECL)

This was also a major topic throughout the conference. It is imperative that credit unions begin the assembly of data for these calculations. The required implementation date is effectively in 2021, but waiting until then to consider the ramification would be a huge mistake. GBQ Partners LLC plans to present further recommendations on how to prepare in future alerts. Please keep your eyes out for them.

### GBQ Partners LLC

Our Credit Union service specialists have well in excess of 100 years of industry experience in helping credit unions through accounting, compliance, regulatory, IT and a number of other complex areas. Our IT professionals have already been using the FFIED Cybersecurity Assessment Tool to assist our clients evaluate and implement risk monitoring tools, our compliance professionals are up to date and accredited, and our accounting professionals live in the credit union space every single day. If you have questions or need assistance please do not hesitate to contact us.

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