



# Supervisory Committee Charter

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## I. Executive Summary

The Supervisory Committee is a federally mandated oversight committee of no fewer than three and no more than five Credit Union Members appointed by the Board of Directors for one-year terms.

The primary function of the Committee is to ensure that the Credit Union's financial statements are accurate and fairly present the financial condition of the Credit Union and that Management's practices and procedures and those of its Board of Directors safeguard members' assets from error, carelessness, conflict of interest, self-dealings or fraud.

The secondary function of the Committee is to liaise between Members, Management and Directors and to investigate and resolve concerns or complaints raised by Members, Management, Directors or third parties.

The Committee has the authority where necessary to suspend any Director or Board Officer and to call a special meeting of the Members to consider any practices of the Credit Union which the Committee deems unsafe unsound or unauthorized.

## II. Legal Requirements and Authority

The Supervisory Committee (the "Committee") is established and authorized by and governed pursuant to the provisions 12 USC § 1751, *et seq*, the rules and regulations of National Credit Union Administration, Credit Union By-Laws, and other applicable governmental rules, laws and regulations ("Legal Requirements and Authority").

## III. General Statement of Purpose

The Committee provides oversight of the Credit Union's Board of Directors ("Directors") and Management Officials ("Management") for the benefit of the Credit Union's members ("Members") in the following areas:

- Financial reporting;
- Engagement and supervision of independent auditors;
- Performance of internal audit functions;
- Evaluation of internal controls and operational risk management;
- Legal and regulatory compliance;
- Liaising between Members, Management, Employees and Directors on concerns or complaints raised by Members, Management, Directors or third parties

## IV. Organization

At the first organizational meeting of the Board after the annual Member meeting the Board appoints individuals to the Committee who all must be Credit Union Members. One Committee member may be a Director who is not the Credit Union's financial officer nor who serves on of its Asset/Liability Management/Investment Committee ("ALM Committee").

The Board determines the number of Committee members, which may not be fewer than three nor more than five. Regular terms of members are for periods of one, two, three years as the Board determines, provided that all regular terms are for the same number of years and until the appointment and qualification of successors. Regular terms are fixed so that approximately an equal number of terms expire at each annual meeting of Members. Supervisory Committee members will be appointed by the Board annually to serve for one-year terms.

- The Committee members choose from among their number a Chair and appoint a Secretary.
- The same individual may hold the offices of Chair and Secretary however another Committee member or a non-committee member may serve as the Secretary.
- In collaboration with the Chair, the Secretary prepares the agenda and meeting minutes and circulates the same in advance of each meeting. Draft meeting minutes will be circulated shortly following the meeting for comment.
- The Secretary prepares and has custody of full and correct records of all actions taken by the Committee.
- If it is the will of the Committee to have a non-Committee member prepare the minutes, then the Committee has the option to convene an executive session and minutes thereof shall be taken and circulated by a Committee member.

The Chair shall preside at all Committee meetings and in the Chair's absence another member selected by those present shall serve as Chair. All actions shall be by majority vote of Committee members present.

## V. Committee Meetings

The Committee shall:

- Convene at least one meeting each quarter and meet more frequently as needed.
- Conduct meetings on Credit Union premises or other locations as the Committee determines.
- Conduct meetings in person, by teleconference, video conference or by other means as permitted by Legal Requirements and Authority.
- Invite Directors, Management, external auditors or others to attend and provide pertinent information as the Committee determines.

## VI. Responsibilities and Authority

The Committee has the authority to conduct or to authorize the review or investigation by third parties of any matters within its scope of responsibilities and duties in accordance with Legal Requirements and Authority.

### General Responsibilities Include:

- Select, compensate and oversee the work of an independent external firm hired by the Credit Union to conduct annual audits and to pre-approve all auditing and non-auditing services to be performed;
- Maintain unrestricted access to all Credit Union files, records and documentation including personnel records;
- Initiate a Member account verification process;

- Engage the Credit Union's audit department to perform such functions as necessary to meet its responsibilities related to adequacy of internal controls, risk management and governance practices;
- Resolve disagreements between the Management and the external auditor regarding financial reporting;
- Together with the Credit Union's Nominating and Governance Committee ("Nom/Gov Committee") and as appropriate, investigate and resolve complaints filed or reported by Members, Directors, Management officials, employees, or third parties;
- Address matters or circumstances that affect or threaten to affect the financial soundness and safety of the Credit Union or legal and regulatory compliance by taking action consistent with Legal Requirements and Authority that may include the suspension of Directors or Board Officers and a call for special Member meetings to report violations.

Specific Duties Include:

Financial Reporting

Review the integrity of the Credit Union's financial reporting processes and results, including:

- Critical Management estimates, judgments and complex or unusual transactions underlying the financial statements;
- Material changes in accounting principles, practices, standards or policies;
- Effects of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- Review interim financial reports with Management prior to filing with regulatory authorities;
- Review results of the audit with Management and the external auditor, including any difficulties encountered, restrictions on the scope of the independent auditor's activities, access to requested information, access to Credit Union employees or to outside counsel, and any significant disagreement with Management;
- Considerations of whether the audited reports are complete and consistent with the information known to the Committee members before filing.

Compliance

Oversee the effectiveness of the system for monitoring compliance with applicable laws and regulations, as well as the results of Management's investigation and follow-up of any instances of non-compliance, including:

- Review the findings of any examination by regulatory agencies and any auditor notes, comments or observations;
- Meet periodically with the Credit Union's counsel to review any matters that may have a material impact on safety and soundness or legal or regulatory compliance;
- Obtain regular updates from Management and the Credit Union's regulatory compliance officer regarding compliance matters, including how compliance is being monitored and how any follow ups are being tracked and reported;
- Together with the N/G Committee assist the Board in its oversight of legal and regulatory compliance;
- The Committee has the sole initial oversight over matters of financial compliance (accounting, auditing, financial reporting and member disclosures);
  - The N/G Committee has initial oversight over other areas of compliance ("non-financial compliance"), the occurrence of which immediately shall be reported in writing to the

Committee, and which shall nevertheless remain subject to the Committee's authority under all applicable Legal Requirements and Authority;

- The Committee and the N/G Committee shall meet jointly at least annually to review any material non-financial compliance matters, including overall state of compliance, significant legal or regulatory compliance exposure, and claims, reports or inquiries from regulators or third parties.

#### Independent Audit

Oversee the independent audit including:

- Retain the external auditor and define the scope of work who shall report directly to the Committee;
- Review the performance of the external auditor;
- Review the external auditor's proposed audit scope and approach;
- Review the external auditor's performance, including any difficulties or disputes between Management and the external auditor during the audit;
- Present written results of the external auditor to the Board of Directors;
- Ensure rotation of the lead partner and other audit partners no less often than each seven years;
- Consider whether there should be a rotation of the external audit firm;
- Confirm that the external audit firm does not provide consulting services to the Credit Union;
- Conduct no less than two meetings each year with the external auditors:
  - One pre-audit, and;
  - One post-audit (that includes an executive session without Management's presence).

#### Internal Audit

Oversee internal audit functions including:

- Review the overall scope, personnel qualifications, budget resources, activities, effectiveness and organizational structure of the internal audit function;
- Review the Credit Union's yearly audit plan to ensure its relevance to the overall Credit Union business objectives.

#### Internal Controls and Operational Risk Management

Review the effectiveness of the Credit Union's internal controls and operational risk management including:

- Operational efficiencies;
- Control environment and governance, including information technology security;
- Financial reporting, including the scope of internal and external auditors' reviews of internal control;
- Compliance with all applicable laws and regulations;
- Processes for assessing material risks and the steps Management has taken to manage such risks.

## Other Responsibilities and Duties

Perform other responsibilities and duties including:

- Keep fully informed of the Credit Union's financial condition and the integrity of its financial reporting;
- Review Member complaints and inquiries;
- Keep fully informed of decisions made by the Board of Directors;
- Make a commitment, at least annually, to education to ensure all committee members are current on regulatory, technology, governance, financial and industry drivers and trends;
- Report its activities, findings and recommendations to the Board of Directors on a regular basis;
- Oversee special investigations as deemed necessary.

The Chair in conjunction with the full Committee shall prepare an annual report to the Membership describing the Committee's actions, the manner in which it discharged its responsibilities and the approval of any non-audit services. This annual report shall be presented to the Membership at the annual meeting and posted on the Credit Union's website.

The Committee's duties and responsibilities as described in this Charter serve as a guide only, with the express understanding that the Committee may, consistent with applicable Legal Requirements and Authority, adopt additional policies and procedures as may be necessary in light of any changing business, legislative, judicial, regulatory, legal or other condition. This Charter will be made available on the Credit Union's website at [www.iccreditunion.org](http://www.iccreditunion.org).

## VII. Committee Resources

The Committee has the sole authority to retain or terminate consultants to assist the Committee in the fulfillment of its duties. The Committee shall have sole authority to determine the terms of engagement and the extent funding is necessary for payment to any counsel, advisor, consultant or other professional retained to advise the Committee. The Committee also shall have sole authority over ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

## VIII. Independent Committee Members

Committee members must be independent actors with no material economic or personal interest in any matter under consideration or review, who act with diligence and integrity after fair and thoughtful consideration of all relevant facts without favoritism or antagonism to the parties involved. A Committee member who is unable to act in an independent manner with regard to a particular matter shall recuse himself or herself from consideration or review of such a matter.

## IX. Independent Committee Members

Annually, the Committee and the N/G Committee shall meet to discuss any amendments or modifications to this Charter deemed necessary or desirable. This Charter will be made available on the Credit Union's website, [www.iccreditunion.org](http://www.iccreditunion.org).