

# Template: CUSO Pre-Review Letter

NOTE: Print on NCUA letterhead

Date

SENT BY EMAIL

Mr. John Doe  
President/CEO  
ABC CUSO  
Address  
City, State Zip  
Email address

Dear Mr. Doe:

The National Credit Union Administration (NCUA), will be performing a review of the books, records, and operations of [CUSO Name] beginning [Date of 1<sup>st</sup> Day Onsite at CUSO].<sup>1</sup> The effective date of the review is as of [Date]. The purpose of the review is to determine the level of risk to federally insured credit unions investing in, loaning to, or obtaining services from [CUSO Name], a credit union service organization (CUSO).

The review will focus on the overall soundness of [CUSO Name]'s business strategy, internal control structure and whether [CUSO Name] is providing services to federal and state chartered credit unions in accordance with applicable industry standards and NCUA Rules and Regulations Part 712. *[Tailor this section to the focus of the review, which could be lending, investment brokerage services, etc.].*

## ***Prepare for On-Site Examiners***

Approximately [number of examiners] NCUA [and SSA, as applicable] examiners will participate in the review. [Examiner Name and Title] is the Examiner-in-Charge and he/she reports to [Supervisor's Name]. Included, as an attachment to this letter, is a list of examiners including their roles, and arrival and departure dates. For security purposes, examiners will provide official identification when they arrive.

To prepare for on-site examiners, we ask that you:

- Make appropriate security arrangements according to your internal security protocols.
- Provide [Examiner Name and Title] with a list of CUSO staff contacts and invite appropriate CUSO staff to participate in an entrance meeting on [Month, Day and Year] with the review team (meeting will take place at the CUSO).
- Provide sufficient work space to accommodate examiners on the dates specified in the attachment.
- Gather items on the attached document request list.

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<sup>1</sup> See [NCUA rules and regulations §Part 712.3](#) for details regarding NCUA access to CUSO books and records.

### *Document Request List*

The document request list attached to this letter contains a list of items we will need to complete our review. To prepare for the review, you should:

- Notify your internal audit department and other staff that examiners are authorized to access internal audits, compliance reports, and workpapers.
- Gather the information listed on the enclosed attachment and index all items before [Date of 1<sup>st</sup> day onsite].

### *Data Security*

It is important to minimize risk to sensitive CUSO data provided electronically. This may include, but not be limited to, proprietary CUSO information and/or credit union or credit union member information. NCUA defines sensitive data as (1) any information which by itself, or in combination with other information, could be used to cause harm to a credit union, credit union member, or any other party external to NCUA, and (2) any information concerning a person or their account which is not public information, including any non-public personally identifiable information.

In order to ensure sensitive electronic data is well protected, the data held by NCUA needs to be encrypted. The process of exchanging this data also needs to be secure and well controlled.

Thus, **NCUA examiners may only accept sensitive data electronically as follows:**

#### Option 1 – Secure Electronic Transmission Or Transfer By Removable Media That Includes Encryption

Data file(s) can be provided on removable media (thumb drives, external hard drives, etc.) or transmitted through a secure electronic transmission. Either the data file(s) or the device/transmission itself must be encrypted under this method. The CUSO can provide such information using its own removable media or, if permitted by the CUSO's information technology security policy, media provided by an NCUA examiner. CUSOs can use various commercially available methods to electronically transmit files, such as via email or some type of secure file sharing service, provided the method incorporates encryption that meets the standards set forth below.

NCUA examiners will only accept such data files under this option if the following minimum data encryption requirements are met:<sup>2</sup>

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<sup>2</sup> CUSO security procedures should be followed if they require more stringent encryption and password standards than those listed.

- 128-bit AES encryption<sup>3</sup>
- Strong password (a minimum of eight characters; mixture of upper- and lower-case, numbers, and special characters; not easily guessable, etc.)
- Password must be provided separately from the device or transmission

Under this option when encrypted media provided by NCUA is not used, NCUA examiners will rely on the credit union's assertion that the encryption requirements above were met. Thus, NCUA examiners will have the CUSO representative confirm in writing that the data file(s), removable media, or secure transmission provided to NCUA meets the minimum encryption requirements outlined above. If the transfer occurs while NCUA staff is onsite, this can be accomplished by the CUSO representative signing a *Chain of Custody* document to be provided by the examiner receiving the data. Otherwise, the CUSO representative can confirm through email that the transfer met the standards above.

#### Option 2 – In Person Transfer by Removable Media Does Not Include Encryption<sup>4</sup>

If the CUSO is unable or unwilling to electronically provide sensitive data in a manner that meets the requirements outlined for option 1 or 2, NCUA examiners may then only accept such data electronically if a CUSO representative in person provides the data file(s) to the examiner and remains physically present while the examiner transfers the data to NCUA's encrypted equipment. NCUA examiners will immediately begin the transfer process when provided the data file(s). To complete the controlled transfer, examiners will have the credit union representative:

- Take receipt of the removable media from the examiner immediately after the data transfer is complete, and
- Sign a chain-of-custody document to acknowledge receipt of the removable media.

**NCUA examiners will not accept any sensitive data electronically if a CUSO is unable to meet the requirements outlined in this letter.** If you are unable to meet these expectations, please contact the examiner in charge before they arrive on-site to resolve the issue.

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<sup>3</sup> The U.S. National Institute of Standards and Technology (NIST) established the Advanced Encryption Standard (AES), a specification for the encryption of electronic data, in 2001. For more information, see "[Announcing the ADVANCED ENCRYPTION STANDARD \(AES\)](#)" (PDF). *Federal Information Processing Standards Publication 197*. United States National Institute of Standards and Technology (NIST). November 26, 2001. Retrieved July 31, 2015.

<sup>4</sup> The CUSO should not electronically transmit sensitive data to NCUA examiners, such as via unencrypted email, if the transmission or data file(s) does not meet the encryption standards specified in this letter. The CUSO is responsible for any consequences associated with electronically transmitting or providing data to NCUA if the CUSO did not follow the protocols in this letter.

### ***After the On-site Review***

We estimate the on-site review will end by [Date], at which time CUSO management will have opportunity to participate in an exit meeting which we will schedule early in the contact. The examiner in charge will share draft findings and conclusions at this meeting, so please schedule with staff accordingly. We will alert you of any changes in the schedule as the review progresses.

After completion of the on-site review, the examiner in charge will prepare a draft report which will issued by the [Regional Office]. You should expect to see your draft report within 45 days of field work completion. CUSO management will then have opportunity to review the draft report and provide responses to findings and information presented in the report. The CUSO's responses will be included in the final report, which will be distributed by the regional office to CUSO management and officials as well as credit union owners/investors.

If you have any questions about this letter or the attachments, please contact me at [Phone Number] or at [Email Address]. Thank you in advance for your cooperation.

Sincerely,

[NAME]  
Examiner in Charge

Region/[WRITER'S INITIALS]  
SSIC 5060

#### Attachments

- Secure File Transfer Portal User Guide
- Review Team Participants
- List of Requested Items

cc: Field supervisor (supervisory examiner, national field supervisor, or director of special actions)  
Field staff (district examiner, problem case officer, Examiner, or specialized examiner)  
Regional DOS Mailbox