**YOUNG, SHERON**

**From:** _Regulatory Comments
**Sent:** Friday, March 24, 2006 7:34 AM
**To:** YOUNG, SHERON
**Subject:** FW: Laura Campbell Comments on Part 715 ANPR, Supervisory Committee Audits

---

**From:** Laura Campbell [mailto:lcampbell@figfcu.org]
**Sent:** Thursday, March 23, 2006 6:23 PM
**To:** _Regulatory Comments
**Subject:** Laura Campbell Comments on Part 715 ANPR, Supervisory Committee Audits

Dear Sir/Madam:

I have included my comments as follows, per question number, as included in the notice for comment.

1. Part 715 should not require an attestation on internal controls over financial reporting. Public traded companies have been spending significant sums of money to have these attestations completed, hired many additional employees to complete the documentation, and public accounting firms have struggled to find sufficient staff to complete these new requirements. I don't see the benefit to my Credit Union's members; the report is only good on the day the controls are reviewed. There is no guarantee or assurance that those same controls are going to be in place tomorrow and are going to be functioning as intended.

2. I don't think any minimum threshold is appropriate, as I am not in favor of this requirement. This would be an incredible burden for credit unions with a small number of employees, as many may not be able to properly segregate duties and responsibilities. How would an attestation report be useful to such a credit union's membership? They would need to hire extra staff just to hope for a "positive" report, and the additional expenses could put them out of business. That isn't the intent of the NCUA, and certainly wouldn't help that credit union's field of membership.

3. I don't see a need to distinguish between natural person and corporate credit unions.

5. The same auditor should be permitted to perform both the financial statement audit and the "attestation on internal controls" over financial reporting, if such a requirement is implemented. The auditors will be in a better position to comment on both, and it should reduce the cost to the credit union if the same firm performs both functions.

10. At least one member of the Supervisory Committee should be required to have an accounting and/or auditing background and experience. This person should be sufficiently knowledgeable to understand what the duties and responsibilities of the Committee are, be able to analyze and understand the credit union's financials, and be able to identify potential conflicts and problems. The asset requirement should match the other asset requirements of the regulation, such as $500 million. It really should be dependent on the complexity of the credit union itself, as asset size doesn't always relate to complexity, but asset size is much easier to explain and implement.

11. I don't see a need for Supervisory Committee members to have access to their own outside counsel. The credit unions should be supplying bond insurance to cover a committee member's work for the credit union, and that would cover legal costs if necessary.

12. Supervisory Committee members should be independent of management. Most do not have access to know who a large depositor is, as this wouldn't be information that would typically be provided. If this were required, each credit union would have to be providing each committee member with a listing of large depositors who they

are not allowed to associate with.

13. Credit unions may have some difficulty retaining competent members depending on what the requirements are, as we are competing for time with companies that can pay their committee members for their expertise. Since all of our committee members are volunteers, it may pose some challenges.

14. Auditors should be required to meet the AICPA's independence standards, as well as the state CPA standards, and not the SEC's independence standards. Credit unions are not regulated by the SEC and therefore shouldn't be subject to their standards.

15 and 16. There is value in providing options to meeting the audit requirements for credit unions with less than $500 million in assets. Again, their audit needs should be determined based on their risk profile and complexity.

17 and 18. It would be easier for the NCUA to review the audit reports as part of their onsite examination, rather than trying to manage all of these reports being mailed/e-mailed to them. It would not be a burden for credit unions to forward these reports to their examiner. If credit unions are required to forward a copy of their reports, they should do so within 60 days after receipt of the reports from the auditors. All reports issued by the external auditing firm should be provided to the NCUA.

19. External auditors should be required to meet with a credit union's Supervisory Committee prior to the credit union forwarding the reports to the NCUA. The Supervisory Committee should be informed as to the content of the reports prior to mailing.

23. While I understand the intent of Sarbanes-Oxley, I think it was a knee-jerk reaction to a few highly publicized frauds, and I don't believe the attestation requirement will prevent such frauds from happening in the future. Crooked people can always figure out a way around a control to accomplish what they want, so these rules end up punishing the honest businesses and the consumers. The consumers are the ones who bear the additional costs of these burdensome regulations. The same would hold true with credit union members. The costs of an attestation, additional staffing and documentation requirements are going to be paid for by our credit union members, and I don't see the benefit they would get from this cost. As a former external auditor, the people I see benefiting from these new audit requirements are the public accounting firms themselves, and no one else. Yes, maybe it makes it easier to punish the crooks now, but it certainly won't bring back the companies that went out of business, or provide a standard of living or retirement for all of those people that were put out of work. If anything, I see this driving down the number of credit unions and driving up the asset sizes, and if all of the members benefit, then that would be ok. I am not convinced that all of the members would benefit though, and that really needs to be addressed before this type of regulatory requirement is implemented. A report that tells me my controls are sufficient today is useless to me tomorrow.

Laura Campbell
Executive Vice President
Farmers Insurance Group Federal Credit Union
Los Angeles, CA

---