



April 26, 2019

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

**Re: *Comments on Notice of Proposed Rule—Supervisory Committee Audits and Verifications***

Dear Mr. Poliquin:

The Pennsylvania Credit Union Association (PCUA) appreciates the opportunity to comment on the National Credit Union Administration Board's (Board) recent proposed rule to amend the current regulations regarding supervisory committee audits. PCUA is a state-wide advocacy organization that represents a majority of the nearly 368 credit unions located in the Commonwealth of Pennsylvania.

We commend the Board's efforts to clarify and simplify the audit process for federally insured credit unions (FICUs). We received comments from several of our credit union members and our members generally support the amendments.

#### **Part 715.7 – Supervisory Committee Audit Alternatives to a Financial Statement Audit**

The Board has proposed several amendments to this section and our credit unions welcome the proposed changes to section 715.7. Many of our credit unions commented that the Supervisory Committee Guide is outdated and should be replaced; however, some of our credit unions did comment that the asset size of a credit union should be a factor in what is an appropriate audit.

Credit unions under \$50 million in assets may not have the same complexities as a larger credit union. One credit union commented that the detail included in the current Supervisory Guide may be necessary for those smaller credit unions that do use their Supervisory Committee to perform their audits. For larger credit unions, the new Appendix A is a welcome change; however, several credit unions suggested that a formal CPA audit should be required as credit unions grow in complexity, over \$50 million in assets.

The majority of our responding credit unions agreed that the proposed areas of review for the new Appendix A are sufficient to ensure that a proper audit is being conducted. One credit union did suggest adding "Other Assets and Other Liabilities" to the areas of review to draw attention to items such as officer life insurance to make sure those items are being reviewed.

All of our credit unions support the removal of the "report on examination of internal controls over call reporting" as one of the alternatives for a financial statement audit since so few credit unions are using it. Additionally, all the credit unions responded that the balance sheet audit alternative could also be removed.

#### **Part 715.9 – Assistance from Outside, Compensated Person**

The Board proposes to amend this part to provide credit unions with the ability to negotiate the target date for delivery of written audit reports from the firm or person it contracts with and to eliminate the need to obtain waivers if delivery of the written report will exceed the specific 120-day period in the current regulation.

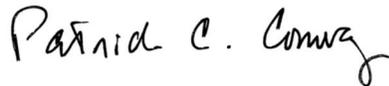
Our credit unions unanimously support this amendment due to the added flexibility it will provide, but a few credit unions did make some suggestions for improvements. One credit union suggested that there should be a requirement that the target date for completion be agreed to in writing prior to the start of the audit process.

Another comment suggested that language be included so that delivery of the report not exceed the following fiscal year's audit date if no extenuating circumstances are involved. This would provide some type of closing date and still allow for a waiver request if the circumstances warranted it.

**Conclusion**

PCUA and its member credit unions appreciate the Board's continuing focus on simplifying and clarifying existing regulations in order to ease the burden on credit unions. Our credit unions are challenged daily to balance the increasing compliance burdens with keeping costs down in order to provide the best service and products to their members. We look forward to future amendments and improvements as the new Board begins to work together for the good of the credit union system.

With best regards,

A handwritten signature in black ink that reads "Patrick C. Conway". The signature is written in a cursive style with a large, stylized 'P' and 'C'.

Patrick C. Conway  
President & CEO

cc: PCUA Board  
PCUA Government Relations Committee  
PCUA Regulatory Review Committee