

FREEMAN AUDITING & CONSULTING SERVICES

April 24, 2006

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

Dear Ms. Rupp:

Our comments to the Advanced Notice of Proposed Rulemaking for the Supervisory Committee Audit Rules are as follows:

Question 16:

Is there value in retaining the “Supervisory Committee Guide audit” in existing Part 715.7(c) as an audit option for credit unions with less than \$500 million in assets?

First of all, it's necessary to identify the stakeholders under this caption which are small to medium size credit unions and Non-CPA auditors, and the impact on the stakeholders if the Supervisory Committee Guide Audit (SCGA) is eliminated.

The impact on small to medium size credit unions would be financial, in that, the fee for a SCGA is generally lower when conducted by a Non-CPA versus a CPA, and there's no evidence which suggests the SCGA performed by a CPA provides an advantage over a SCGA performed by a Non-CPA. In our experience, the SCGA is more relevant now than in the past since credit unions are engaging auditors to perform compliance audits such as the Bank Secrecy Act and OFAC which have doubled annual audits fees.

I'm confident that credit unions will continue to comply with audit requirements promulgated by the NCUA but “At Whose expense”? Under this scenario, the member will bear the burden in the form of lower dividends on share products because the money has to come from somewhere. Thus, the elimination of the Supervisory Committee Guide Audit could result in credit unions losing market share because of below market returns on share products.

The impact on the Non-CPA will also be financial. In most cases, the Non-CPAS would be virtually out-of-business, in that; a substantial portion of their revenue is generated from the SCGA. More than likely, the cost of the SCGA would rise, in that, the competition would be eliminated, and CPA's could charge higher fees. The simplest way to conceptualize the role of the Non-CPA versus the CPA; is the role of credit unions versus banks; imagine, if there were no credit unions.

For the above reasons, we recommend that the Supervisory Committee Guide Audit continue to be an option for credit unions to meet their annual audit requirement.

Sincerely,

/s/ Gerrv E. Freeman