

A team approach

Supervisory committee member embraces risk management

BILL MERRICK

David Gouin joined Redwood Credit Union's supervisory committee nine years ago, and played a key role in the \$4.4 billion asset, Santa Rosa, Calif.-based institution's wildfire relief efforts.

Gouin, director of housing and community services for the city of Santa Rosa, received CUNA's first Supervisory Committee Member Award.

He explains the importance of risk management, why talking to senior leadership is especially important for new committee members, and Redwood's role in the wildfire recovery.

Credit Union Magazine: What inspired you to join the Redwood supervisory committee?

David Gouin: I joined the credit union in the mid-'80s when I was working for the county of Sonoma. I always had a good banking relationship with Redwood, and over time I got to know some of the members of the leadership team through my work with the chamber of commerce and other organizations.

One of my colleagues on the school board was on Redwood's supervisory committee and suggested that I check it out.

I was in a branch office co-signing



a loan for my son, and I asked the loan officer how she liked working for Redwood. She put her pen down and told me how she was

Gouin's Advice

Talk to senior leadership. Look at the committee's relationship with the board.

so impressed with the leadership team, how they treat employees and members, and how they're so involved in the community.

That's when I thought, "Yeah, I'd like to join." I interviewed for a supervisory committee position and was selected.

Q: You have an extensive knowledge of risk management and internal controls. How has this benefited you as a supervisory committee member?

A: The supervisory committee owns independent risk management. We've embraced it as a means to protect the organization and our members.

We're more than just a credit union. We offer insurance services, we raised \$32 million in disaster relief, and we run a healthy-food restaurant as a not-for-profit. We look across those groups as well as the credit union to analyze enterprise-wide risks. We have to see how those services might affect our organization.

Q: What should board and committee members know about risk management? I think of that as a management function.

A: Our job as a supervisory committee is to make sure the organization functions with fiscal oversight. We take a team approach with senior management and the board to manage risk and look at opportunities to provide products and services for our members.

Q: How does the supervisory committee approach cybersecurity risks?

A: Our information technology officer is a senior vice president and sits in the executive offices next to the CEO, Brett Martinez. That was done to elevate the challenges of cybersecurity, online banking, and issues of that nature.

We don't just receive a report on how the credit union is managing cybersecurity risk. We're actively engaged in the discussion of how to manage that risk.

An example is credit card fraud. If a member's credit card has been compromised, the easiest thing to do is cancel the card and issue a new one. We do that in some cases, but you need think about the impact to the member. They might be traveling—now what do they do?

You set up systems to monitor use of the card. Every time members use the card to withdraw money or conduct a transaction that's outside the region, or even within the city, we can send the member a text message or an email to confirm that and let them know their card was used.

“
**EVERY
FINANCIAL
INSTITUTION
NEEDS TO MAKE
CYBERSECURITY
A PRIORITY.**
”

That's really helpful because it lets us know the card is being used appropriately. And if not, we can terminate it once we talk to the member.

Q: How do you stay up on all these issues? It must be challenging.

A: Yes it is, especially since the disaster. My profession is consumed with housing recovery. But it gets back to Redwood's amazing culture.

Members of our supervisory committee are actively engaged and active in training. When someone goes to training, there's an expectation that they share what they learn with the rest of us.

Also, we have strategy discussions twice a year with senior management and the board to talk about industry trends, see how we compare to like-size organizations, and stress-test interest rates against our loan portfolio.

Q: What keeps you up at night as a

supervisory committee member?

A: Cybersecurity. Every financial institution needs to make that a priority.

The other is inventing a comprehensive enterprise risk management model that looks at mission, vision, and our core values, and developing a strategy around those objectives so we can passionately serve our members.

Q: How often do you interact with the board?

A: We get a report monthly, and a supervisory committee member sits in on monthly board meetings and reports on our activities.

We also have board members sit in on the supervisory committee's business on a rotating basis.

We go to a lot of functions together. The credit union is such a fantastic organization. It sponsors many community events so there are a lot of ways to interact with the board and senior leadership team.

Q: What's one thing you know now that you wish you'd known as a new supervisory committee member?

A: We need another back-office location to manage members' accounts during a disaster so everything isn't centered in Santa Rosa.

It was daunting looking down the street from the Redwood corporate office and seeing where the buildings disappeared.

Q: What advice would you offer new supervisory committee members?

A: Talk to the senior leadership: the CEO and the vice presidents who are in charge of the audits. Understand how outside auditors are selected and what to expect of them. Look at the committee's relationship with the board.

I hear that supervisory committee members at some credit unions rarely interact with the board of directors. I see the board, staff, and supervisory committee as the three

legs of a stool.

Q: You received CUNA's Supervisory Committee Member Award. What does this mean to you?

A: It's a great reflection on Redwood Credit Union, not necessarily me as an individual. Our mission statement is, "We passionately serve the best interests of our members, employees, and communities."

I'm so impressed with this organization. It represents the community more than any other organization.

Q: Santa Rosa was in the path of the 2017 wildfires. What was that like?

A: We have a term here called "lived experience," and everyone has their own story about that devastating fire. I didn't lose my home. But thousands of our members did, along with many of my city co-workers, several of whom are also assisting in the relief effort.

My day job is all about long-term recovery: Securing government resources for disaster relief and organizing plans for housing development. We had to abandon the credit union's headquarters because it was in the path of the fire. It missed us by just a few blocks.

I have to give credit to Redwood President/CEO Brett Martinez and the rest of the Redwood team.

Folks worked around the clock to set up a temporary headquarters. We gelled as a team and got our member services back up and running within a day.

We also raised \$32 million for fire victims through the North Bay Fire Relief Fund. We had more than 41,000 donors from 23 countries, so it was like a worldwide relief effort.

While it was devastating and broke our hearts to have all of this destruction, it was amazing how the community came together.

Q: How's the recovery coming along?

A: It's starting to pick up. We have several housing starts, and we've



had the first families move into their completed homes. Some people are still wondering if they should rebuild, and some are still negotiating with their insurance companies.

The housing market was tight before the wildfires. Now we have less than 1% vacancy. Being in the housing recovery world is all-consuming right now.

Q: When you brag about Redwood Credit Union, what do you say?

A: They're a community leader.

Back to the wildfire relief fund, there was no hesitation. Brett and the team stepped up, started working on that while they were making sure our members were served the day after the disaster. It's just amazing.

BILL MERRICK is a deputy editor for *Credit Union National Association*. Contact him at 608-231-4076 or bmerrick@cuna.coop.

We hope you enjoy this exclusive PDF as part of your *Credit Union Magazine* subscription. Look for your next issue in February.

Community Support

Redwood CU and President/CEO Brett Martinez led efforts to raise more than \$32 million for victims of California wildfires.



CUNA NEWS PODCAST:

Aberdeen FCU board member Jean Peterson on the biggest challenge of being a board member. news.cuna.org/podcasts



CREDIT UNION DIRECTORS NEWSLETTER:

Protect and promote your credit union while evolving to meet consumer expectations. cuna.org/directors



TRAINING:

Master board and governance fundamentals by earning a Certified Credit Union Board Member or Certified Credit Union Supervisory Committee Member designation. cuna.org/board



5

STEPS FOR A FIRST-CLASS SUPERVISORY COMMITTEE

As credit unions grow in complexity, it becomes more challenging to keep up with regulations, product and service offerings, delivery systems, and security threats.

Scott Butterfield, principal at Your Credit Union Partner, offers five ways supervisory committee members can help credit unions stay on top of these issues:

1 | Recruit and train millennial volunteers. Leverage your commitment to community and social impact to attract millennial volunteers. According to the 2016 Millennial Impact Report, most millennials believe they can have an impact and make the country a better place to live.

Provide regular training to ensure supervisory committee members have the skills necessary to carry out their responsibilities. This includes having a board training budget and communicating your expectations.

Provide timely and thorough onboarding for new members to get them up to speed quickly. Clearly identify roles and responsibilities for committee members.

2 | Be timely and consistent. Establish a regular and reoccurring meeting time, and commit enough time to complete an appropriate level of oversight.

It's difficult to have consistently thorough audits. The time invested should be commensurate with the credit union's potential risks.

3 | Consider the scope of work. Ensure that the board and management have established appropriate practices and procedures to properly safeguard assets. The supervisory committee must also ensure

an appropriate level of auditing to check the accuracy and reliability of accounting data, and that management has established effective internal controls.

Conduct an account verification at least every two years. In addition to an annual external audit, conduct an internal supervisory committee audit on a consistent schedule. Retain all internal audit documents.

4 | Communicate. Communication with auditors is crucial. Review reports and materials ahead of each meeting. Use review sessions to ask questions, get auditors' perspective on market trends, and request recommendations.

Provide an open avenue of communication among the independent accountants, financial and senior management, internal audit department, and the board of directors.

5 | Look at the big picture. The board is responsible for the credit union's vision and accountability to the membership. The board hires and supports the CEO in managing resources and communicating with members.

The CEO is responsible for managing daily operations and reporting progress to the board.

The supervisory committee must effectively interact with the board and management. Each has key responsibilities that, when carried out correctly, provide a solid foundation.

The health and long-term viability of credit unions depends on quality and consistent oversight. Member-centric accountability is a hallmark of our not-for-profit financial operative model.