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I. PURPOSE


Strategic Planning, including the development of Key Objectives and Goals are necessary to guide the credit union. Goals must be measurable, attainable and include appropriate timeframes. Documentation should be maintained to support goals and objectives. Goals should be reviewed on a regular basis. Budgets should be prepared at least annually and reviewed prior to the commencement of the budget year, as well as periodically throughout the year.

II. PRIMARY REFERENCES / RELATED REGULATIONS

1. Michigan Credit Union Act:
 - a. [Section 342 \(3\)\(d\)](#): Approving an annual operating budget
 - b. [Section 382](#): Fiscal year; accounting principles

III. MINIMUM PROCEDURES

1. **Ascertain the adequacy of the Strategic Plan:**
 - a. Review the due diligence prepared by management which supports forecasted objectives and goals.
 - b. Determine whether goals and objectives are reasonable and cost effective for an institution of their size and complexity. Evaluate the reasonableness of the strategic plan by ensuring:
 - i. The plan outlines the institution's future direction and a reasonable capital position relative to share and asset growth. Generally, strategic plans project two to five years into the future and include projections for assets, liabilities, income and expenses.
 - ii. The plan assesses the current environment and evaluates external and internal factors such as regulatory issues, membership base changes, and competition.
 - iii. Officials define measurable key objectives and the acceptable level of risk that management is willing to assume in attaining the goals.
 - iv. Management documents the plan's assumptions.
 - v. The budget, policies, procedures and resources are consistent with the plan's objectives.

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- vi. The plan evaluates both favorable and unfavorable performance scenarios.
- vii. The plan lists various objectives and timetables for achieving objectives.
- viii. Management has performed adequate due diligence for the objectives outlined in the plan.
- ix. The plan assigns accountability for implementing the key objectives of the strategic plan within established timeframes.

2. Ascertain the adequacy of the Budget:

- a. Perform a comparison of the previous month-end and year-end budget to the financial statements from previous periods to ensure targets were met and whether current budget expectations are realistic.
- b. Perform a review of large variances between the budget and financial statements and determine if variances are being reviewed by management and the Board of Directors and corresponding conclusions or remedial plans are in place.
- c. Review documentation which supports the forecasted budget.
- d. Review the board minutes to ensure the budget was approved by the Board of Directors.
- e. Evaluate the reasonableness of the budget by ensuring:
 - i. The budget includes balance sheet and income statement projections for the current year.
 - ii. The budget assesses and compares balance sheet and income statement projections to actual financial information on a monthly and year-to-date basis.
 - iii. Large variances in the budget compared to actual financial information are explained and documented in the board minutes.
 - iv. Management documents the budget assumptions.

3. Ascertain the adequacy of Management:

- a. Review management's track record and results of previous periods objectives and goals.
- b. Evaluate management's knowledge/expertise of the forecasted objectives and goals through documented board meeting minutes, discussions with management and other supporting documentation.

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4. **Ensure proper oversight of the Strategic Planning process:**
 - a. Review the Board minutes, Supervisory Committee minutes, the most recent audit, previous examination report, and other third-party reports relating to strategic planning. Assess the materiality and recurrence of planning and/or budget findings.
 - b. Review previously cited exceptions to ensure resolution.