

CREDIT UNION TIMES

Supervisory Committees Take Role as Protector Seriously

Knights in Shining Armor?

By [Myriam DiGiovanni](#)

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WEST PALM BEACH, Fla. - Regardless of the changing times, some say one constant is the credit union supervisory committee. "Our role today in a word is watchdog," said CEFCU Supervisory Committee Chairman Jim Gleich. "We are watching how the board goes about its business and staff to assure internal control process are adequate, sound and that we're in compliance with numerous regulations and policies of government." According to T.E.A.M. Resources President Tim Harrington, supervisory committees are as important now as they have ever been. "There are several states like Texas that don't require a supervisory committee, and I think that's a terrible shame to lose one of the three legs that makes credit unions work," said Harrington. "When there is no one to watch the board and management team it can sometimes lead to a power struggle rather than balance. At the very least every credit union should have an audit committee that is not made up of the board of directors." Harrington adds that the shift in observing how well management and the board function together and really watching for the tone at the top whether it is open, supportive and transparent or closed and secretive is relatively new for supervisory committees. He likens management, the board and supervisory committee to the federal government-with management as the executive branch, board the legislative branch and supervisory committee as the judicial branch. Harrington says the roles are a little different, but the purpose is the same in that it works best when all three exist and work together while still maintaining their independence. "The supervisory committee is the protection members have that management and the board are doing their job well," said Harrington. "Enron is a great example of what happens when there is weak board and management oversight." Harrington says as credit unions become more complex, supervisory committees must become more sophisticated-and education is the key to improving along with the industry. "I speak at a lot of conferences and the supervisory committee school numbers are never very large, so there is a need to take the time to get the education they need," said Harrington. "Along with education beyond conferences one way to help boost their knowledge is working more with outside auditors learning where the risks are in their organization and what the supervisory committee can do about it. Another education opportunity is found in working with the staff. Have them make presentations about their area of expertise, for example having the VP of Lending come in and talk about lending. The presentations should not be used as an investigative session about specific issues, but rather it is just inviting them to educate the committee on different risks, failures and success in their areas. It makes for a great internal education." Along the lines of staff education CEFCU's supervisory committee of three tap Vice President Marianne Moll's detailed audit program to help provide an overall risk assessment of the entire organization and set the meeting agendas. "The new risk management process includes managers in different departments doing a risk assessment as far as threats and opportunities and from those reports we can target where we can use our time more effectively," said Gleich. "We're just starting to use it in the last couple of years, and we're comfortable that we're spending time in the right places. At the end of each quarter we get reports written in great detail and questions on anything are discussed at our meetings." According to Moll, the packets of major audits and detailed quarterly reports covering everything including where staffers spend their time are provided exclusively to the supervisory committee. "We feel like we help the board, and for everything we find that needs to be fixed a date is assigned to review and follow up," said Gleich. "It is a great opportunity to see not just how great we're doing but the warts too. It also helps give us a sense of how management and the board responds to problems- are they in denial or do they take action to find a better way and are they responding to the right priorities etc." The supervisory committee meets at least nine times a year in addition to attending board meetings. "Our CEO attends all supervisory committee meetings, and it is a big help not just for us to understand the big picture experience but also clarification that

we may not get when we get bogged down by specifics," said Glich. "We also learn a lot by attending the board meetings." Harrington says in addition to attending board meetings, supervisory committee members should also have a presence at planning meetings to ensure all the plans are sound and there has to be a fundamental understanding of the planning process. "One of the challenges facing supervisory committees is finding people and recruiting because it is not as exciting as the board of directors," said Harrington. "It used to be easier to look at the credit union and know what was going on as an outsider, but now there is no way. It's become too complicated so the supervisory committee member requires an increased level of sophistication to not only know where to look and understanding what they are seeing but also to be able to determine if what they are seeing is good or not for the credit union." -mdigiovanni@cutimes.com

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