



Michael Lee
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League of Southeastern Credit Unions
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Gerard Poliquin
Secretary of the Board,
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314-3428

Re: Supervisory Committee Audits and Verifications- 12 CFR 715 [RIN 3133-AE91]

04/26/2019

To Mr. Poliquin,

The League of Southeastern Credit Unions & Affiliates (LSCU) appreciates the opportunity to comment on changes to the Supervisory Committee rule. The LSCU is a trade association that represents 244 credit unions in Alabama and Florida. Our mission is “to create an environment that enables credit unions to grow and succeed.”

We support the replacement of the Supervisory Committee Guide with the new Appendix A after having gotten positive feedback on these proposed changes. The change to Appendix A will provide more manageable guidance during audits while maintaining the big picture of focusing on the relevant issues relating to the financial health and governance of the credit union being audited. One of our affiliates has said, “The guide in its current form is very outdated, and frankly, the sheer volume is pretty intimidating to a volunteer.” So one great benefit to the change from the Guide to the Appendix will be

in assisting the Supervisory Committees to better grasp the content and manage their time in reviewing an audit, particularly when some sections of the Guide are out of date or overly complex.

Regarding other areas for review in the Appendix, one credit union official “believe(s) it is important for credit unions to look beyond the financial statements at the regulatory environment that we find ourselves in, as well as the environmental factors specific to each institution. It could be beneficial to consider the asset size and complexity of operations and include enhanced requirements in excess of a particular threshold.” We believe that the simpler Appendix will help narrow the focus of each credit union to their specific operations, thereby saving time and energy that would be spent consulting the Guide. Some of our credit unions recommended the Appendix to include these topics:

- BSA Compliance Program
- Disaster Recovery and Business Continuity Plans
- Information Security
- Vendor Management Programs
- Insider Loans

After consulting with our credit unions, we also support the removal of the 120 time frame in favor of the enhanced flexibility standard. Related to this, we have received no objections to removing the “balance sheet audit” alternative. In fact, no credit union officials we spoke with saw the value in the balance sheet audit alternative. One official said, “that other options are better indicators of financial health. For example, a focus on the balance sheet ignores the current value of assets (which is much more complex than reductions for depreciation).”

Also, we support the proposals by our colleagues at NASCUS regarding reorganizing the section to provide specific reference for federally insured state charter credit unions, perhaps by creating a subsection that delineates those provisions that specifically apply to FISCUs and accounting the variety of requirements regarding audits under state law.

We appreciate the NCUA's review of these provisions and believe these changes can improve operations and compliance at our affiliated credit unions. Please let us know if we can be of any assistance regarding these changes.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Lee".

Michael Lee