

# Job Aid: Supervisory Committee General Responsibilities

## Regulation

The responsibilities of a FCU's supervisory committee are outlined in NCUA regulations § 715.3, [General responsibilities of the Supervisory Committee](#).

- (a) *Basic*. The supervisory committee is responsible for ensuring that the board of directors and management of the credit union—
- (1) Meet required financial reporting objectives and
  - (2) Establish practices and procedures sufficient to safeguard members' assets.
- (b) *Specific*. To carry out the responsibilities set forth in paragraph (a) of this section, the supervisory committee must determine whether:
- (1) Internal controls are established and effectively maintained to achieve the credit union's financial reporting objectives which must be sufficient to satisfy the requirements of the supervisory committee audit, verification of members' accounts and its additional responsibilities;
  - (2) The credit union's accounting records and financial reports are promptly prepared and accurately reflect operations and results;
  - (3) The relevant plans, policies, and control procedures established by the board of directors are properly administered; and
  - (4) Policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud.
- (c) *Mandates*. In carrying out the responsibilities set forth in paragraphs (a) and (b) of this section, the Supervisory Committee must:
- (1) Ensure that the credit union adheres to the measurement and filing requirements for reports filed with the NCUA Board under § 741.6 of this chapter;
  - (2) Perform or obtain a supervisory committee audit, as prescribed in § 715.4 of this part;
  - (3) Verify or cause the verification of members' passbooks and accounts against the records of the credit union, as prescribed in § 715.8 of this part;
  - (4) Act to avoid imposition of sanctions for failure to comply with the requirements of this part, as prescribed in §§ 715.11 and 715.12 of this part.

All FICUs must obtain an annual audit and conduct a member account verification at least once every two years as outlined in § 741.202, [Audit and verification requirements](#), for FISCUs and § 715.4, [Audit responsibility of the Supervisory Committee](#), for FCUs.

## Risks

**Transaction risk** can occur when the credit union fails to implement the necessary controls to deter fraud or operational problems in transaction processing.

**Compliance risk** can occur when the supervisory committee fails to perform required responsibilities as outlined in NCUA's regulations.

**Reputation risk** can occur when the supervisory committee fails to address member complaints as well as compliance with responsibilities outlined in NCUA's regulations.

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## Penalties

Credit unions violating the supervisory committee audit and verifications may be sanctioned in accordance with § 715.11, [Sanctions for failure to comply with this part](#):

1. The regional director may reject the supervisory committee audit and provide a reasonable opportunity to correct deficiencies;
2. The regional director may impose the remedies available in § 715.12, Statutory audit remedies for Federal Credit unions, provided any of the conditions specified therein is present; and
3. The NCUA Board may seek formal administrative sanctions against the supervisory committee and/or its independent, compensated auditor pursuant to the FCU Act § 1786(r) [“Institution-affiliated party” defined](#).

In the case of a federally insured, state-chartered credit union, NCUA must allow the state regulator to impose a satisfactory remedy before exercising its authority under § 741.202, [Audit and verification requirements](#), to impose one of the sanctions listed above.

## Questions

**Document your review and findings in the exam scope.**

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### External Auditor

If the Supervisory Committee uses an external auditor to meet the annual audit requirement or other internal audit functions, determine the following::

1. Does the Supervisory Committee represent that the auditor’s report to and receive direction from them and free of board or operational management’s influence?
2. Does the Supervisory Committee represent they evaluated the auditor’s independence and competence to conduct the supervisory committee audit?

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### Audit Report

When reviewing the annual audit, consider the following..

1. Does the engagement letter include:
  - a. Areas to be reviewed
  - b. Audit period
  - c. Timeframe for delivery of report
  - d. Delivery of audit report to the Committee
2. Does the audit report appear to comply with NCUA regulations part 715?
3. Was the audit report delivered as stated in the engagement letter?
4. Was a copy of the audit report provided to the board of directors?
5. Has the Committee
  - a. followed-up on any deficiencies or recommendations?
  - b. Provided a status report to the board of directors?

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6. Is the audit acceptable?
7. Did the Committee or auditor reconcile the totals from the member statement report (print processor) to the shares and loans trial balance and general ledger, for the time period covered?