



Submitted via email to: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

April 24, 2019

Mr. Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke St.  
Alexandria, VA 22314-3428

Re: Supervisory Committee Audits and Verifications  
RIN 3133-AE91

Dear Mr. Poliquin:

The Wisconsin Credit Union League, representing Wisconsin's credit unions® and their 3.2 million members, is pleased to comment on the National Credit Union Administration's (NCUA's) proposal to amend its supervisory committee audit regulations for federally insured credit unions (FICUs).

The proposal would make two major changes. The League supports both, because we believe that they make practical sense and will decrease burdens for smaller FICUs.

First, the proposal would replace the current optional audit procedure described in the Supervisory Committee Guide with a targeted list of minimum procedures contained in a new Appendix A to Part 715 of the NCUA Rules and Regulations.

The NCUA wrote in its proposal that the Supervisory Committee Guide, "at over 350 pages, is overly specific, burdensome, and outdated." We couldn't agree more. Replacing it with minimum procedures will help credit unions (particularly those with less than \$20 million in assets) address major risk areas while still providing affordable audit options. It can be challenging for credit unions to retain qualified people to perform the scope of work called for in the Supervisory Committee Guide. The larger accounting firms have priced the service too high for most small credit unions. We hope that narrowing the scope of work will generate more options into the marketplace for FICUs that need to hire outside parties to conduct audits. For supervisory committees and internal auditors, the new appendix should make it easier to understand what areas an audit needs to address.

Proposed Appendix A lists five "areas of review" that a supervisory committee, internal auditor, or other qualified person would be required to perform and document. The NCUA asked whether "there are other areas of review that should be included in Appendix A, including, for example, loans to insiders, pay and benefits to employees and board members, regulatory compliance, compliance with the Bank Secrecy Act, and other topics." We believe strongly that some of those examples should not be added to Appendix A:

- The list should not include "pay and benefits to employees and board members." That subject goes beyond the scope of a supervisory committee audit and has no place in Appendix A. Auditors for other types of businesses are not typically asked to review the pay and benefits of a company's employees and board members.

---

**The Wisconsin Credit Union League**

1 East Main Street, Suite 101, Madison, WI 53703-5109  
Phone: (608) 640-4040 (800) 242-0833 Fax: (262) 549-7722 Web: [www.theleague.coop](http://www.theleague.coop)

- The list should not include “regulatory compliance” and “compliance with the Bank Secrecy Act” (BSA). Only audit personnel with specialized knowledge and experience should be asked to analyze a credit union’s compliance with regulatory requirements. BSA regulations, for example, require that anyone performing required independent testing be qualified. “Auditors should be qualified and have a thorough understanding of requirements and expectations of the BSA through periodic training and work experience.” (Federal Reserve Bank of Minneapolis, “BSA Independent Testing Compliance” (Dec. 2017), available online at: <https://www.minneapolisfed.org/publications/banking-in-the-ninth/bsa-independent-testing-compliance>. Regulatory compliance and BSA compliance go beyond the scope of a supervisory audit, which otherwise focuses on financial and accounting issues.

Second, the proposal would eliminate the current 120-day time limit for receiving a third-party audit report and give credit unions the ability to negotiate a delivery date. This change will give credit unions needed flexibility. We hope that allowing credit unions the freedom to schedule the work (and avoid times when qualified auditors may be very busy) will translate into more options for them to retain compensated auditors.

In conclusion, we applaud the NCUA’s efforts to streamline the audit process, and we support both of the major changes being proposed – except that we object to adding certain elements to “areas of review” listed in proposed Appendix A.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul E. Guttormsson", with a long horizontal flourish extending to the right.

Paul E. Guttormsson  
Vice President of Legal & Compliance  
Wisconsin Credit Union League & Affiliates  
(608) 640-4052