362

April 19, 2006

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

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I am writing to provide the comments sought by the National Credit Union Administration (NCUA) in response to the advance notice of proposed rulemaking (ANPR) for 12 CFR Parts 704, 715 and 741 relating to Supervisory Committee Audits. I will respond to the four discrete questions sought in the ANPR.

(a) Whether to require credit unions to obtain an "attestation on internal controls" in connection with their annual audits.

It appears that the ANPR and request for comment arises from the enacting of the Sarbanes - Oxley Act of 2002 (SOX). The purpose of this act, as defined in H.R. 3763, is "to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes." Section 101 of this legislation establishes the Public Company Accounting Oversight Board, which is "...to oversee the audit of public companies that are subject to the securities laws, and related matters, in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports for companies the securities of which are sold to, and held by, and for, public investors." The requirement for an internal control assessment and attestation is contained in Section 404 of SOX.

It would be misplaced to impose all the requirements of SOX on credit unions. As not-for-profit financial cooperatives, credit unions exist for the benefit of their members. There are no investors, who are the parties specifically targeted by the enactment of SOX, including the Section 404 requirement. It is the members, who are also the owners of credit unions, which would have to bear the financial burden of additional regulatory compliance through increased loan rates or lower share rates.

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363

Further, SOX was enacted to address and correct some now well known corporate abuses in management and financial reporting, often the result of the compensation structure for management. Credit unions do not have investors placing pressure on management meeting quarterly targets in order to maintain or improve the stock price. Compensation and bonuses for management are not tied to stock price performance, thereby encouraging and rewarding results that exceed analyst estimates.

For the above reasons, I do not believe that credit unions, regardless of size, should be required to obtain an assessment and attestation on internal controls.

(b) What standards should govern the assessment and attestation components of such an engagement?

As noted above, I do not believe that such an assessment and attestation should be required for credit unions; therefore, no standards would be required.

Part 715.4 of NCUA Rules and Regulations require that any federally insured credit union with $500 million or more in assets obtain a financial statement audit per generally accepted auditing standards (GAAS) by an independent, state licensed person. GAAS are comprised of Statements on Auditing Standards as issued by the Institute of Certified Public Accountants (AICPA), which require that the auditor obtain an understanding of the internal control environment, evaluate the environment, identify those areas of risk, and perform appropriate procedures which collectively will enable the expression of an opinion on the financial statements taken as a whole. Further, management makes certain representations regarding the financial statements.

I believe the existing generally accepted accounting principles; GAAS and Part 715.4 of the NCUA Rules and Regulations have served the industry well and are sufficient for the credit union industry taken as a whole.

(c) What qualifications should be required as prerequisites to serve on a Supervisory Committee?

Credit Union directors and board members are volunteers, elected by the membership as part of a democratic process. It would seem inappropriate to establish prerequisite qualifications for only one portion of the volunteers. Consideration also needs to be given to the imposition of requirements to determine whether or not an individual has the requisite ability to serve as a volunteer. Since the Supervisory Committee is a committee required by the Federal Credit Union Act, NCUA would have to give thought as to what would happen to an individual credit union that did not have sufficient volunteers that met any established prerequisite requirements.

364

(d) What standard should dictate the degree of independence required of state-licensed, compensated auditors?

I believe it would be appropriate for state-licensed, compensated auditors to meet the independence standard promulgated by the AICPA. As noted above, credit unions do not have investors, and therefore provisions and reporting requirements enacted by the Securities and Exchange Commission are not and should not be applicable. A more appropriate level of independence for not-for-profit financial cooperatives such as credit unions would be those established by the AICPA. The credit union industry has been well served by both the generally accepted accounting principles and GAAS promulgated by the AICPA.

I would like to thank the NCUA Board for the opportunity to comment on this ANPR.

Sincerely,

Steven E. Ravin
SVP/CFO