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900 Nineteenth St. NW, Ste. 400  
Washington, DC 20006  
TEL: (202) 857-3190  
FAX: (202) 296-8716  
E-MAIL: info@acbankers.org  
<http://www.acbankers.org>



January 27, 2003

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, DC 20552  
Attention: Docket No. 2002-54

Re: Regulatory Reporting Standards: Qualifications for Independent Public Accountants  
Performing Audit Services for Voluntary Audit Filers  
67 FR 70529 (November 25, 2002)

Dear Sir or Madam:

America's Community Bankers ("ACB")<sup>1</sup> welcomes the opportunity to comment on the interim final rule issued by Office of Thrift Supervision ("OTS") that would amend the agency's annual independent audit requirements for small, nonpublic, highly rated savings associations that voluntarily obtain independent audits.<sup>2</sup>

ACB supports the interim final rule. We agree that small, highly rated, nonpublic savings associations that chose to obtain an independent audit should not be detrimentally impacted by changes to the rules and regulations of the Securities and Exchange Commission ("SEC") required by the enactment of the Sarbanes Oxley Act of 2002 ("Sarbanes Oxley").<sup>3</sup> ACB also supports the effective date of the interim final rule. We believe that a change that reduces the regulatory burden for small, highly rated savings associations should be in place as soon as possible.

Pursuant to OTS regulations, publicly traded savings associations with assets of \$500 million or more or that have a CAMELS rating of 3, 4, or 5 must obtain an annual independent audit. While savings associations that are not publicly traded, are smaller or

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<sup>1</sup> ACB represents the nation's community banks of all charter types and sizes. ACB members, whose aggregate assets exceed \$1 trillion, pursue progressive, entrepreneurial and service-oriented strategies in providing financial services to benefit their customers and communities.

<sup>2</sup> 65 Fed. Reg. 70529 (November 25, 2002).

<sup>3</sup> Pub.L.No.107-204.

are 1 or 2 CAMELS-rated are not required to have an outside independent audit, many do so voluntarily. OTS regulations require that public accountants conducting these independent audits follow the rules and regulations regarding independence, including those governing outsourcing of non-audit services, of the SEC. When adopted the OTS did not believe that this standard would be unduly burdensome for smaller, non-publicly held savings associations.

Subsequent to the adoption of this regulation, Sarbanes Oxley was enacted. The statute establishes standards for auditor independence and the SEC has finalized implementing regulations. The statute and these regulations require that registered public accountants performing an audit for a public company may not perform specified non-audit services. Examples of non-audit services that may not be performed by the public accountant include internal audit outsourcing services, financial information systems, appraisal, and valuation and actuarial services.

ACB supports this change. We agree with the OTS that to the extent possible, savings associations that voluntarily obtain audits should follow the standard established in Sarbanes Oxley. However, for small nonpublic savings associations it may cause a hardship. These institutions may not have access to a variety of independent accountants. None of the other federal banking agencies require that institutions that file audits voluntarily to follow the independence rules of the SEC. We believe that the OTS has supervisory safeguards in place to ensure that the independence between the audit and non audit functions is maintained at small, non public savings associations.

ACB appreciates the opportunity to comment on this important matter. If you have any questions, please contact the undersigned at (202) 857-3121.

Sincerely,



Charlotte M. Bahin  
Director of Regulatory Affairs  
Senior Regulatory Counsel