



ARIZONA CREDIT UNION
LEAGUE, INC.

A Part of the Arizona Credit Union System

April 24, 2006

VIA E-Mail

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

Re: Request for Comments- ANPR Supervisory Committee Audits

Dear Ms. Rupp:

The Arizona Credit Union League, with 61 member credit unions throughout the State of Arizona, appreciates the opportunity to comment on the Board's request for comments regarding the Advance Notice of Proposed Rulemaking, Supervisory Committee Audits.

As a preliminary matter, the League would like to commend the NCUA on its efforts to ensure that the public and credit union members receive accurate information on the financial state of their credit unions. It is unclear, though, whether the proposal will provide any additional safeguards than that already existing.

Need For Regulatory Mandates

The ANPR is exploring the need for a series of requirements similar to those provided for under the Sarbanes-Oxley Act (SOX) relating to for-profit entities. One of the requirements proposed would require an "attestation of internal controls" prepared by a credit union's auditor. Management would, as part of the auditor's determination of internal controls, have to provide its own assessment of the credit union's internal controls.

It would appear that the level of supervision already existing in the credit union's financial reporting and internal controls is structurally different than that existing in much of the for-profit world that brought about the SOX requirements for for-

profit entities. The regulatory examination process, and the resulting CAMEL rating provide an assessment of much of the credit union's operations. The frequency of financial reporting to the NCUA and, if applicable, the state supervisory authority also provides tripwires more effective than a periodic attestation.

Additionally, the structure of credit unions is inherently different than the for-profit world. As a not-for-profit cooperative, the credit unions' members are also the owners of the institutions. SOX acts as an additional protection to stockholders of a for-profit entity. In the case of for-profit financial institutions, having both the SOX requirements and the regulatory examination process may have value. The regulatory process provides protections to the entities depositors and the SOX process provides protections to the stockholders.

In that the owners of and "depositors" in a credit union are the same people, the SOX and regulatory examination requirements appear to be duplicative.

Supervisory Committee Expertise

The League supports a well-trained, experienced supervisory committee, but opposes any requirement that could impose prerequisites to serve on the committee. Many credit unions may experience problems filling positions on a supervisory committee, depending on the expertise of the pool of volunteers available to serve.

A certain level of expertise would clearly be helpful for supervisory committee members. As with board members under current federal credit union investment regulations, such expertise should be able to be developed through training programs available to the committee members. Both CUNA and numerous Leagues provide various materials available to increase the expertise of supervisory committee members.

The League appreciates the Board's efforts in maintaining the safety and soundness of insured credit unions, while considering any additional regulatory burdens. It would appear that elements of the current proposal would just increase costs and divert resources from the credit unions' efforts to serve its membership.

Please feel free to contact the undersigned for any further information or questions.

Sincerely,

/s/

Paul D. Cruikshank
General Counsel