POL: 001-04
Revised: 11-13-2025

POLICY TO ESTABLISH ACCOUNTING AND AUDITING STANDARDS PURSUANT TO IC 28-13-10-8, IC 28-11-3-1 and IC 28-7-1-18

The Members of the Department of Financial Institutions establish the following standards for financial institution audit practices pursuant to IC 28-13-10-8, IC 28-11-3-1 and IC 28-7-1-18.

Statutory Direction

IC 28-13-10-8 requires the Board of Directors of each Corporation (as defined in IC 28-10-1-4) to engage a Certified Public Accountant to perform an examination (audit) of the financial institution one (1) time each calendar year and submit the examination and a complete statement of condition of the corporation to the Department.

IC 28-7-1-18(e) requires the Supervisory Committee of a credit union to cause the credit union to be audited one (1) time each calendar year, with credit union's having total assets in excess of five million dollars ($5,000,000) to be examined (audited) by a Certified Public Accountant and submit the audit report and complete statement of condition of the credit union to the Department.

An Industrial Loan and Investment Company is subject to the accounting and auditing standards of this policy pursuant to IC 28-11-3-1(c).

Each of the above-mentioned statutes indicates that the Department may establish the accounting and auditing standards necessary to define the examination requirements by policy or rule.

Definitions

*Banks, Banks and Trust Company, Corporate Fiduciaries, Credit Unions, Industrial Loan and Investment Companies, Mutual Savings Bank, Savings Associations, Stock Savings Bank, and a Trust Company will be referred to as "financial institutions" throughout the remainder of this policy.

*Total assets should be measured to the amount reported in the prior fiscal calendar year-end.

Department Established Independent Audit Standards

The Department establishes the following accounting and auditing standards necessary to comply with the examination (audit) requirements for financial institutions, as applicable under IC 28-13-10-8, IC 28-7-1-18(e) for credit unions with five million ($5,000,000) in total assets or greater, and IC 28-11-3-1(c) by the adoption of this policy.

All financial institutions shall use one of the following options to comply with the requirements

of this policy, unless the insurer of a financial institution with less than $250,000,000 in total assets prescribes an option to use specifically defined other allowable audit procedures.

1. **Full Scope Audit**

   The Board of Directors, or Supervisory Committee in the case of a Credit Union, of a financial institution may engage an independent Certified Public Accountant or firm of Certified Public Accountants, to perform an audit of the financial institution's financial statements in accordance with applicable Generally Accepted Auditing Standards (GAAS) and include financial statement disclosures in accordance with applicable accounting principles generally accepted in the United States of America.

   An audit of the financial institution's holding company will satisfy the requirements of the statute for the financial institution if the audit is conducted in accordance with the requirements of this option. The Department reserves the right, pursuant to IC 28-11-3-1, to require a subsidiary of a holding company to undergo separate external auditing and reporting procedures if deemed necessary and appropriate by the Department.

2. **Restricted Scope Balance Sheet Only Audit**

   With the written approval of the Director of the DFI, the Board of Directors, or Supervisory Committee in the case of a Credit Union, of a financial institution may engage an independent Certified Public Accountant or firm of Certified Public Accountants to perform an audit of the financial institution's balance sheet in accordance with applicable GAAS, except that an evaluation of the adequacy of the allowance for credit losses account may be omitted. In performing the audit, the Certified Public Accountant or firm of Certified Public Accountants must follow the applicable auditing and accounting guidelines established in accordance with standards generally accepted in the United States of America. The financial institution's balance sheet must be presented in accordance with applicable Generally Accepted Accounting Principles in the United States of America (GAAP). An "except for" opinion is required when a restricted-scope balance sheet only audit is performed. A "disclaimer of opinion" based upon a scope restriction is not an acceptable opinion.

<u>Additional Requirements</u>

1. Communications required pursuant to applicable GAAS concerning internal control structure and other related audit matters must be in compliance with current Statement on Auditing Standards (SAS) literature, and all such communications must be documented in writing in the management letter.

2. The audit report, any required communication pursuant to generally accepted auditing

standards, and any other material written communications from the Certified Public Accountant or firm of Certified Public Accountants must be submitted to the Department within 120 days of the balance sheet review date. Submitting an Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (10-K) does not preclude a financial institution from submitting its independent auditor's report.

A financial institution may petition the Department Director for an annual one-time forty-five (45) day extension to the 120 day submission requirement by submitting a formal letter to the Director outlining the circumstances behind the expected completion delay. The Director may grant the waiver extension on a case-by-case basis.

3. All audit services required by this policy shall be performed only by an independent Certified Public Accountant or firm of Certified Public Accountants who (1) has agreed in writing to provide the Department access to all work papers and other audit documentation requested by the Department; and (2) is currently acceptable to the Director of the Department. A Certified Public Accountant or firm of Certified Public Accountants will automatically be deemed acceptable under this requirement if it has received an unqualified report within the last three years while enrolled in an American Institute of Certified Public Accountants approved practice monitoring program. An independent Certified Public Accountant or firm of Certified Public Accountants receiving a quality review report other than that described above must submit the report to the Director of the Department together with a request for approval to provide services required by this Policy. The Director of the Department will advise the accountant in writing whether the request is approved or denied.

4. Each financial institution shall provide written notification to the Department of the resignation or dismissal of the financial institution's independent auditor or the engagement of a new independent auditor by the financial institution. A notification disclosing the reasons for such change must be submitted to the Department within thirty (30) calendar days of the event's occurrence.

5. Each financial institution's Board of Directors or audit committee should define, by resolution, an audit period and notify the Department at least sixty (60) days prior to any adjustment of the audit period. An audit period is defined as a twelve (12) month period designated by the supervisory committee or audit committee over which the audit shall be conducted.

6. Each financial institution shall submit the Department's annual Organizational Questionnaire, located on the Policies and Guidance section of Department's website, concurrently with the submission of the above audit information.

AUDIT POLICY

The financial institution's Board of Directors or Supervisory Committee shall establish an audit policy addressing internal and external audit programs, and review its appropriateness annually. The review shall be documented in the minutes of the Board meeting.

The policy must address the provisions detailed in the following federal issuances:

Banks

1. Interagency Policy Statement on the Internal Audit Function and its Outsourcing dated March 17, 2003,
2. FIL-17-2003 issued by the Federal Deposit Insurance Financial institution titled "Corporate Governance, Audits, and Reporting Requirements", and
3. Statement on Application of Recent Corporate Governance Initiatives to Non-Public Banking Organizations dated May 5, 2003 issued by The Federal Reserve Board, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

All Credit Unions

1. Standards outlined 12 CFR 715 and Appendix A to 12 CFR 715

Corporate governance, auditor independence, and the various other requirements detailed in these issuances will be reviewed and assessed during the examination process. Corporate fiduciaries should follow the requirements of the Interagency Policy Statement on the Internal Audit Function and its Outsourcing dated March 17, 2003, and FIL-17-2003 to ensure compliance with this policy.

The Members of the Indiana Department of Financial Institutions formally adopted the revisions to this policy on November 13, 2025.

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Mark Schroeder, Vice-Chair