



# The Auditor's Report

## Remote Auditing Effectively and Efficiently

Remote auditing has been on the rise as technology has improved at a rapid pace. As COVID-19 locked down travel and even businesses, we had to turn to remote auditing. Audit techniques have had to adapt at a rapid pace to perform remote audits. Remote auditing has many benefits since it can result in a more efficient audit and in some cases a more effective audit.

The keys to an effective and efficient remote audit lie in the following:



### Planning stage of the audit

At the start of any audit, we always conduct a risk assessment to determine where the concentration should be to reduce the overall audit risk. When we must adjust the way we are going to audit due to feasibility of being onsite, then we should conduct a second rapid risk assessment to determine:

- if any risks changed due to the nature of auditing the area remotely
- if controls over financial reporting have changed or not functioning
- if any asset impairment is suspected

We need to communicate to all parties involved what technology we are going to use to share documents and conduct meetings. Communication is key in this stage as it is possible some of the parties are working remotely and access to some documents or processes may be delayed or not available. Scheduling a pre-audit meeting is a good start for all parties in the process to be aware of any scheduling or access limitations.

### Execution stage of the audit

Auditors must maintain professional skepticism and ensure the quality of audit evidence is sufficient to reduce overall audit risk. If controls are unable to be effectively tested, the auditor will need to do more substantive testing to ensure the quality of the audit evidence. This does not mean we can forgo control testing during a remote audit. We must be creative on how to test the controls. For instance, use of video conferencing technology to perform a walk through or the use of screen sharing technology to watch a computer control process or view documents.

*Continued on page 3*



### INSIDE THIS ISSUE

Remote Auditing.....	1
Our Firm & The Credit Union Philosophy .....	2
Lease Accounting Gets Postponed.....	2
Compliance Reminder.....	3
Holiday Greeting & Hours.....	3



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## Our Firm and The Credit Union Philosophy

Just like credit unions aren't like other financial institutions, at Nearman, Maynard, Vallez we view ourselves as different than other CPA firms. As Edward Filene once said, "A credit union is an educational institution." We also believe a CPA firm should be an educational resource for their clients. And in order to be the best resource for our clients, we have an unparalleled commitment to the industry.

In 1979, our firm was created with the idea of building a new type of practice, one focused to only serve credit unions and credit union service organizations. Since then we have enjoyed serving the credit union community, a community that exists only to serve their members with a focus of "people helping people." Our mission is to provide quality, efficient, professional services exclusively to the credit union industry. Since we deal exclusively with credit unions, our expertise is renowned in the industry.

Over our more than 40 years in the business, we have focused on personalized service and we believe this is what separates us from other firms. Our firm is large enough to alternate audit teams in order to ensure independence and objectivity... but yet small enough so you receive personalized attention. Credit unions are as diverse as their members; therefore, we understand every credit union is different. Our credit union clients have a variety of asset ranges, field of memberships, and service offerings. No matter your type or size of credit union, our firm is familiar with the industry and we can tailor our audit to meet your needs.

We work well with all levels of credit union personnel and treat them as professionals. Our firm also has good relationships with both state and federal examiners alike. With our years of experience in the credit union community, we are well versed with NCUA Rules and Regulations; the Federal Credit Union Act; and accounting treatments unique to the credit union industry.

We look forward to many more years of serving the credit union industry while we all navigate the ever changing landscape. To learn more about our firm, please visit [nearman.com](http://nearman.com). Contact us for your auditing needs. The cost of obtaining an audit proposal or for discussing our services is **free**.

*Erin Doolittle, Marketing Coordinator  
Nearman, Maynard, Vallez, CPAs*

## Lease Accounting Gets Postponed

Many things have been placed on hold this year due to COVID-19 and implementation of ASU No. 2016-2 "Leases" (Topic 842) joins that list for credit unions. The new effective date for credit unions is for fiscal years beginning after December 15, 2021. Early adoption is permitted. The new standard may be adopted using a modified retrospective transition and provides for certain practical expedients. This approach would require application of the new guidance at the beginning of the earliest comparative period presented. The standard could also be implemented at the beginning of the fiscal year end and shown as a cumulative effect change to retained earnings. Since all credit union's fiscal year end is December 31<sup>st</sup> due to regulatory reporting, the first date to implement is January 1, 2022.

ASU No. 2016-2 is intended to improve financial reporting about leasing transactions and affects all companies and other organizations. The ASU will require organizations that lease assets (referred to as "lessees") to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.

While the accounting by the lessor will remain largely unchanged from current GAAP, lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

## ABOUT US

Since 1979, Nearman, Maynard, Vallez, CPAs has provided auditing and consulting services exclusively to credit unions throughout the United States. Our dedication to the credit union industry has given us the unique ability to provide exceptional service at a reasonable price. Our primary objective is to assist our clients in accomplishing their goals through our experience, service, and commitment. If your Supervisory/Audit Committee, Management, or Board of Directors is interested in obtaining information on the subjects in this issue or about our many services, call or email us today.

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**Nearman  
Maynard • Vallez**  
Certified Public Accountants

Website: [www.nearman.com](http://www.nearman.com)

E-mail:  
[info@nearman.com](mailto:info@nearman.com)

Toll-free: 800.288.0293



*Continued from page 1*

We must be knowledgeable in the technology we are using and be able to support all parties in the engagement with questions. It is also imperative that when we utilize technology to share information, we do not lose the security of the information exchanged.

### Reporting stage of the audit

Before any results of the audit are communicated to the persons charged with governance, we must have a post audit meeting with Management and validate the results. There has always been a risk of miscommunication when auditing onsite, however, the risk is even greater when auditing remotely.

Conducting an effective and efficient remote audit will have benefits for both the Credit Union and the audit firm. A remote audit can save time and money due to the reduced travel from the audit team. The Credit Union will be relieved from the logistics of an on-site audit related to space for the audit team and interruptions to employees' regular workflow. The audit team will be more efficient due to consistent access to all the tools necessary such as high-speed internet, multiple monitors, printers, etc. During a remote audit, their productivity will be substantially increased in comparison to an on-site audit. Although we were forced into full time remote auditing due to COVID-19, remote audits will be here to stay and utilized to save time and money.

*Jennifer N. Hoskins, CPA, MPA, CAMS  
Nearman, Maynard, Vallez, CPAs*

## Compliance Reminder

Don't forget the due dates for the following required annual compliance audits are fast approaching. If you haven't planned for these audits, be sure to contact your auditor now to get your reviews scheduled.

- **ACH and BSA Audits:** Due date December 31st of each year.
- **Safe Act Review:** Due annually. (NCUA defines "annual" as within a calendar year)



## We Rolled With It!

**Greetings from a distance!!** In a year that has been like no other, we couldn't be more grateful for your business. We certainly were faced with unique challenges this year and are very grateful for the innovation of our team and the flexibility and loyalty of our clients. Thank you for allowing us to be a part of your business. We can't wait to see you all in person again!

Best wishes for a safe and joyous holiday season. Here's hoping for a 2021 that's a little less strange!

Please take note of our holiday hours. Our offices will be closed for the holidays November 26th, 27th, and December 24th through January 3rd.