



April 26, 2019

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

Re: Comments on Notice of Proposed Rulemaking: Supervisory Committee Audits and Verifications

Dear Mr. Poliquin,

The Ohio Credit Union League (OCUL) welcomes the opportunity to submit comments regarding the National Credit Union Administration's (NCUA) proposed rule on supervisory committee audits and verifications.

OCUL represents Ohio's 264 credit unions and their more than three million members. Of those 264 credit unions, 144 are federally-chartered; 70 state-chartered, federally-insured; and, 50 state-chartered, privately-insured. Thus, a supermajority of Ohio's credit unions are directly impacted by the proposed rule which seeks to streamline and clarify the expectations for supervisory committee audits as articulated in Part 715. As such, we write to the agency to express our support for the proposed rule.

Since 2017 when the NCUA published its Regulatory Reform Task Force Agenda, the agency has appropriately focused on fostering a regulatory environment for credit unions that is effective and efficient. OCUL commends the agency for reviewing each individual NCUA regulation. We appreciate the thoroughness exhibited by the agency, especially as it identifies regulations for review, such as this particular one, which has not been updated since 1999.

Currently, for credit unions between \$10 and \$500 million in assets, the credit union is not required to obtain a financial statement audit. Instead, the credit union can conduct an audit in conformity with the Supervisory Committee Guide, published by the NCUA. Currently, this guide is over 350 pages in length. As recognized by the agency, the guide is "overly specific, burdensome, and outdated."¹ Rather, the agency proposes that credit unions in the aforementioned asset range conduct an audit that meets minimum procedures as established in the proposed single page, Appendix A. We agree with the agency that condensing the requirements would clarify and simplify the audit process while setting expectations that protect the safety and soundness of the industry.

However, the Board requests feedback on other items which should be considered for inclusion into Appendix A. One of those items for consideration, suggested in the proposal, is pay and benefits to employees and board members. OCUL does not support including the pay and benefits of a credit union's employees and board members as a part of the audit. This sensitive information should not be routinely shared and provides little value to the audit process (absent allegations of specific instances of fraud or abuse).

Additionally, the agency proposes to update requirements related to engagement letters. Currently, the regulation states that engagement letters must identify a target date of delivery of written reports "not

¹ 84 Fed. Reg. 37





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to exceed 120 days from the date of calendar or fiscal year-end under audit.”² NCUA seeks to replace the 120-day time frame with language that is more flexible. Under the rule proposal, the credit union engagement letter would specify a target delivery date that enables the credit union to timely meet its annual audit requirements. At the time of our letter, some commenters suggest that revising the 120-day rule is not advisable; we disagree. As NCUA notes, the goal is for credit unions to timely meet annual audit requirements. Under the rule proposal, credit unions will still be required to meet those requirements. Removing the 120-day rule simply removes a burden for both credit unions and NCUA. Credit unions will enjoy greater flexibility to best manage their own deadlines, and NCUA will not need to provide administrative support for waivers relating to the 120-day period.

In summary, OCUL appreciates the agency’s commitment to improving the operating environment for credit unions by reviewing NCUA’s regulations through its Regulatory Reform Task Force. OCUL believes that the agency has made great strides in modernizing the regulations which provides an improved experience, not only for the members, but for the credit union staff and operations. We support NCUA’s efforts to serve as a progressive regulator and its commitment to being a transparent agency, which includes evaluating the efficacy of the rules and regulations to both the agency and industry. If you have further questions or would like to discuss OCUL’s comments in more detail, please feel free to contact us at 800-486-2917.

Respectfully,

A handwritten signature in black ink, appearing to read 'Paul L. Mercer'.

Paul L. Mercer
President

A handwritten signature in black ink, appearing to read 'Miriah Lee'.

Miriah Lee
Regulatory Counsel

² 12 C.F.R. §715.9



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