



NATIONAL CREDIT UNION ADMINISTRATION  
Washington, D.C. 20456

Office of General Counsel

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July 18, 1989

Janet L. Mainhart, Manager  
Alcoa R and D Employees Federal Credit Union  
Alcoa Technical Center  
P.O. Box 811  
Alcoa Center, PA 15069-0002

Re: Disbursement of Funds (Your May 22, 1989,  
Letter)

Dear Ms. Mainhart:

You have asked whether it is permissible for a Federal credit union ("FCU") board of directors to adopt a policy permitting tellers to approve and sign checks for up to a stated amount. The Standard Federal Credit Union Bylaws do not permit such a policy unless the tellers have the title "Assistant Treasurers" or "Assistant Managers".

**ANALYSIS**

Article XV, Section 2 of the Federal Credit Union Bylaws provides:

All disbursements of funds of this credit union shall be made by checks or other written instruments signed by the treasurer, manager, assistant treasurer, or an assistant manager, and countersigned by the president, or in his absence or inability to serve, by the ranking vice president: Provided, however, That the board may by resolution

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eliminate the requirement of countersigning:  
And provided further, That the board may by  
resolution determine that disbursements may  
be made in cash in accordance with procedures  
prescribed in the Accounting Manual for  
Federal Credit Unions or otherwise approved  
by the Administration.

Based on this bylaw provision, the tellers would be required to be "Assistant Treasurers" or "Assistant Managers" in order to sign an FCU check for disbursement of funds. This bylaw provision is intended to foster sound internal control by segregating duties so that one individual does not have control over critical phases of funds transactions. You should consult Section 5140 of the Accounting Manual for Federal Credit Unions for an in-depth discussion of this subject. Your Supervisory Committee should consult Section IV of the Supervisory Committee Guide for Federal Credit Unions for additional internal control responsibilities. Both of these publications may be obtained by calling the NCUA's Administrative Office at (202) 682-9700.

You may wish to consider requesting a nonstandard bylaw amendment which permits your tellers to sign loan disbursement checks. The issue of sound internal control should be addressed in your request. FCU's in Pennsylvania should submit nonstandard bylaw amendments to Regional Director, NCUA Region II (Capital), 1776 G Street, N.W., Washington, D.C. 20006.

You should also consult with your bond coverage agent to determine if such an arrangement would violate your contract with the bonding company or increase your premium.

Sincerely,

*Hattie M. Ulan*

HATTIE M. ULAN  
Assistant General Counsel