

**STATE OF LOUISIANA
OFFICE OF FINANCIAL INSTITUTIONS (OFI)**

SUPERVISORY COMMITTEE EXAMINATION REPORT

Name of Credit Union _____
City and Parish _____, Louisiana
Period Beginning _____, 20____. Ending _____, 20_____.

This Supervisory Committee Examination Report (“Report”) must be completed annually. An original, properly executed copy must be submitted to OFI’s Commissioner no later than **April 30th**. A copy should also be retained in the files of the credit union, along with the work papers used in support of the Report.

Note: LSA-RS 6:651(C) of the Louisiana Credit Union Law requires that the Supervisory Committee examine the financial condition and internal control structure of the credit union annually. The Supervisory Committee must maintain adequate work papers documenting what checks and verifications were performed. In addition, the Supervisory Committee must perform an independent verification of members’ accounts not less frequently than once every two years. OFI Examiners will review these work papers and determine their adequacy at the next full-scope examination.

In October 2019, amendments were made to Part 715 of the NCUA’s Rules and Regulations to provide additional flexibility for federally-insured credit unions (FICU’s) by:

- Replacing the Supervisory Committee Guide with a simplified appendix
- Removing the Report on Examination of Internal Controls Over Call Reporting and the Balance Sheet Audit as alternatives to a financial statement audit
- Eliminating a specific deadline for outside, compensated persons to deliver written audit reports to FICUs

The amendments go into effect January 6, 2020. For engagement letters signed prior to January 6, 2020, follow the old Supervisory Committee Guide. For multi-year contract and/or engagement letter signed prior to January 6, 2020 – the engagement for year ending December 31, 2019, would follow the old Supervisory Committee Guide; then future years would require either an addendum or an entirely new letter to follow the new regulation.

Supervisory Committees performing their own annual audit and uncompensated audits without engagement letters will follow the new procedures for audits starting field work after January 6, 2020. Under Part 715 Appendix A of the NCUA Rules and Regulations, the Supervisory Committee, Internal Auditor, or other qualified person would be required to perform and document the following areas of review:

- Review Board of Director Minutes to determine whether there are any material changes to the credit union's activities or condition that are relevant to the areas to be reviewed in the audit
- Test and confirm material asset and liability accounts, including, at a minimum, loans, cash, investments, shares and borrowings
- Test material equity, income, and expense accounts
- Test for unrecorded liabilities
- Review key internal controls, including, at a minimum, bank reconciliation procedures, cash controls, dormant account controls, wire and ACH transfer controls, loan approval and disbursement procedures, controls over insider accounts, other real estate owned, and foreclosed and repossessed assets
- Test the mathematical accuracy of the allowance for loan and lease loss (ALLL) accounts and ensure the methodology is properly applied
- Test loan delinquency and charge-offs

Failure by the Supervisory Committee to perform a satisfactory examination and maintain proper work papers **will require** that an outside auditor be employed by the credit union to perform this function. Failure to provide for such an examination and verification of accounts will be also be considered an unsafe and unsound practices and **may result** in some type of regulatory action.

At a minimum, the Supervisory Committee must perform and maintain adequate work papers for the following checks and verifications as part of its annual examination of the credit union.

1. Test and confirm material asset, liability, and equity accounts (at a minimum, loans, cash, investments, shares and borrowings). Note any differences: _____

2. Test for unrecorded liabilities. Note any differences: _____

3. Was the general ledger found to be in balance? _____
Assets \$ _____ Liabilities \$ _____ Capital \$ _____
4. Test and confirm material income and expense accounts and note any differences: _____

5. Was the income/expense statement correctly reported? _____
Net Income \$ _____
6. Verify that the following accounts are properly reported and reconcile:
 - (a) Was all cash verified and found in proper order? _____
\$ Counted _____ \$ GL _____
 - (b) Does the treasurer reconcile the cash in bank account monthly? _____
\$ Counted _____ \$ GL _____
 - (c) Are the receipts deposited in the bank within the time limits prescribed in the Bylaws? _____
 - (d) Are checks properly signed and/or countersigned, as applicable? _____

- (e) Are disbursements supported by loan applications, applications for share withdrawals, invoices, or journal vouchers? _____
- (f) If investments have been made by the credit union, are they within the limits of LSA-RS 6:644 of the Credit Union Act? _____
 \$ Portfolio _____ \$ GL _____
- (g) Balance of general ledger account shares is \$ _____
 Total of share account balances in individual ledger is \$ _____
- (h) Balance of general ledger account loans is \$ _____
 Total of loan account balances in individual ledger is \$ _____
- (i) Balances must agree. If differences appear, what it being done to correct them?

- (j) Were all ledgers posted up to the last month-end? _____
- (k) Level of real estate related loans? _____
- (l) Volume of commercial loans? _____

7. Review key internal controls, including, at a minimum, bank reconciliation procedures, cash controls, dormant account controls, wire and ACH transfer controls, loan approval and disbursement procedures, controls over insider accounts, other real estate owned (OREO), and foreclosed and repossessed assets. List any recommendations, concerns, or deficiencies from the review. _____

8. Test the accuracy of the allowance for loan and lease loss (ALLL) accounts and ensure the methodology is properly applied. Is the ALLL adequately funded? _____

Is the methodology in conformance with Generally Accepted Accounting Principles (GAAP)? _____ Describe any changes needed to the methodology and/or provision required. _____

9. Were all loans made during the period covered by this examination:
- (a) Supported by loan applications properly executed, signed by the borrower, and approved by the Credit Committee? _____
 - (b) Evidenced by properly signed and fully completed notes? _____
 - (c) Correctly entered in the individual loan accounts? _____
 - (d) Within the limitations as to amount and time prescribed by LSA-RS 6:656 of the Credit Union Act? _____

10. During the period covered by this examination, were any loans –
- (a) Made to directors or committee members in violation of LSA-RS 6:656?

 - (b) Endorsed by directors or committee members?

11. During the period covered by this examination, were interest rates and monthly payments on loans accurately entered on data processing equipment? _____

12. Is the financial and statistical report accurately and promptly prepared at the end of each month? _____

13. Test loan delinquency and charge-offs.
- (a) Was a correct list of delinquent loans presented by the treasurer to the Board of Directors for discussion, and was a summary of these loans correctly shown on the financial and statistical report? _____

Delinquent Loans \$ _____

- (b) Is this method of collecting delinquent loans effective? _____
- (c) Was the adequacy of the regular/loan loss reserve considered to be appropriate in view of the current level of delinquencies, and the requirements of Part 741 of the National Credit Union Rules and Regulations (NCUSIF)? _____
- (d) Were any additional charge-offs required? _____

14. Are proper minutes maintained of members, directors, and credit and supervisory committee meetings? _____

15. In reviewing the Board of Director Minutes, are there any material changes to the credit union's activities or conditions that are relevant to the areas reviewed in the audit. If so, explain. _____

16. Are monthly meetings of the Board of Directors and Credit Committee being held? _____

17. Should the amount of the treasurer's bond be increased? _____
Amount Now \$ _____ Should be \$ _____

18. Are all persons handling funds of the credit union bonded? _____
If yes, amount of the bank? \$ _____

19. Has correction been made of all exceptions disclosed by the following:
(a) Last examination of Supervisory Committee? _____
(b) Last examination report of Office of Financial Institutions? _____

20. What percentage of members' passbooks and share accounts have been verified during the last quarter? _____% In the past two years? _____%

Date of last verification: _____

Method of verification: _____

Describe internal controls and procedures used to ensure all members were contacted and discrepancies reported to the Committee. Specifically, does the credit union ensure that no one outside the Supervisory Committee is involved in the direct verification of member accounts? _____

21. Recommendations for improvements of operations, financial condition, and growth of the credit union? _____

22. Amount of blanket bond (discovery) coverage \$ _____

23. Does the credit union have a formal business plan? _____

If not, explain why: _____

24. What formal policies have been applied? Are they reviewed at least on an annual basis?

25. Does the credit union currently have any investments in structured noted, Collateralized Mortgage Obligations (CMOs) or any other type of mortgage derivative products (MDPs)? If so, indicate the type and dollar amount invested. Is such an investment

authorized in the credit union's Investment Policy? If so, did the investment receive the prior approval of the Board of Directors? _____

26. Have formal steps been taken to ensure compliance with Truth-in-Savings and accounting for investments? If yes, explain in detail. _____

27. Remarks and/or comments: _____

We hereby certify that the above Report was taken from the books and records of the above credit union as of the date indicated, and to the best of our knowledge is true and correct.

Signed: _____

_____ Date Examination Completed

Signed: _____

(Must be signed by at least two members of the Supervisory Committee)

[Last Revised: March 2023]