

Family First Credit Union
Supervisory Committee Policy
(Outline of Organization and Responsibilities)

Supervisory Committee is appointed by the Board of Directors

1. At the first board meeting after each annual meeting, the Board of Directors shall appoint a Supervisory Committee.
2. No member of the Supervisory Committee may serve as a member of the Credit Committee or as an officer.
3. The chairperson of the Supervisory Committee shall be appointed by the Board from among its members. The policy of Family First Credit Union is for the chairperson of the Board of Directors to appoint all committee members and chairpersons for each committee.
4. The Supervisory Committee shall be accountable to the Board and members of the Committee may be removed by the Board.

Major Responsibilities

The major responsibilities of the Supervisory Committee are: (1) completing the annual audit and (2) completing the verification of members' accounts.

Annual Audit

1. The Supervisory Committee shall be responsible for securing a comprehensive audit of the credit union at least once each year.
2. An audit by an independent accountant or firm shall be made in accordance with generally accepted auditing standards and as set forth in pronouncements of the American Institute of Certified Public Accountants (AICPA).
3. The independent auditor will contract directly with the Supervisory Committee.
4. The Committee will obtain an engagement letter from the independent auditor. The purpose of the engagement letter is to facilitate communication at the contracting point. The letter will document the procedures to be performed and the fee for completing those procedures.
5. The audit report, or separate management letter, must set forth in sufficient detail the general scope of the audit performed. Comment must be made to the effect that internal routines and controls were evaluated and no exceptions were found, or that certain exceptions were noted.

6. The results of the audit shall be submitted to the Board.
7. The Supervisory Committee shall make recommendations to the Board for the correction of any deficiencies disclosed in the audit. The Committee will follow up to ensure action is taken to comply with any findings and recommendations resulting from the audit.
8. The Supervisory Committee shall present a summary of the results of the audit to the membership. (This is generally done in the Committee's report at the annual meeting.)
9. The annual audit report shall be preserved with the records of the credit union and a copy shall be filed with the Department of Banking and Finance.

Verification of Members' Accounts

1. If the statements of all share, deposit, and loan accounts are rendered to the members at least annually, the Supervisory Committee shall confirm 100% of all such accounts at least every two (2) years. The verification of members' accounts is generally completed in conjunction with the annual audit. The verification process may be: (a) 100% verification at least every two years or (b) a sample verification annually.

Other Responsibilities

1. Monitor board actions and ensure that Board responsibilities are completed in a timely and competent manner.
 - Attend monthly Board meetings (at least one representative).
 - Review Board decisions and actions.
 - Monitor Board response to examiner and auditor.
2. Oversee the credit union's financial condition to make sure it is soundly managed and that assets are properly safeguarded against fraud, self-dealing and loss. Ensure effective internal controls are in place. This is generally accomplished by obtaining the comprehensive annual audit and other procedures such as:
 - Review policies and procedures.
 - Ensure that audit and examination recommendations are implemented.
3. Meet with regulatory examiners and external auditors.
4. The Committee may conduct, or cause to be conducted, other audit functions, reviews of operations, and inspection of assets and liabilities as deemed necessary.
5. Conduct regular meetings and maintain minutes of each meeting.

Liability

1. As a member of the Supervisory Committee, you have a fiduciary responsibility to your fellow members. If you fail to carry out your duties, you violate the confidence of the members and you may be held legally accountable for carelessness, negligence, or improper performance.

2. Supervisory Committee members can decrease their personal liability exposures by following these guidelines:

- Avoid conflict of interest.
- Avoid violations of confidentiality.
- Be active in the affairs of the credit union.
- Know the credit union charter, bylaws, policies and procedures.
- Attend meetings.
- Document meetings and decisions.
- Ensure annual audits and verifications are completed.
- Have adequate insurance (through the Credit Union's bond coverage).

Adopted _____

Date _____

Reviewed _____

Date _____