

(1) INTERNAL CONTROLS ARE:

(I) ESTABLISHED AND EFFECTIVELY MAINTAINED TO ACHIEVE THE CREDIT UNION'S FINANCIAL REPORTING OBJECTIVES; AND

(II) SUFFICIENT TO SATISFY THE REQUIREMENTS OF THE SUPERVISORY COMMITTEE AUDIT, VERIFICATION OF MEMBERS' ACCOUNTS, AND THE SUPERVISORY COMMITTEE'S ADDITIONAL RESPONSIBILITIES;

(2) THE CREDIT UNION'S ACCOUNTING RECORDS AND FINANCIAL REPORTS ARE PROMPTLY PREPARED AND ACCURATELY REFLECT OPERATIONS AND RESULTS;

(3) THE RELEVANT PLANS, POLICIES, AND CONTROL PROCEDURES ESTABLISHED BY THE BOARD ARE PROPERLY ADMINISTERED; AND

(4) THE BOARD'S PLANS, POLICIES, AND CONTROL PROCEDURES ARE SUFFICIENT TO SAFEGUARD AGAINST ERROR, CARELESSNESS, CONFLICT OF INTEREST, SELF-DEALING, AND FRAUD.

(C) (1) THE SUPERVISORY COMMITTEE SHALL SUBMIT:

(I) A REPORT ON THE ANNUAL AUDIT TO THE BOARD; AND

(II) A SUMMARY OF THE REPORT ON THE ANNUAL AUDIT TO THE MEMBERS AT THE ANNUAL MEETING OF THE MEMBERS.

(2) THE SUPERVISORY COMMITTEE SHALL CONDUCT OR CAUSE TO BE CONDUCTED AND SHALL SUBMIT TO THE BOARD, SUPPLEMENTARY AUDITS AS THE SUPERVISORY COMMITTEE DEEMS NECESSARY.

(3) THE SUPERVISORY COMMITTEE SHALL SUBMIT WRITTEN REPORTS PERIODICALLY TO THE BOARD ADDRESSING ACTIVITIES SINCE THE LAST REPORT.

(D) (1) THE SUPERVISORY COMMITTEE AUDIT OF A CREDIT UNION SHALL OCCUR AT LEAST ONCE EACH CALENDAR YEAR AND SHALL COVER THE PERIOD ELAPSED SINCE THE LAST AUDIT PERIOD.

(2) THE SUPERVISORY COMMITTEE ANNUAL AUDIT SHALL MEET THE FOLLOWING MINIMUM GUIDELINES:

(I) A CREDIT UNION WITH ASSETS OVER \$250,000,000 SHALL HAVE AN OPINION AUDIT OF THE CREDIT UNION'S FINANCIAL STATEMENTS PERFORMED BY AN INDEPENDENT LICENSED CERTIFIED PUBLIC ACCOUNTANT; AND

(II) A CREDIT UNION WITH ASSETS OF LESS THAN \$250,000,000 MAY SATISFY THE AUDIT REQUIREMENTS BY:

1. AN OPINION AUDIT OF THE CREDIT UNION'S FINANCIAL STATEMENTS PERFORMED BY AN INDEPENDENT LICENSED CERTIFIED PUBLIC ACCOUNTANT;

2. IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH (3) OF THIS SUBSECTION, AN AGREED UPON PROCEDURES ENGAGEMENT