

SUPERVISORY COMMITTEE ANNUAL AUDIT REPORT QUESTIONNAIRE FOR THE PERIOD JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

One copy of this report must be submitted to the Vermont Department of Financial Regulation, 89 Main Street, Montpelier, Vermont 05620-3101, immediately after the annual audit. A copy of the Committee's written findings and recommendations to the Board of Directors shall be attached.

_____ Credit Union
_____, Vermont

Total Assets of credit union as of December 31, 2019: _____

SECTION I

1. Identify the type of audit that was conducted for the period under review.

- _____ A. An opinion audit of financial statements conducted by an independent licensed CPA.
- _____ B. An opinion audit of balance sheet performed by an independent licensed CPA.
- _____ C. An agreed upon procedures engagement performed by a person with sufficient technical proficiency as an auditor, provided if such engagement is not comprehensive the Supervisory Committee shall satisfy any remaining requirements of a comprehensive audit in accordance with statute and National Credit Union Administration (NCUA) guidelines.
- _____ D. A comprehensive audit performed by the Supervisory Committee or the credit union's internal auditors which meets the minimum standards and guidelines established by regulation of the NCUA.

2. Was a verification of members accounts conducted in conjunction with this audit?

Yes _____ No _____

If yes, was the verification a 100% verification or statistical sample?

100% _____ statistical sample _____

If no, supply the date of most recent verification. _____

If the response to question #1 above is either answer A or B, please complete Sections II and IV. If the response is either C or D, please complete Sections III and IV.

SECTION II

1. Name of firm and/or individual engaged to perform audit: _____
2. Primary contact for engagement: _____
3. Please supply a copy of the signed engagement letter for the audit.
4. Please supply a copy of the audit report, including management letter.
5. Please supply evidence (such as committee minutes) showing that the Supervisory Committee has reviewed the audit report. Include any recommendations made to the governing body for corrective action.
6. Please supply evidence of governing body review of audit findings. Include actions to be taken and those already taken as a result of the audit findings.
7. If the audit report required in question #4 above has not been issued, please supply the following information:
 - A. Date field work completed or anticipated to be completed: _____
 - B. Anticipated date the audit report will be issued: _____

NOTE: A copy of the audit report, including the management letter, should be forwarded to this Department upon receipt from the auditor. Include with the report information required by questions #5 and #6 above.

SECTION III

All questions must be answered. Explain all negative responses. Use a separate sheet of paper if necessary. Supporting workpapers and documentation must be retained for your records concerning this Audit. Refer to the NCUA Other Supervisory Committee Guide Minimum Procedures for minimum testing requirements.

1. Were trial balances prepared of individual ledger accounts and compared with general ledger control accounts? _____ Were any differences noted? _____ If so, how were they reconciled?
2. Was the audit conducted without the assistance of the treasurer, manager and employees?
3. What provision was made for direct return of undeliverable statements to the committee or auditor?
4. Does the committee confidentially maintain a current listing of member accounts for its own use in performing audits?
5. Does the committee periodically check to determine the accuracy of the confidential listing of accounts and addresses?
6. Does the committee periodically verify closed accounts to determine that the accounts were closed by the authorized member or legal representative?
7. Did the committee perform the following audit steps:
 - a. Were cash counts of tellers and ATM machines conducted and reconciled to the general ledger?
 - b. Were internal controls reviewed? (Examples include: ATM balancing and replenishment under dual control. Restricted access to own accounts. Verifying a sample of teller work to the bank deposit.)
 - c. Were dormant accounts reviewed to ensure restricted access, appropriate override authority, and compliance with State escheatment laws?
 - d. Were file maintenance reports for shares and loans reviewed for appropriate documentation and authorization?
 - e. Were wire transfer records reviewed to ensure appropriate recordkeeping and authorization?
 - f. Are any of the individuals who are authorized to process wire transfers also responsible for correspondent account reconciliations?
 - g. Were correspondent bank account reconciliations reviewed for accuracy and supporting documentation?
 - h. Were traveler's checks and money order inventories verified and found to be correct?
 - i. Was the loan subsidiary ledger compared to the general ledger? _____ Were any differences noted? _____ If so, how were they reconciled?

- j. Were loan documents reviewed to determine that applications and notes were completely filled in and that proper disclosures were made under truth-in-lending requirements?
 - 1. Does the credit union maintain a written loan policy? If so, was the policy reviewed to assure it is adequate to meet state statutes and the needs of the credit union?
 - 2. Are loans granted in compliance with the loan policy?
 - 3. Were delinquent loans reviewed for accuracy of reporting?
 - 4. Were loan interest charges reviewed for accuracy?
 - 5. Were charged off loans and recoveries verified for accuracy?
 - 6. Were life savings and loan portfolio claims verified?
- k. Was the allowance for loan losses account reviewed for accuracy and compliance with policy?
- l. Were credit union investments verified, confirmed, determined to be authorized by its investment policy, and legal?
 - 1. Does the credit union have a written investment policy? ____ If so, was it reviewed to assure it is adequate to meet state statutes and the needs of the credit union and NCUA Rules Part 703?
 - 2. Did management's level of due diligence in choosing an investment broker and safekeeping agent appear adequate? Was the due diligence documented? (Explain negative response)
 - 3. Does the investment listing or subsidiary ledger balances agree to the general ledger?
 - 4. Were market values, interest receivable, and unrealized gains and losses on securities reviewed?
 - 5. Are appropriate segregation of duties and internal controls in place relating to the investment function?
- m. Do the loan and investment policies provide for liquidity and the matching of assets and liabilities in terms of rates of return as well as maturities?
- n. Were transfers to reserves and undivided earnings reviewed for accuracy and compliance with applicable regulations?
- o. Were all other asset and liability accounts verified and confirmed?
- p. Was the share subsidiary ledger compared to the general ledger? _____ Were any differences noted? _____ If so, how were they reconciled?

- q. Were overdrafts reviewed for excessive use by members and for proper documentation and control by management?
 - r. Was all interest on investments and loans, as well as other income and expense items reviewed for accuracy and proper posting?
 - s. Were credit committee (or the applicable loan body) records reviewed for completeness?
 - t. Was surety bond and other insurance coverage reviewed for adequacy? _____ Does the governing body review the surety bond annually as required by Commissioner's Regulation B-06-1? _____ Date of most recent review of directors? _____
8. For period covered by audit, were all loans:
- a. Supported by properly executed notes and applications?
 - b. Adequately secured by collateral when required?
 - c. Granted within limitations prescribed by 8 V.S.A. §32301 as amended?
 - d. Properly approved and recorded in the credit committee's minutes and loan officer records?

Supporting workpapers must include a listing of the accounts reviewed and an itemization of documentation exceptions noted.

9. Were all shares, deposits and loan balances verified as of the date of this audit in accordance with 8 V.S.A. §31306(f)?
- a. Check the appropriate answer concerning control procedures used to verify members' accounts:
 - ____ Surprise contact and physical control of records
 - ____ General notice of verification
 - ____ Record of members' accounts verified maintained
 - ____ Trial balances of members' ledgers by committee
 - ____ Direct communication with members
 - ____ Confidential record of members' accounts maintained
 - ____ Treasurer and other operating personnel not used in verification programs
 - b. Was a sample of closed share and paid loan accounts verified? _____ What method was used?
10. Is a monthly balance sheet displayed in a conspicuous space in credit union office as required?
11. Is a complete and up-to-date preservation log of vital records maintained at an offsite location? _____ If not, what corrective action has been taken?

SECTION IV

Indicate: A. In House System _____ B. Outside Servicer _____

1. Have the following been developed, documented, and implemented?
 - a. Information Technology Strategic (short/long range) planning?
 - b. Information Security Program (ISP) that includes operating policies and control procedures?
 - c. Physical security plan?
 - d. Disaster Recovery and Business Continuity Plan?
 - e. IT Risk Assessment?
 - f. Vendor Management Program?
2. Are the IT strategic plans consistent with the credit union's goals?
3. Has management reported the overall status of the ISP and compliance with Part 748 Sections A and B of the NCUA Rules & Regulations?
4. Have the appropriate systems and operational controls been established to ensure the quality and integrity of the IT reports?
5. Has access to the computer been adequately controlled?
6. Is the security of the computer system sufficient to protect against unauthorized use, damage, loss, or modification?
 - a. Has vulnerability and penetration testing been completed on the credit union's Information Technology & e-banking systems?
7. Is there a backup of the system magnetic media to ensure business continuity? _____ Is it encrypted?
8. Are necessary contingency items stored offsite?
9. Are Disaster Recovery and Business Continuity Plans tested annually?
10. Have key personnel been furnished copies of the contingency plans?
11. Has a training program for security, safety, and emergency procedures been established and documented?
12. Has IT insurance coverage, if applicable, been obtained?
13. If applicable, is there a written contract for maintenance of the computer equipment?

14. Is there a written contract for programming services?
15. Does the contract allow the credit union to obtain and use the software in the event the programming servicer/vendor is unable to properly maintain the programs?
16. If applicable, were the credit union's E-banking systems reviewed for adequate security and controls?
17. Has a Red Flag Identity Theft program been developed, implemented, and approved by the Board of Directors?
18. Have work related expenses paid by the credit union to employees, committee members, and the Governing Body been reviewed for compliance with applicable state and federal regulations and internal policies?
19. Has correction been made of all exceptions disclosed by the:
 - a. Previous Supervisory Committee audits?
 - b. Most recent supervisory examination report from the Division of Banking?
 - c. Most recent survey of internal controls?
20. Has the credit union complied with the NCUA's Continued Insurability Regulations, which include plans for advertising, special agreements, record preservation, security program, and disaster recovery? (If negative response, please explain)
21. Briefly describe the major audit procedures used by the committee not previously covered in this questionnaire.
22. Has the credit union complied with the Financial Privacy requirements as provided for in V.S.A. Title 8, Chapter 200, Section 10203 (adoption of reasonable procedures to assure financial privacy and Regulation B-2015-02)?

Supervisory Committee audit began on:

Supervisory Committee audit completed on:

Signed _____
Supervisory Committee

Signed _____
Supervisory Committee