April 26, 2019

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: ICUL Comments on Supervisory Committee Audits and Verifications Rulemaking; RIN 3133–AE91

Dear Mr. Poliquin:

The Indiana Credit Union League (ICUL) appreciates the opportunity to comment on the National Credit Union Administration’s (NCUA) proposal to amend the Supervisory Committee Audits and Verifications regulations. The ICUL member credit unions represent 99% of assets and members of Indiana’s credit unions, with those memberships totaling more than 2.5 million consumers.

Overall, we support the proposed modifications to Section 715.7 of NCUA’s regulations modifying the alternatives the supervisory committee of a credit union with assets between $10 million and $500 million may elect to use instead of a financial statement audit in order to meet the audit requirements. In the proposal, NCUA will add a new Appendix A to Part 715 that will include the minimum requirements the audit would need to meet in order to fulfill the audit requirements. Currently, Section 715.7 requires that the audit be completed as required in the Supervisory Committee Guide published by NCUA. We agree that a simpler reference in Appendix A of the requirements will be easier for supervisory committee members to follow than the much larger and more confusing Supervisory Committee Guide.

NCUA had requested comment on any additional areas of review that should be considered for addition to the review requirements. We do not believe that it is necessary for NCUA to add any additional areas of review not already addressed by the regulation and supporting material. In particular, NCUA mentioned employee and board compensation as a potential additional area of review. We do not agree with adding this area of review because we do not see how it fits into the intent of a supervisory committee audit.

Section 715.9 addresses engagement letters a credit union may use to hire a compensated auditor to perform audit functions. We agree with the proposal to replace the 120-day time frame for the audit to be complete with a new standard that would only require a credit union to specify in the engagement letter a target delivery date that meets its annual audit requirements in a timely manner. This adds flexibility for the credit union to work with the external auditor on timing of the written report that still meets the timeliness expectations. This could help the credit union reduce the overall expense by having the audit completed during a less busy time for the auditing firm.

We believe NCUA should follow up any final rule regarding supervisory committee audits with the development of reference material on how to conduct audits that meet the minimum requirements. This was included as part of the Supervisory Committee Guide, but we believe it could be streamlined to make this material more effective for use by credit unions.

Thank you for the opportunity to comment on the proposal to amend the Supervisory Committee Audits and Verifications regulations. We appreciate NCUA’s efforts to identify opportunities to modify existing rules with providing regulatory relief to credit unions as the primary focus.
If you have any questions regarding our comment letter, please contact me at (317) 594-5320. Thank you again for the opportunity to comment.

Sincerely,

John McKenzie
President
Indiana Credit Union League