

## **Bank-Fund Staff Federal Credit Union Supervisory Committee of the Board of Directors Terms of Reference**

The Supervisory Committee has authority as set out in the Bank-Fund Staff Federal Credit Union (the “BFSFCU” or the “Credit Union”) bylaws and 12 CFR §7151, and as further specified in these Terms of Reference and/or delegated by the Board of Directors.

### **1. Purpose and Appointment**

- 1.1 The Supervisory Committee (“the Committee”) is appointed by the Board of Directors (“the “Board”) to carry out the duties as prescribed in the Credit Union bylaws as well as to ensure that the Board and Management of the Credit Union meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members’ assets. Specifically, the Committee must determine whether:
- a) internal controls are established and effectively maintained to achieve BFSFCU’s financial reporting objectives;
  - b) BFSFCU’s accounting records and financial reports are promptly prepared and accurately reflect operations and results;
  - c) the relevant plans, policies, and control procedures established by the Board and management are properly administered;
  - d) policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud.

### **2. Composition and Membership**

2.1 The Committee shall be appointed by the Board and consist of not less than three members nor more than five members selected from the membership of the Credit Union. One member of the Committee may be a director other than the Treasurer. No member of the Credit Committee, nor any employee of BFSFCU, may be appointed to the Supervisory Committee.

2.2 The Committee members shall choose from among themselves a Chair and a Secretary. The offices of Chair and Secretary may be held by the same person.

2.3 The regular term of office of a member of the Committee shall be three years, commencing at the next Annual Meeting of BFSFCU membership (“Annual Meeting”). The Board shall ensure,

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<sup>1</sup> Code of Federal Regulations, Title 12, Part 715—Supervisory Committee Audits and Verifications

however, that approximately an equal number of regular terms expire at each Annual Meeting.

2.4 Upon expiry of a member’s term of office, the member may be reappointed by the Board for a further term. A member may serve multiple terms, consecutive or otherwise. Any vacancy on the Committee will be filled as soon as possible through appointment by the Board of a new member to serve for the remainder of the previous member’s term.

2.5 By majority vote, the Board of Directors may suspend any member of the Supervisory Committee. In the event of any suspension, the members of this credit union will decide, at a special meeting held not fewer than 7 nor more than 14 days after any suspension, whether the suspended committee member will be removed from or restored to the Supervisory Committee.

### **3. Meetings**

3.1 The Committee shall generally meet quarterly or as often as it determines necessary, but not less than twice each year. For the transaction of its business, a quorum will be established when greater than 50% of the members of the Supervisory committee are present (e.g. 2 members for a 3-member Committee and 3 members for a 4 or 5-member Committee).

3.2 The Committee Secretary is responsible for preparing meeting agendas and drawing up meeting minutes. The minutes shall be approved at the next Committee meeting and made available to the Board upon request. The Committee Secretary has custody of full and correct records of all actions taken by it.

3.3 The Committee shall meet with BFSFCU Management and the BFSFCU External Auditors as often as it determines necessary, which may be outside the presence of Board members, if the Committee considers this appropriate.

3.4 The Supervisory Committee may direct any officer or employee of BFSFCU or its outside counsel or External Auditor to attend a Supervisory Committee meeting or to meet with any members of, or consultants to, the Committee.

#### **4. Powers**

4.1 By unanimous vote of all Supervisory Committee members, the Supervisory Committee may suspend, until the next meeting of the members of the Credit Union, any director, Board officer, or member of the Credit Committee. In the event of any suspension, the Supervisory Committee must call a special meeting of the members of the Credit Union to act on the suspension, which meeting must be held not fewer than seven nor more than fourteen days after the suspension. The Chair of the Supervisory Committee shall act as the chair of the special meeting unless the members of the Credit Union select another person to act as Chair.

4.2 By the affirmative vote of a majority of its members, the Supervisory Committee may call a special meeting of the BFSFCU membership to consider any violation of the provisions of the Federal Credit Union Act (the "Act"), National Credit Union Administration (the "NCUA") Regulations and or the Credit Union Charter or bylaws, or any BFSFCU practice that the Committee considers to be unsafe or unauthorized.

#### **5. Duties and Responsibilities**

5.1 The Committee shall select and appoint a licensed firm of certified public accountant as External Auditors to perform an independent audit of BFSFCU's annual financial statements in accordance with generally accepted auditing standards, including a verification of member accounts.

- a) Subject to confirmation by the Board, the Committee shall have the sole responsibility to recommend the appointment of the External Auditors annually.
- b) The Committee Chair shall pre-approve all auditing and permitted non-auditing services to be performed by the External Auditors by signing an engagement letter.
- c) After completion of each audit, the Committee shall confirm that the audit was performed and reported upon in accordance with the terms of the engagement letter.
- d) The Supervisory Committee shall oversee the work of the External Auditors including the resolution of disagreements between Management and the External Auditors regarding the preparation or issuance the External Auditors' report on their audit of the annual financial statements or related work.

- e) The Committee shall ensure that the External Auditors' report on their audit of the annual financial statements is provided to the Board and the BFSFCU membership, and shall provide summarized results of the audit at the Annual Meeting.
- f) The Committee will cause the verification of the accounts of members with the records of the financial officer from time to time and not less frequently than as required by the Act and regulations. The Committee will retain a record of this verification.

5.2 The Supervisory Committee shall oversee and monitor the performance of BFSFCU's Internal Audit function.

- a) The Committee is responsible for the appointment and replacement of the Vice President of Internal Audit, who reports directly to the Supervisory Committee Chair. The Committee should have unrestricted access to the Vice President of Internal Audit, including private meetings without management present.
- b) The Committee shall ensure that an Internal Audit Charter is established and reviewed at least annually, preserving the independence of the audit process.
- c) The Committee shall approve the Internal Audit function's work plan, staffing and budget.
- d) The Committee shall review and approve the annual performance review and remuneration of the Vice President of Internal Audit.
- e) The Committee shall ensure that Internal Audit is granted complete and unrestricted access to all records, documents, personnel and physical properties of BFSFCU as considered necessary for the performance of its functions.
- f) The Committee shall require that the Vice President of Internal Audit provides Internal Audit results at least quarterly and ensure that the results are provided to the External Auditor as necessary upon request.
- g) The Committee shall make appropriate inquiries of management and the Vice President of Internal Audit to determine whether there are inappropriate scope or resource limitations on the Internal Audit function.
- h) The Committee shall monitor Management's actions to address issues identified in internal and external audit reports and Documents of Resolution (DOR) and Examiners' Findings in NCUA examination reports, and shall inform the Board where action is unduly delayed.

5.3 The Committee is not responsible for making operating decisions. However, it shall ensure that the Board's plans and policies are reasonable, and that they protect the safety and soundness of the Credit Union. Therefore, members of the Supervisory Committee may attend Board meetings or review Board minutes to determine the reasonableness of the business plan and to ensure that business operations are adequately controlled. The Committee is also responsible for making recommendations

to the Board for improving operations and the risk and control environment within the Credit Union.

5.4 The Committee is responsible for reviewing any member complaint filed directly with the Committee or referred to the Committee by the NCUA, ensuring that a response is provided, as appropriate, and also ensuring that action plans are developed and implemented to correct any improper, unfair, or discriminatory practices. All such complaints shall be handled in an impartial and independent manner to ensure fair treatment to all members. The Committee may instruct the Vice President of Internal Audit to investigate the facts and circumstances surrounding the complaint and work with BFSFCU Management to develop action plans, if applicable, and/or make appropriate recommendations. If the complaint was referred to the Committee by the NCUA, upon completion of the investigation the Committee may instruct the Vice President of Internal Audit to prepare and submit a written response to the NCUA on its behalf, within the NCUA's prescribed timeframe. If the complaint was filed directly with the Committee, the Committee may ask BFSFCU Management to respond to the member on its behalf. The Committee shall provide an annual report to the Board summarizing the member complaints received by the Committee during the preceding year and how they were addressed.

5.5 In accordance with the Credit Union's Whistleblower Policy, the Supervisory Committee, in coordination with Internal Audit, will conduct a preliminary inquiry of allegations received via the Ethics Line to assess the credibility of the information provided and determine whether there is sufficient basis to warrant investigation, and by whom. Investigations will be conducted promptly and the Committee may make recommendations to the Board and Management for action based on the results. The Committee will prepare periodic reports to the Board of Directors on matters reported to the Committee and investigated, including applicable lessons learned and recommended action plans.

5.6 The Committee Chair (or one of the other Committee members) shall be available to answer questions about the Committee's activities at the Annual Meeting.

5.7 The Committee shall ensure that BFSFCU adheres to the measurement and filing requirements for reports filed with the NCUA Board.

5.8 The Committee shall act to avoid imposition of sanctions for failure to comply with the requirements of the NCUA.



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5.9 The Committee may inspect any books and records of the Credit Union, or interview any officer or employee of the Credit Union, provided they have a proper purpose for so doing.

5.10 The Committee shall, as it deems necessary, retain independent legal, accounting, or other advisors to provide professional services under its supervision.

- a) The Board shall provide for appropriate funding for such professional services.
- b) The Committee has the sole authority to select, prescribe the duties of, and remove such individuals.
- c) Compensated professional services shall be evidenced by an engagement letter that details the terms of service.

## **6. Disclosures and Access**

6.1 The composition of the Supervisory Committee shall be mentioned in the Annual Board of Directors' Report forming part of the Annual Report posted on the Credit Union's website.

6.2 These Terms of Reference shall be made available to the BFSFCU membership and staff through the BFSFCU website.

6.3 The Board shall have unrestricted access to all records of the Supervisory Committee.

## **7. Terms of Reference Assessment**

7.1 The Committee shall review the adequacy of the Terms of Reference annually and recommend to the Board, where appropriate, proposed changes for approval and adoption.