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

Re: 12 CFR Part 715 – Supervisory Committee Audits and Verifications

Thank you for the opportunity to allow CliftonLarsonAllen LLP (CLA) to comment on the proposed rule change surrounding supervisory committee audits and verifications. We appreciate and support the NCUA's focus on enhanced oversight of credit union institutions with assets under \$500 million.

As the largest provider of audit services to credit unions, we work with credit unions of all sizes and understand the need for more robust financial reporting procedures for those institutions under \$500 million in assets.

We support the proposed rule change to remove the option to obtain a report on examination of internal controls over call reporting. We do not believe that this option provides much value to the credit union, its members, nor the NCUA as it is not focused on controls over key operating processes of the credit union.

We support retaining the option to have a balance sheet audit for credit unions under \$500 million in assets. Although, the balance sheet audit does not include an audit of the credit union's income statement, we believe that it provides more value than the current alternative of a supervisory committee audit. In a balance sheet audit, an independent certified public accountant is providing reasonable assurance the balance sheet complies with generally accepted accounting principles, which is much more valuable than a consulting or agreed-upon procedures report which does not provide any assurance. In addition, the balance sheet audit is a viable, lower-cost option for credit unions that would like to transition from a supervisory committee audit to a financial statement audit. If this option is removed, it might discourage credit unions under \$500 million in total assets from obtaining a financial statement audit.

We support the NCUA's efforts to enhance the minimum procedures associated with an "other supervisory committee audit." However, the following are considerations for the NCUA:

1. The description of the minimum procedures included in the proposal include performing tests of material asset and liability accounts; tests of material equity, income, and expense accounts; reviews of key internal controls; tests of the mathematical accuracy of the allowance for loan and lease loss account; and tests of loan delinquency and charge-offs (the minimum procedures). Given the scope of the minimum procedures, we suggest a better proposal would be to reduce the asset size for which a financial statement audit performed in accordance with auditing standards generally accepted in the United State of America would be required. The current NCUA regulation of requiring a financial statement audit for a credit union with over \$500 million in assets aligns with

the requirement for banking institutions, however a much larger percentage of total banking assets than credit union assets are audited.

2. Professionals that are certified public accountants have a set of professional standards that they are required to follow. We have concerns that the current listing of minimum procedures would preclude a public practitioner from performing an agreed-upon procedures engagement, which is currently widely used to satisfy the current supervisory committee audit requirement. We suggest the NCUA continue to work with the American Institution of Certified Public Accountants (AICPA) in understanding the AICPA professional standards and the engagements that could be utilized to satisfy a “supervisory committee audit” and provide additional information to public practitioners.
3. We recommend that the final minimum procedures that are approved by the NCUA and included in Appendix A, be very detailed and explicit. We have concerns with the current listing of minimum procedures and how they could be open to interpretation by various practitioners and could result in a varying level of testing being performed for two institutions of similar size and with similar operations. For example, two credit unions with similar size and operations could have a very different interpretation of what key controls over certain processes might be. In addition, the procedure to ensure the allowance for loan and lease losses methodology is properly applied, could be widely interpreted.

Finally, we support elimination of the requirement to deliver reports within a period “not to exceed 120 days from the date of calendar or fiscal year-end under audit;” however, we recommend that a deadline be placed on credit unions after which regulatory approval would be necessary. We have concerns that without a regulatory deadline, some institutions would delay delivery and could circumvent the enhanced oversight the proposed rule changes are trying to accomplish.

In conclusion, we support the efforts of the NCUA to increase the oversight over financial reporting for those credit union institutions under \$500 million in assets.

Respectfully submitted,



CliftonLarsonAllen LLP