

**DATE:** September 21, 2020  
**BULLETIN:** 2020-KDCU-CUB-19  
**TO:** Kansas Chartered Credit Unions  
**SUBJECT:** Supervisory Committee

### SUPERVISORY COMMITTEE

As part of an ongoing review and updating of the KDCU website, a revised [Supervisory Committee Checklist](#) is now available on the KDCU website. Prior bulletins ([2019-KDCU-CUB-7](#) and [2019-KDCU-CUB-8](#)) also addressed Supervisory Committee responsibilities – consider this bulletin your annual refresher course!

[Appendix A to NCUA Part 715](#) (Supervisory Committee Audit – Minimum Procedures) contains the minimum procedures a Supervisory Committee must document in the audit, including a review of key internal controls, e.g., cash controls, bank reconciliation procedures, etc. This approach is designed for smaller, less complex credit unions. The Supervisory Committee must apply its judgment in determining the necessary procedures to meet audit requirements.

The importance of the Supervisory Committee to the operation of a credit union cannot be understated. This oversight is critical to the safety and soundness of the credit union, as well as the protection of member assets. K.S.A.17-2211(c)(2019 Supp.) requires the Supervisory Committee to make “...a thorough annual audit of the receipts, disbursements, income and assets of the credit union and shall make a full report to the directors.” In addition, it is the responsibility of the committee to “...supervise the acts of the board of directors, credit committee and officers.” K.S.A. 17-2211(a)(2019 Supp.)

During recent KDCU exams, the following violations were discovered:

- The outside auditor was sending the report to the CEO, who then delivered the report to the Board of Directors. This is not an appropriate practice. The report should be sent directly to the Supervisory Committee. It is the Committee’s responsibility to deliver the report to the Board.
- Credit union staff was asked to complete research on returned member account verifications. Staff are prohibited from participating in this process. Removing staff from the process reduces the possibility of fraud.
- Failure to conduct supervisory committee audits on an annual basis.
- Failure to conduct quarterly surprise cash counts and dormant account review. These two activities are required and vital to preventing fraud.
- Failure to perform a quarterly review of all insider (and family) accounts and loan activity, including deposits, withdrawals, transfers and new loans.

As discussed above, a credit union’s Supervisory Committee serves an important role in the safe and sound operation of a credit union. Credit union management and boards who overlook or downplay the significance of the committee’s work will see the effect of that approach on their next examination report.

**NOTE:** In accordance with Governor Laura Kelly’s [Executive Orders](#) and the [Ad Astra Plan](#), KDCU Administrator Jerel Wright continues to review the feasibility of resuming the on-site examination program. This is being done in coordination with the NCUA.