

March 29, 2006

Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: ANPR Part 715, Supervisory Committee Audits

1. Should part 715 require, in addition to a financial statement audit, an “attestation on internal controls” over financial reporting above a certain minimum asset size threshold?

***Response:***

***No.***

***Attesting to a credit unions internal controls should not be made a requirement within part 715. The internal control systems currently in practice at credit unions are validated by the yearly financial statement audits performed by third party auditing firms and, the results of which, are again reviewed and validated by the periodic regulatory examinations.***

***The level of risk associated with a credit union’s financial structure and reporting requirements does not suggest the need for a comparable public entity review of the organizations internal controls.***

***The obvious financial impact of mandating an attestation is another reason to vote no on this issue. Estimates for a comprehensive internal control attestation are ranging from two to four times the normal cost of an audit. The higher side of this estimate was confirmed by our credit union’s outside auditing firm.***

9. Should NCUA mandate COSO’s Internal Control – Integrated Framework as the standard all credit union management must follow when establishing, maintaining and assessing the effectiveness of the internal control structure and procedures, or should each credit union have the option to choose its own standard?

***Response:***

***Each credit union should have the option to choose its own standard. The issue for NCUA should be the fact that a system of internal controls is indeed in place. And, based on their assessment, if the internal control structure is sound, the type of system or standard utilized becomes irrelevant. Implementing COSO's Internal Control – Integrated Framework does not, in and of itself, guarantee a secure internal control structure.***

10. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be required to have a minimum level of experience or expertise in credit union, banking or other financial matters?

***Response:***

***The credit union system was built around dedicated, uncompensated volunteers. As credit unions have evolved, the complexities inherent with growth have mandated the use of external professionals to assure that the Supervisory Committee responsibilities of maintaining a safe and sound organization are achieved. Supervisory Committee members should not be subjected to additional educational or practical experience requirements. They should be allowed to continue their responsibility of securing the required level of expertise from third party sources.***

***Recruiting new Committee members with the expertise this question is alluding to might certainly require that the Committee members be compensated for their time and services. Compensating volunteers is not an issue that Fibre Federal Credit Union and our members will ever support.***

11. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be required to have access to their own outside counsel?

***Response:***

***No.***

***The Supervisory Committee has specific charges within their scope of responsibilities. If the Committee determines that the services of an attorney are required to assist in a particular situation, they have the responsibility and authority to secure those services. Asset size has little or nothing to do with the ultimate responsibilities of a Supervisory Committee and should not be a pivot point for expanded authorities and/or expanded responsibilities.***

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12. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be prohibited from being associated with any large customer of the credit union other than its sponsor?

***Response:***

*This question is somewhat vague as it relates to the phrase “associated with”. Community credit unions periodically recruit volunteers from the ranks of the major customers or businesses with their particular field of membership. If that could be defined as “associated with”, it would then be obviously counterproductive to eliminate that level of association.*

8. Should part 715 require credit unions to provide NCUA with a copy of any management letter, qualification, or other report issued by its external auditor in connection with services provided to the credit union?

***Response:***

*A management letter, offered to a credit union in conjunction with the normal course of an external audit, contains areas or suggestions that do not constitute necessary changes or corrections in order to preserve the safety and soundness of the particular credit union. They are often simply opinions on minor improvements to processes or assistance with identifying efficiencies within an organization. They don't rise to the level of an audit finding, thereby not rising to the level that should be a required copy to NCUA.*

19. If credit unions were required to forward external auditors' reports to NCUA, should part 715 require the auditor to review those reports with the Supervisory Committee before forwarding them to NCUA?

***Response:***

*Yes, absolutely.*

*Communications from an external auditor, hired by the credit union's Supervisory Committee should never be viewed by an outside source prior to review by the Committee.*

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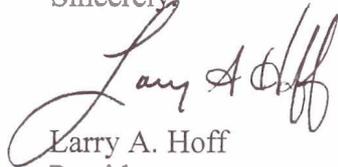
20. Should part 715 require credit unions to notify NCUA in writing when they enter into an engagement with an auditor, and/or when an engagement ceases by reason of the auditor's dismissal or resignation?

***Response:***

***Each subsequent NCUA examination will display the fact that there was a change in the audit relationship. There is no need to create extra notification requirements short of a code 4 or 5 credit union that would otherwise be under stricter communication requirements.***

I submit these responses on behalf of and under the direction of the Supervisory Committee and Board of Directors of Fibre Federal Credit Union.

Sincerely,



Larry A. Hoff  
President  
Fibre Federal Credit Union

LH/mla

C: Jan Dennis, Board Chair  
Jack Courtney, Supervisory Committee Chair