

# The Basics of Risk Assessment for Volunteers

V305

FIRST EDITION

Written by Dick Radtke  
Center for Professional Development  
Credit Union National Association, Inc.

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Stock No. V305M

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Printed in the United States of America  
10 9 8 7 6 5 4 3 2



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## Acknowledgments

The author wishes to thank Joette Colletts, Regional Manager for CUNA Mutual's Risk Management Department, for her invaluable help in providing material for this module, and Alka Mehta, CUNA Center for Professional Development, for editing the work.

- Kevin Campbell, copyediting, Greenleaf Editorial, LLC
- Cindy Corliss, indexing, Bookworm, Inc.

## About the Author

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# Preface

The **Volunteer Achievement Program** (VAP) is a training program for credit union volunteers. The program is divided into six learning tracks—Board of Directors, Credit Committee, Supervisory Committee, Credit Union Services, Credit Union Technology, and Credit Union Leadership.

There are nine levels of recognition in the program:

1. To be eligible for the basic VAP certificate, you must successfully complete all six modules (core and required) in the learning track you have chosen to pursue. Note that the core modules are recommended, but not required, as part of the Credit Union Technology and Credit Union Leadership learning tracks. You will receive a special certificate for completing the three required modules. (The three modules in the Credit Union Technology track cannot be used as part of the requirements for the other VAP certificates.)
2. To be eligible for the *Edward A. Filene Award*, the second level of recognition, you must complete an additional six modules. These can include the required modules in other tracks or the optional modules.
3. To be eligible for the *Friedrich W. Raiffeisen Award*, the third level of recognition, you must complete 18 modules. These can include the required modules in other tracks or the optional modules.
4. To be eligible for the *Roy F. Bergengren Award*, the fourth level of recognition, you must complete 24 modules.
5. To be eligible for the *Alphonse Desjardins Award*, the fifth level of recognition, you must complete 30 modules.
6. To be eligible for the *Louise Her-ring Award*, the sixth level of recognition, you must complete 36 modules.
7. To be eligible for the *Dora Maxwell Award*, the seventh level of recognition, you must complete 42 modules.
8. To be eligible for the *Credit Union Technology Award*, you must complete the three technology modules.
9. To be eligible for the *Credit Union Leadership Award*, you must complete the three leadership modules.

The Leadership and Technology series cannot be counted for the overall VAP certificates.

This module is one of the optional modules.

## About These Modules

The VAP modules are not intended to provide legal advice, and we do not guarantee the information is appropriate for all state-chartered credit unions. If you have legal or policy questions, contact your credit

union president or your credit union league.

### How to Use This Module

If you are sight-impaired and choose to have this module read to you, we suggest that a spouse, friend, or volunteer from your credit union or credit union league assist you. You can also check with your local library regarding reader services available in your community.

If you are participating in a seminar, your instructor will get you started. If you are completing this module through correspondence study, please follow this procedure:

1. Read the module objectives to get an idea of what's ahead.
2. Read the module.
3. When you have read the module and completed the activities, take the competency test.

### Competency Test Instructions

Each module in the program has a competency test of 20 multiple choice questions. Only one answer per question is correct. To successfully complete the module, you must correctly answer at least 16 questions. You can refer to

the module as you take the test, but the test must be completed individually.

If you are participating in a seminar, your instructor will provide directions. If you are completing this module through correspondence study, please follow this procedure:

1. Locate the test in the last appendix of the module.
2. Find a quiet place where you can work undisturbed and at your own pace.
3. Record your answers on the scannable answer sheet that was mailed to you along with the module. Follow the instructions on this sheet for marking answers.
4. Complete the identification section on the answer sheet and make sure you have marked an answer for each question. Only one answer is correct.
5. Mail the answer sheet to CUNA in the envelope provided.

You may also take your VAP exam online. Register for online exams at [www.training.cuna.org](http://www.training.cuna.org). Click on "eLearning," then on "Self-Study Certificate Programs."

## Course Requirements

### Certificate Tracks

Certificate Tracks	Track Modules
Basic Certificate & Pin Complete these fundamental courses plus one of learning tracks below	<ul style="list-style-type: none"> <li>History and Philosophy (V01)</li> <li>Financial Reports (V02)</li> <li>Managing Risk (V03)</li> </ul>
• Board of Directors	Board of Directors: Duties and Responsibilities (V100) Board Policies (V101) Planning (V102)
• Credit Committee / Lending	Credit Committee: Duties and Responsibilities (V200) Loan Granting (V201) Collections (V202)
• Supervisory Committee	Supervisory Committee: Duties and Responsibilities (V300) Auditing 1 (V301) Auditing 2 (V302)
• Supervisory Committee II	The Supervisory Committee's Role in Due Diligence (V303) The Supervisory Committee's Role in Finding Fraud (V304) The Basics of Risk Assessment for Volunteers (V305)
• Credit Union Services	Introduction to Mortgage Lending (V600) Online Policies and Internet Use (V601) Offering Credit Union Youth Programs (V602)
Technology Certificate & Pin	Credit Union Technology (V500) Planning for Technology (V501) Electronic Fraud and Security (V502)
Credit Union Leadership Certificate & Pin	Strategic Credit Union Leadership (V700) Directing Effective Teams (V701) Maximizing Board Performance (V702)
	<ul style="list-style-type: none"> <li>Marketing (V403)</li> <li>Strategic Planning (V404)</li> <li>Board / CEO Relations (V405)</li> <li>Directors' Liability (V406)</li> <li>Bankruptcy (V407)</li> <li>Financial Management (V409)</li> <li>Credit Union Examinations (V410)</li> <li>Board Reports (V411)</li> <li>Developing, Writing, and Implementing Policies (V412)</li> <li>Marketing to Generations and Target Groups (V413)</li> <li>Recruiting, Orienting, and Retaining Board Members (V414)</li> <li>Asset-Liability Management for Directors (V415)</li> <li>Understanding Regulations (V416)</li> <li>CEO Performance Appraisal and Goal Setting (V417)</li> <li>Business Recovery Plans and Policies (V418)</li> <li>CEO Compensation (V419)</li> <li>Growth Strategies: Pathways to Success (V420)</li> <li>Political Involvement (V421)</li> <li>CEO and Board Succession Planning (V422)</li> <li>Member Business Lending (V423)</li> <li>Investment Essentials for Directors (V424)</li> <li>Budgeting Basics for Directors (V425)</li> <li>Bank Secrecy Act for Directors (V426)</li> </ul>

Complete 12 Courses: *Edward Filene Certificate and Pin\**

Complete 18 Courses: *Friedrich Raiffeisen Certificate and Pin\**

Complete 24 Courses: *Roy F. Bergengren Certificate and Pin\**

Complete 30 Courses: *Alphonse Desjardins Certificate and Pin\**

Complete 36 Courses: *Louise Herring Certificate and Pin\**

Complete 42 Courses: *Dora Maxwell Certificate and Pin\**

*\*Quantity-Based Certificates. Courses can be taken in any order.*



# Introduction

## What You'll Find In This Module

*V305 The Basics of Risk Assessment* covers key elements of the risk assessment process for credit union volunteers. The first part of the module deals with the concepts and processes fundamental to the task of assessing and managing risk.

In chapter 1, we'll look at the overall scope of risk and the responsibilities assigned to various branches of the credit union's official family.

Chapter 2 takes a look at the legal underpinnings of the risk assessment process as they apply to credit union boards and committees.

Chapter 3 examines the changing nature of risk and traditional approaches to the subject on an exposure-by-exposure basis. We'll also look at new and emerging risks on the horizon for financial service providers.

In chapter 4 we look at the concept of Enterprise Risk Management (ERM), a process that involves people at all levels of the organization. ERM uses an integrated perspective of risk and opportunities faced by the organization.

Risk Mapping, described in chapter 5, is a tool that is helpful in analyzing and assessing risk. A risk map is a way to measure both the likelihood and the potential impact of a risk.

Chapter 6 takes a look at the benefits of the ERM process, including reductions in operating costs, the impact of auditing and compliance costs, early

## Module Objectives

Upon completion of this module, you will be able to:

1. Explain the fundamental concepts involved in the risk assessment process;
2. Describe the legal obligations faced by credit union volunteers in fulfilling their oversight role;
3. List the traditional and newly emerging threats that affect credit union operation;
4. Explain the concept of ERM, the categories of risk, and the techniques involved in applying the ERM process;
5. Enumerate the steps involved in risk mapping;
6. Discuss the benefits of ERM, including cost considerations and regulatory exposures;
7. Describe the fundamental dimensions of credit union asset/liability management, and the volunteer's role in the process;
8. Prepare policy guidelines to protect the credit union from employment law risks;
9. Oversee the implementation of internal controls designed to reduce the risk of employee dishonesty; and
10. Create an organizational defense against risks relating to disasters.

detection, reduced exposure to loss, improved regulator confidence, and other advantages.

In the second part of this module we move on to examine some of the specific areas of risk faced by credit unions, and the policy and operational challenges they present. Chapter 7 takes a high-level look at the subject of asset/liability management from the volunteer's point of view.

Chapter 8 surveys the risks involved in hiring, training, and maintaining an effective work force, and in the process safeguarding the credit union's most valuable assets from the perils of discrimination, defamation, and dismissal.

Internal controls, examined in chapter 9, are the credit union's defense against employee dishonesty. Effective internal controls create a system of checks and balances that holds individuals accountable for their acts.

And in chapter 10 we explore defenses against risks encountered when natural and man-made disasters strike the credit union and its community.

Armed with the knowledge presented in the following chapters, credit union board members and committee members will be prepared to develop a risk assessment plan for their organization and fulfill their obligation to members and employees alike.

