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**TO:** Kansas Chartered Credit Unions  
**SUBJECT:** Kansas Department of Credit Unions Examination Authority

### **KANSAS DEPARTMENT OF CREDIT UNIONS EXAMINATION AUTHORITY**

As the calendar moves forward, seasons change (except maybe in Kansas) and there are always credit union management changes. The purpose of this bulletin is to either remind credit union management and staff of KDCU examination authority or notify new management of what to expect on their next exam.

Kansas law requires that each credit union "...be examined at least once every 18 months by the administrator or the administrator's duly authorized deputy or agent." K.S.A. 17-2206(b)(2019 Supp.). Credit unions with significant findings and/or issues may be subject to more frequent reviews and/or exams.

In order for the KDCU examination staff to conduct an exam and determine the credit union's safety and soundness, the credit union will be asked to provide documents. Kansas law states that examiners "...shall at all times be given free access to all books, papers, securities and other sources of information with respect to the credit union." Providing the requested information in a timely manner will help facilitate the exam process.

The examination process utilizes a risk-based approach that focuses on seven (7) risk factors. With this approach, the examination will direct more time and attention towards the risk areas where more risk is perceived and less towards those risk areas where a lesser degree of risk is anticipated. The risk areas are: (1) credit risk, (2) interest rate risk, (3) liquidity risk, (4) transaction risk, (5) compliance risk, (6) strategic risk and (7) reputation risk.

At the beginning of the exam, the Examiner-in-Charge will take the opportunity to visit with the CEO/Manager to discuss the focus and scope of the examination. During the exam process, as time permits, credit union management will be updated daily on the progress and status of the exam. At the conclusion of the exam, the Examiner-in-Charge will conduct an exit conference to discuss exam findings and issues. This may be followed by a meeting with the Board of Directors. The Administrator and/or Financial Examiner Administrator may also attend the exit conference and/or board meeting.

While used infrequently, the statute also provides for the administrator to "...have the power to subpoena witnesses, compel their attendance, require the production of evidence, administer oaths and examine any person under oath in connection with any subject relating to a duty imposed upon or a power vested in the administrator."

Communication and cooperation between all parties is crucial to completing the exam in an efficient and timely manner. During the process, do not hesitate to reach out to your examiner with questions.

#### *Mission Statement*

*The Kansas Department of Credit Unions protects Kansas citizens from undue risk by ensuring safe and sound operation of state-chartered credit unions.*