

# FDICIA readiness

A guide for banks nearing \$1B



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As your bank nears \$1 billion in assets, you enter a new phase of regulatory scrutiny and responsibility. The FDIC Improvement Act (FDICIA) requires significant changes in audit structure, oversight and compliance practices. This guide outlines what you need to know — and do — to stay ahead of the curve.

# What triggers FDICIA compliance?

Once your institution’s assets exceed \$1 billion at the beginning of your fiscal year, you are required to:

- Obtain an **independent audit** of your comparative financial statements.
- Appoint an **audit committee** composed mostly of outside directors.
- Ensure your **auditor meets SEC independence standards**, which restrict certain advisory or implementation services.

Many banks underestimate the time and planning required to comply. We recommend beginning your readiness efforts **12-18 months before crossing the threshold**.

## Key compliance requirements at \$1 billion

| FDICIA requirements                    | Applies > \$1 billion | Notes                                               |
|----------------------------------------|-----------------------|-----------------------------------------------------|
| Independent audit of financials        | Yes                   | Must be comparative financial statements            |
| Auditor independence                   | Yes                   | Must comply with SEC independence rules             |
| Management statement of responsibility | Yes                   | CEO/CFO must attest to financial statement accuracy |
| Audit committee – majority independent | Yes                   | Must be composed entirely of outside directors      |



# Understanding audit independence

Independence rules are often misunderstood. Once you cross \$1 billion:

- Your auditor **cannot also assist** with financial statement preparation, internal audit services, tax services to leadership or system implementation.
- Even advisory services unrelated to the audit can raise red flags.
- You must **segregate duties** between firms doing advisory versus audit work.

**Common pitfall:** Many banks assume their current CPA can continue supporting controls or operations. Under FDICIA, this dual role may no longer be permissible.

## How to build your audit committee

FDICIA requires an audit committee that operates independently of your board. At \$1B, the majority of the committee must be **outside directors** (non-employees, non-officers).

**Action tip:** In smaller communities, it can take time to identify and vet qualified directors.

# Getting started on your readiness plan

Now that you know the basics of FDICIA, it's time to get started on your readiness plan.

1. Go through a checklist to get started.
2. Build out your roadmap.
3. Secure an independent financial statement auditor.
4. Establish your audit committee.
5. Create your internal FDICIA team.



# 1. Go through a checklist to get started

## Not sure where to start?

This checklist outlines the key steps every bank approaching the \$1B threshold should take to stay on track. It's a quick way to assess your current readiness and identify where you may need support, internal coordination or external guidance.

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- ☒ Have we projected when we'll cross the \$1B threshold?
  - ☒ Has our current auditor been evaluated for independence under SEC rules?
  - ☒ Have we identified advisory services that may create conflicts?
  - ☒ Have we planned for a majority-independent audit committee?
  - ☒ Do we have internal resources or advisors to manage the transition?
  - ☒ Have we set a timeline to implement all necessary changes before year-end?
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## 2. Build out your roadmap

### Planning ahead is critical.

FDICIA compliance isn't something you can implement overnight — especially when vendor relationships, board composition, and audit timing are involved. Use this readiness roadmap to proactively structure your timeline, minimize disruption and avoid costly last-minute changes.

#### 18–24 months out

- Forecast asset growth
- Identify FDICIA threshold crossing
- Begin evaluating auditor independence
- Engage advisory support if needed

#### 12 months out

- Transition to a compliant external auditor
- Begin audit committee planning
- Map out responsibilities and timelines

#### 6 months out

- Finalize audit committee structure
- Coordinate with auditor on scope and timing
- Communicate plan to internal stakeholders

#### 0–3 months before fiscal year start

- Submit all documentation
- Finalize readiness plan
- Begin first comparative audit cycle

# 3. Secure an independent financial statement auditor

Once your institution crosses the \$1 billion asset threshold, you will need an independent audit of your comparative financial statements.

Your financial statement auditor must be an independent public accountant who will comply with SEC independence standards. Essentially, there can be no potential conflicts of interest in which the auditor represents your institution or is otherwise in a position to audit their own work.

Under SEC standards, your independent financial statement auditor cannot perform nonattest services like these:

- Preparing the financial statements
- Appraisal or valuation services
- Internal audit services
- Tax services to any individual who oversees financial reporting for your institution

It's a good idea to engage an independent auditor a year before you cross the \$1 billion asset threshold. This will allow your auditor to perform a comparative audit without needing to re-audit the year prior.



# 4. Establish your audit committee

Eligible institutions are required to maintain an audit committee that operates independently of its board of directors.

The audit committee is responsible for appointing and overseeing the independent public accountant, reviewing FDICIA reports and ensuring management is responding appropriately.

FDICIA requires institutions with total assets exceeding \$1 billion to have an audit committee composed entirely of outside directors, the majority of whom must be independent. Outside directors are those who are neither officers nor employees of the institution or its affiliates.

Independent directors are outside directors who have no relationships that could impair their judgment or objectivity.

Once an institution crosses the \$5 billion asset threshold, that audit committee must be made up entirely of directors who are both outside directors and independent.

In smaller communities, banks may need time to recruit and vet those directors to ensure they have no affiliation. You also will need to budget for appropriate retainers and fees.



**\$1 billion**  
mostly independent

# 5. Create your internal FDICIA team

Your implementation team needs a leader or consultant with FDICIA compliance experience to drive the process forward.

Other essential stakeholders include key process owners, executive leadership, your audit committee, internal audit team and your external financial statement auditor. It's important to ensure everyone understands FDICIA requirements and their role in compliance.

Your internal team should also start communicating early with your external financial statement auditor, who can review and respond to issues before quarterly compliance testing starts.



# Get FDICIA-ready with Wipfli

Implementing an audit-ready FDICIA compliance program is a complex undertaking. For most institutions crossing a new FDICIA threshold, these requirements will be outside management's routine experience. Our specialists can guide your institution through this critical transition.

## Benefits of using Wipfli's FDICIA readiness and compliance services:

- Substantive, independent viewpoint on your existing controls
- Process clarity and project management
- Speed to readiness with an established control framework and documentation
- Experienced, right-size approach avoids over- or under-testing
- Enhanced confidence and buy-in from senior leadership and board
- Effective coordination with your external financial statement auditor

A readiness program is critical to successful FDICIA compliance, but the learning curve is steep. We can do the heavy lifting in the run-up to and through the continuous compliance requirements of FDICIA.

**For more information and support, see the FDICIA compliance resources at [wipfli.com/FDICIA](https://wipfli.com/FDICIA).**

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