Decide for *Yourself*.

The Supervisory / Audit Committee's Mandate in a Deregulating Era

For twenty years, the rules told you *what to do*.

When no one is prescribing the *how* anymore, who decides?

TWO PHILOSOPHIES OF REGULATION

Prescriptive

Tells you the steps.

Principles-Based

Tells you the desired outcome.

Both schools want every child to earn an ***A***.

The Prescriptive School

“Here is the homework. Here are the quizzes. Here are the exact expectations that get your child to an A — and we will check that you did every one.”

The Principles-Based School

“You, the parent, know your child best. So — no assigned homework, no quizzes. You decide whether your child truly understands the algebra.”

I.

The History

1999

Peak *prescriptive*.

Part 715 takes modern shape. The thick Supervisory Committee Guide — a detailed checklist — tells volunteers exactly what procedures to perform.

2003

A standard the NCUA *declined*.

The federal banking agencies issue the Interagency Policy Statement on the Internal Audit Function — pointing to professional standards like the IIA's and GAAS. The NCUA is not among the issuing agencies. It does not sign on.

2019–20

The checklist *retires*.

NCUA pulls the Supervisory Committee Guide — though many still think it exists — and lists the other supervisory-committee procedures a credit union may use instead.

Two very different things wear the word "audit."

Agreed-Upon Procedures

- A CPA runs a specific, pre-agreed list of tests
- Reports findings only — no opinion
- A snapshot, at a point in time
- Satisfies the annual requirement on its own

An Internal Audit

- An ongoing, risk-based function
- Judges how well controls actually work
- Reports to the committee year-round
- Far broader than any fixed checklist

2025–26

The rule itself, *thinned*.

The Deregulation Project targets Part 715 — modernizing internal control, loosening engagement letters, under a policy named 'No Regulation by Enforcement.'

WHO DEFINES 'INTERNAL CONTROL'?

COSO

For a generation, one framework has defined the term.

Five components, one shared language. The 2025 Deregulation Project modernizes that definition — and lets every credit union in the country define internal control for itself.

If the rule let her define controls for herself — *how would she have defined them?*

JACKSON AREA FEDERAL CREDIT UNION

The CEO could reconcile the very wire transfers she initiated — one person, both sides of the control. The NCUA alleges roughly $95 million diverted: a Mercedes, a Porsche, a Steinway, more than $15M in card bills.

Alleged · per the NCUA's lawsuit, June 2026

Away from telling you how.
Toward telling you what.
Trusting you with the how.

Less prescription is not less responsibility.
It's *more*.

A checklist is a place to hide. When it's gone, 'I followed the steps' is gone with it.

The Range of Models

From the “fortress” to the “light touch”.

A SPECTRUM, NOT A BINARY

Control-heavy .... *light touch*

The Fortress

The Checklist Keeper

The Risk-Calibrated

The Strategic Partner

More control on the left. More proportionality on the right. None of them is wrong.

The Fortress

Grounded in international standards. The committee's charter speaks directly to GAAP, IIA guidance, and the COSO framework — formal standards as the bedrock under everything the organization does.

THE TRADE-OFF Maximum rigor and defensibility. The cost is weight — it asks a great deal of a volunteer body.

The Checklist Keeper

Still running the old Supervisory Committee Guidelines — even though they are no longer in effect. You follow them because they are familiar. It is muscle memory for the organization.

THE TRADE-OFF Comfortable and consistent — but it may be answering yesterday's risks instead of today's.

The Risk-Calibrated Committee

A blended approach. It won't overemphasize procedures and won't lean on a checklist but it stays open to calibrating the internal audit function to wherever the risks actually live.

THE TRADE-OFF Flexible and proportionate — but calibrating it well takes real judgment, every single year.

The Strategic Partner

Embraces the principles-based framework. Takes a partner-like posture with management across every area, working to avoid conflict and move the institution forward together.

THE TRADE-OFF Done well, it's powerful but if you never push back, you never build the muscle for what good pushback looks like. **AGAIN, if you never push back you never build the institution muscle.**

There is no *right* model.
There is only right *for your organization*.

Deciding for Yourself

Not a spreadsheet exercise. A judgment.

01

Culture

Who you already are.

02

Direction

Where you're going.

03

Environment/ Internal conditions

What are the numbers communicating?

Let your committee's posture *mesh* with your institution's culture.

What Do You Own Now?

When the regulator stops prescribing, it’s a “choose your own adventure” situation.

- The definition of internal control for your institution
- The scope of the audit and the substance of the engagement letter
- The method and cadence of member-account verification
- The competence and training of your own committee
- The independence to challenge management without breaking the partnership

Your documentation *changes jobs*.

WAS

Proof of compliance.

"Here is the checklist, and here are the checkmarks."

NOW

Proof of judgment.

"The risk we saw, the options we weighed, the posture we chose, and why."

Who actually sets your *framework*?

It can feel like the decision is yours alone. It isn't.

THE THREE BODIES THAT SET THE FRAME

THE BOARD
Sets risk appetite
& the tone.

CEO / MANAGEMENT
Runs the operation;
controls the information.

Supervisory Committee

THE REGULATOR
Sets the floor —
and the tone of discretion.

The framework is *negotiated (maybe)*, not handed down.

THE FOURTH STAKEHOLDER NOBODY NAMES

And *you*. A volunteer. With a life.

Any oversight model that ignores the human capacity of the people running it is a fantasy.

Decide on purpose. At a level you can actually *sustain*.

Unsolicited Advice

- Read your culture.
- Point at your direction.
- Know who is in your room.
- Respect your own capacity.
- Then write down why you chose it.

Decide for *yourself*.

SYNERGY CREDIT UNION CONSULTING

Where Strategy Meets Execution

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