

DATE: July 29, 2019
BULLETIN: 2019-KDCU-CUB-7
TO: Kansas Chartered Credit Unions
SUBJECT: Boards of Directors and Supervisory Committees

BOARDS OF DIRECTORS AND SUPERVISORY COMMITTEES

The Kansas Credit Union Act outlines the duties of a credit union board of directors; however, the most important thing to remember is that the board is the ultimate decision-making authority of the credit union. Generally, the board “shall...authorize any action not inconsistent with the state credit union code.” K.S.A. 17-2209(b)(11) (2019 Supp.) The board and management have a fiduciary responsibility to their members to maintain high standards of professional conduct. ([NCUA Examiner's Guide, Chapter 7](#))

In the Examiner’s Guide, the NCUA outlines the board’s four basic responsibilities:

- Select qualified management and evaluate management’s performance;
- Establish, regularly review, and revise, as necessary, business goals, standards, policies and procedures;
- Review operating results and performance of new and existing activities; and
- Ensure compliance with applicable laws and regulations, and the credit union’s own policies and procedures.

To fulfill those responsibilities, board members should:

- Operate independently from management;
- Attend board meetings regularly;
- Avoid conflicts of interest and self-serving practices; and
- Ensure the credit union serves the credit and savings needs of its field of membership.

Another integral part of the credit union structure is the Supervisory Committee. The NCUA provides guidance to those individuals through its [Supervisory Committee Guide](#). The committee has two general goals, to ensure that:

- Management’s financial reporting objectives have been met; and
- Management practices and procedures safeguard the members’ assets.

[Specifically](#), the committee must determine whether:

- Internal controls are established and effectively maintained to achieve financial reporting objectives which must be sufficient to satisfy the requirements of the supervisory committee audit, verification of member accounts and additional responsibilities;
- Accounting records and financial reports are promptly prepared and accurate;
- Plans, policies and procedures are properly administered; and
- Policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud.

Supervisory committee activities are a point of emphasis during KDCU exams. The next KDCU bulletin will address committee duties and responsibilities in more detail.