Supervisory Committee Charter

Purpose

The Supervisory Committee ("the Committee") of Pima Federal Credit Union supports the Board of Directors in the fulfillment of its oversight responsibilities for the following:

- Integrity of financial reporting
- Compliance with legal and regulatory requirements
- Appointment and supervision of independent financial auditors
- Performance of internal audit functions
- Evaluation of internal controls and operational risk management
- Internal or external fraud attempts against the credit union
- Initiation of a member account verification
- Any other areas of oversight as designated by the Board of Directors

Organization

The Board of Directors appoints the Supervisory Committee from members of the Credit Union. One member of the Supervisory Committee may be a director, as long as that individual is not the Treasurer or compensated officer of the Board. To serve on the Supervisory Committee, an individual may not be an employee of the Credit Union.

The Bylaws of the credit union determine the number of members of the Committee, which may not be fewer than three or more than five.

- Committee members, as a group, shall ensure they maintain the qualifications necessary to ensure the Committee's particular fiduciary responsibilities can be effectively executed.
- The Committee members choose from among their numbers a Chair and a Secretary. The Secretary prepares, maintains, and has custody of full and correct records of actions taken by the Committee. The same person may hold the offices of Chair and Secretary.
- Regular terms of members shall be for three years. The term for alternate members shall be one year. The terms will be fixed at each annual reorganization meeting so that approximately an equal number of regular terms expire at each annual meeting.

Structure & Meetings

- The Committee shall meet monthly. The Committee will periodically invite

management, external or internal auditors, or others to provide pertinent information as necessary.
- The Committee shall meet with the external auditor after the external audit.
- Meetings and agendas will be prepared and distributed in advance based on an agreed upon time frame.

Goals & Responsibilities

The Supervisory Committee has the authority to conduct or authorize any review of matters within its scope of responsibilities and duties. The Committee's authority includes the power to:

- Appoint and oversee the work of an external financial audit firm hired by the Credit Union to conduct the annual financial audit. This firm shall report directly to the Supervisory Committee.
- Review the Credit Union's business objectives and strategic plans.
- Initiate a member account verification process.
- Engage the Credit Union's internal audit firm to perform functions as necessary to meet its responsibilities related to adequacy of internal controls, risk management and governance practices.
- Resolve disagreements between the management and auditor regarding financial reporting.
- Board Intervention: It may be necessary for the Supervisory Committee to take appropriate actions within its authority, as specified in the Credit Union's bylaws, to address situations threatening the financial soundness and safety of the Credit Union up to and including the removal of Directors and calling for special meetings to report violations.

Specific duties include:

(1) Financial Reporting

Review the integrity of the Credit Union's financial report processes and results, including:

- Review the results of the annual financial audit with management and the external financial auditor, including any difficulties encountered. This review will include any restrictions on the scope of the auditor's activities or on access to requested information, and any significant disagreement with the management.
- Discuss the annual audited financial statements with management and the external auditor.
- Review the effect of regulatory and accounting initiatives, as well as off-balance sheet items, on the financial statements.
- Review interim financial reports with management. Ensure CALL reports are completed and submitted to the Regulators in a timely manner.

- Review any significant changes in accounting principles, practices, standards, or policies.

(2) Compliance

Review the effectiveness of the system for monitoring compliance with laws and regulations, as well as the results of management's follow up of any instances of non-compliance, including:

- Review the findings of any examination by regulatory agencies and any other auditor (external or internal) observations.
- Obtain regular updates from management regarding compliance matters or finding, including how any follow ups are being tracked and monitored.
- Review the process for communicating and monitoring the Code of Conduct to the employees and volunteers of the Credit Union.
- Review the effectiveness of the process by which employees may submit confidential and anonymous concerns for investigation and correction as required.

(3) External Financial Audit

Oversee the external audit including:

- Retain and review the performance of the external auditor.
- Review the external auditor's proposed audit scope and approach.
- Review the external auditor's performance, including any difficulties or disputes between management and external auditor during the audit.
- Present written results of the external audit to the Board of Directors.
- Ensure rotation on the lead auditor is stated in the contract.
- Conduct a meeting with the external auditor post audit.

(4) Internal Controls Audit

Oversee internal audit functions including:

- Review the overall scope, personnel qualifications, budget resources, activities, effectiveness and structure of the internal audit function.
- Review the yearly internal audit plan to ensures its relevance to the overall Credit Union business objectives.
- Participate in the selection of the internal audit firm and ensure that the firm has direct access to the Supervisory Committee. Meet periodically with the internal auditor as needed.
- Conduct an annual performance review of the internal audit firm to determine if a rotation of internal audit firms is warranted.

(5) Internal Controls and Operational Risk Management

Review the effectiveness of the Credit Union's internal controls and operational risk management including:

- Operational efficiencies, including information technology security;
- Financial reporting, including the scope of internal and external auditors' reviews of internal controls;
- Compliance with laws and regulations;
- Processes for assessing material risks and steps management has taken to manage such risks.

(6) Other Responsibilities and Duties

The Committee will perform other responsibilities and duties including:

- Keep fully informed of the financial condition of the Credit Union.
- Keep fully informed of decisions made by the Board of Directors.
- Report the Committee's activities, findings, and recommendations to the Board regularly.
- Prepare a report for inclusion in the annual report to members and presentation at the annual meeting.
- Oversee any special investigations as deemed necessary.
- Committee members are encouraged to annually attend an industry relevant educational program.

The responsibilities set forth in this charter serve as a guide only with the express understanding that the Committee may carry out additional duties and adopt additional policies and procedures as may be necessary in light of any changing business or regulatory condition.

(7) Committee member requirements:

Supervisory Committee members:

- Must be a member in good standing with the Credit Union;
- At least 18 years of age and no older than 80 at time of term appointment.Must be bondable by the Credit Union's fidelity bond company;
- May be subject to a criminal background check and credit check;
- Must have basic computer skills; all correspondence and reports are digital;
- Must have relevant industry experience or a background in business, accounting, finance or law.
- Not a Pima Federal employee or related by blood, marriage, or adoption or the domestic partner living in the same household of a Pima Federal employee or volunteer.

The Credit Union carries Directors' and Officers' liability insurance. This policy protects the Credit Union's directors and volunteers from liability arising out of their duties performed for the Credit Union.

Charter Review

This Charter shall be reviewed annually by each committee member.

Supervisory Committee Authorization

This Charter was reviewed and approved by the Supervisory Committee at a meeting dated: ____________

Mike Klinicki
2026-06-24 18:57 UTC

Supervisory Committee Chair

Date