• WHAT IS A RISK ASSESSMENT ANYWAY?
• WHY A RISK ASSESSMENT?
• RISK ASSESSMENT AND CSBG ORGANIZATION STANDARDS

• ESTABLISHING A SYSTEM FOR AGENCY-WIDE RISK MANAGEMENT
• THE ROLE OF THE BOARD, SENIOR STAFF, AND PROGRAM DIRECTORS IN RISK MANAGEMENT
• RISK MANAGEMENT TECHNIQUES AND TOOLS
SHOULD YOU BE WORRIED?

• YOU’VE BEEN ASKED TO JOIN THE BOARD OF A LOCAL NON-PROFIT
  • THE AGENCY’S MISSION IS CLOSELY ALIGNED WITH YOUR CAA’S MISSION, AND IT HAS BEEN A STRONG ADVOCATE FOR ITS CLIENTS
  • THE AGENCY ALSO HAS A ‘CHECKERED’ HISTORY AND IS RUMORED TO BE ‘ON SHAKY GROUND’ WITH SEVERAL OF ITS FUNDING SOURCES.

• WHAT QUESTIONS SHOULD YOU ASK BEFORE DECIDING TO JOIN THE BOARD?
WHAT IS A RISK ASSESSMENT?

• A PROCESS DURING WHICH YOU IDENTIFY THE RISKS TO YOUR AGENCY
  • IDENTIFY THE RISKS AND RATE THE RISKS
WHAT IS RISK MANAGEMENT?

• IDENTIFYING, ANALYZING, AND MANAGING THREATS THAT COULD DAMAGE THE ORGANIZATION
WHY BOTHER WITH A RISK ASSESSMENT?

- OFFICE OF COMMUNITY SERVICES IM 112
- CSBG ORGANIZATIONAL STANDARDS – 4.6
- BEST PRACTICES – WE WANT TO BE ABLE TO ANSWER QUESTIONS
- ‘NO THANK-YOU, WE DO NOT WANT OUR NAME IN THE PAPER…’
WHY RISK ASSESSMENT – IM 112

THE OFFICE OF COMMUNITY SERVICE (OCS) IM 112 SAYS:

• “ONGOING RISK ASSESSMENT SHOULD FOCUS ON THE RISK FOR ERRORS IN EXPENDITURES, PROGRAMMATIC ERRORS OR DELAYS THAT MAY PREVENT AN ELIGIBLE ENTITY FROM MEETING ITS PROGRAM OBJECTIVES, AS WELL AS AREAS FOR POTENTIAL FRAUD OR ABUSE WITHIN THE ENTITY AND AMONG RECIPIENTS OF SUPPORT OR FUNDING.”
WHY RISK ASSESSMENT – IM 112

THE OFFICE OF COMMUNITY SERVICE (OCS) IM 112 SAYS:

• AT A MINIMUM, RISK ASSESSMENTS MUST ADDRESS THE FOLLOWING
  • PREVIOUS AUDIT OR MONITORING FINDINGS
  • INTERNAL CONTROLS
  • STATUTORY AND REGULATORY COMPLIANCE
  • EQUIPMENT AND PROPERTY
WHY RISK ASSESSMENT – IM 112

THE OFFICE OF COMMUNITY SERVICE (OCS) IM 112 SAYS:

• INTERNAL CONTROLS – “NOT A ONE TIME EVENT, BUT A SERIES OF ACTIONS AND ACTIVITIES THAT OCCUR THROUGHOUT AN ENTITY’S OPERATIONS AND ON AN ONGOING BASIS. INTERNAL CONTROL SHOULD BE RECOGNIZED AS AN INTEGRAL PART OF EACH SYSTEM THAT MANAGEMENT USES TO REGULATE AND GUIDE ITS OPERATIONS RATHER THAN A SEPARATE SYSTEM WITHIN AN AGENCY” GAO
WHY RISK ASSESSMENT - PROPOSED ORGANIZATIONAL STANDARDS

• STANDARD 4.6 • PRIVATE:
  • AN ORGANIZATION-WIDE RISK ASSESSMENT HAS BEEN COMPLETED WITHIN THE PAST 2 YEARS AND REPORTED TO THE GOVERNING BOARD.

• STANDARD 4.6 • PUBLIC:
  • THE DEPARTMENT COMPLIES WITH ITS LOCAL GOVERNMENT’S RISK ASSESSMENT POLICIES AND PROCEDURES.
WHY RISK ASSESSMENT: PROPOSED ORGANIZATIONAL STANDARDS

(More than just a checklist)

• CONFLICT OF INTEREST STATEMENT
• CODE OF ETHICS /INTEGRITY POLICY
• WHISTLEBLOWER POLICY
• BOARD EVALUATION OF THE CEO
• PERSONNEL POLICIES REVIEWED BY AN ATTORNEY WITHIN PAST FIVE YEARS
• BOARD REVIEW OF PROGRAMMATIC OUTCOMES AND ACCOMPLISHMENTS

• BOARD REVIEW AND APPROVAL OF CEO COMPENSATION ANNUALLY
• BOARD REVIEW OF MANAGEMENT CAPACITY
• BOARD REVIEW OF MONTHLY FINANCIAL STATEMENTS
• BOARD HIRES AUDITOR AND ENSURES THAT AUDITOR REPORTS DIRECTLY TO THE BOARD
• BOARD REVIEW AND RESOLUTION OF AUDIT AND MONITORING FINDINGS
CONSIDERATIONS WHEN RATING RISK

- CULTURE OF THE ORGANIZATION
- HISTORY OF COMPLIANCE
- POLICIES TO GUIDE PRACTICE
- INTERNAL CONTROLS
- ALL STAFF INFORMED AND AWARE
- INTENT
WHAT RISKS SHOULD WE LOOK FOR ??

• FRAUD – INTERNAL OR EXTERNAL
• MISUSE OF FUNDS
• INADEQUATE MONITORING OR UNDERSTANDING OF INVESTMENTS
• INCOMPLETE, INACCURATE, OR IMPROPERLY REPORTED FISCAL OR PROGRAMMATIC INFORMATION
• DAMAGE TO REPUTATION
• OPERATING IN A MANNER THAT IS NOT LEGAL
DO YOU HAVE ANY REPORTABLE CONDITIONS IN YOUR AUDITS DURING ANY OF THE PAST THREE YEARS?

• REPORTABLE CONDITIONS ARE SIGNIFICANT DEFICIENCIES IN THE DESIGN OR OPERATION OF INTERNAL CONTROLS THAT COULD ADVERSELY AFFECT THE FAIRNESS OF THE FINANCIAL STATEMENTS. THEY MAY INVOLVE ASPECTS OF ANY OR ALL OF THE FIVE INTERNAL CONTROL COMPONENTS.

• ORGANIZATIONAL STANDARD 8.2 – ALL FINDINGS FROM THE PRIOR YEAR’S ANNUAL AUDIT HAVE BEEN ASSESSED BY THE ORGANIZATION AND ADDRESSED WHERE THE GOVERNING BOARD HAS DEEMED IT APPROPRIATE.
DO YOU HAVE UP TO DATE FISCAL POLICIES AND PROCEDURES, PERSONNEL POLICIES, AGENCY OPERATING PROCEDURES?

• ORGANIZATIONAL STANDARD 8.10 – THE FISCAL POLICIES HAVE BEEN REVIEWED BY STAFF WITHIN THE PAST 2 YEARS, UPDATED AS NECESSARY, WITH CHANGES APPROVED BY THE GOVERNING BOARD.

• ORGANIZATIONAL STANDARD 8.11 – A WRITTEN PROCUREMENT POLICY IS IN PLACE AND HAS BEEN REVIEWED BY THE GOVERNING BOARD WITHIN THE PAST 5 YEARS.
DO YOU HAVE IN PLACE STANDARD FINANCIAL AND OPERATING CONTROLS TO PROTECT AGAINST FRAUD, ABUSE, AND WASTE?

- HAVE BOARD-APPROVED FISCAL POLICIES AND PROCEDURES
- HAVE A WHISTLEBLOWER POLICY
- HAVE A BOARD ETHICS POLICY
- ASSURE THE ANNUAL AUDIT IS COMPLETED
HOW DO YOU KNOW THAT YOU ARE IN COMPLIANCE WITH ALL OF YOUR GRANTS AND CONTRACTS?

• QUALITY ASSURANCE PROCESS
• GRANTS MANAGER
• GRANT REPORTS ARE THOROUGHLY REVIEWED AND QUESTIONS ARE ASKED
HOW DO YOU KNOW THAT YOUR SERVICES AND PROGRAMS ARE OF HIGH QUALITY?

• REVIEW OUTCOMES AND ADAPT

• CUSTOMER SATISFACTION FEEDBACK

• INCORPORATE NEW STRATEGIES TO ACHIEVE OLD GOALS
WHAT IS THE ROLE OF THE BOARD?

• CONTROL THE ENVIRONMENT
• GET REPORTS AND DISCUSS
• ENCOURAGE STAFF TO REPORT CONCERNS WITHOUT RETALIATION
WHAT IS THE ROLE OF THE BOARD?

• BOARD POLICIES
  • CONFLICT OF INTEREST
  • CEO EVALUATION AND COMPENSATION SETTING
  • AUDIT POLICY
  • INVESTMENT POLICY
  • RISK MANAGEMENT POLICY
  • TRI-PARTITE BOARD COMPOSITION
  • BOARD ROLE IN NEEDS ASSESSMENT AND PLANNING
WHAT IS THE ROLE OF THE BOARD?

- FULL BOARD FINANCIAL OVERSIGHT
  - ESTABLISH FINANCE AND AUDIT COMMITTEES
  - REVIEW PERFORMANCE OF FINANCE AND AUDIT COMMITTEES
  - ANNUAL BUDGET APPROVAL
  - MONTHLY FINANCIAL STATEMENT REVIEW
  - REVIEW OF ANNUAL INDEPENDENT AUDIT
WHAT IS THE ROLE OF THE BOARD?

• FINANCE COMMITTEE REVIEW CHECKLIST
  • REVIEW MONTHLY FINANCIAL STATEMENTS
  • REVIEW DRAFT ANNUAL BUDGET FOR CONSISTENCY WITH BOARD POLICY AND STRATEGIES
  • RECOMMEND ANNUAL BUDGET FOR BOARD APPROVAL
  • REVIEW MANAGEMENT RECOMMENDATIONS FOR ADDRESSING FINANCIAL CHALLENGES AND MAKE RECOMMENDATIONS TO THE FULL BOARD
  • REVIEW CASH MANAGEMENT POLICIES
  • EVALUATE USE OF LINES OF CREDIT AND MANAGEMENT PROPOSALS FOR BORROWING – FORWARD RECOMMENDATIONS TO FULL BOARD FOR APPROVAL FOR BORROWING
WHAT IS THE ROLE OF THE BOARD?

**CHECK SIGNER CHECKLIST**

- REVIEW UNDERLYING DOCUMENTATION FOR ALL CHECKS TO VERIFY PROPER APPROVALS, CONSISTENCY IN PAYEE AND AMOUNT AND OVERALL REASONABLENESS
- DECLINE TO SIGN UNTIL QUESTIONS ARE RESOLVED
- REPORT REPEATED ERRORS TO THE AUDIT COMMITTEE
WHAT IS THE ROLE OF THE BOARD?

• AUDIT COMMITTEE RESPONSIBILITIES
  • AUDITOR SELECTION
  • ESTABLISH DIRECT COMMUNICATION WITH THE AUDITOR
  • REVIEW OF AUDIT FINDINGS
  • CONFIDENTIAL DISCUSSION WITH THE AUDITOR
  • RECOMMENDATIONS TO BOARD AND MANAGEMENT REGARDING AUDIT FINDINGS
WHAT IS THE ROLE OF THE BOARD?

• INVESTMENT OVERSIGHT
  • POLICY REVIEW AND UPDATE
  • SELECTION OF INVESTMENT ADVISORS/MANAGERS
  • REVIEW PERFORMANCE OF INVESTMENT MANAGERS
WHAT IS THE ROLE OF THE BOARD?

• BOARD RISK MANAGEMENT OVERSIGHT
  • REVIEW AND REVISE MANAGEMENT’S RISK ASSESSMENT
  • IDENTIFY RISK APPETITE/TOLERANCE LEVELS
  • REVIEW MANAGEMENT’S RISK MITIGATION PLAN
  • REVIEW ADEQUACY OF INSURANCE COVERAGE
  • ADVISE FULL BOARD REGARDING RISKS WHICH HAVE NOT BEEN ADEQUATELY MITIGATED
WHAT IS THE ROLE OF THE BOARD?

• BOARD COMPLIANCE OVERSIGHT
  • IDENTIFY A BOARD COMMITTEE RESPONSIBLE FOR COMPLIANCE OVERSIGHT AND ESTABLISH A COMMITTEE CHARGE
  • REVIEW COMPLIANCE FINDINGS IN INDEPENDENT AUDIT AND/OR MONITORING REPORTS
  • MONITOR PROGRESS IN RESOLVING FINDINGS AND IMPROVING COMPLIANCE
WHAT IS THE ROLE OF THE CEO/SENIOR MANAGEMENT?

• MAINTAIN A CONTROL ENVIRONMENT
  • WRITTEN FISCAL AND OPERATIONAL POLICIES AND PROCEDURES
  • PROVIDE TRAINING TO STAFF WHEN THERE ARE ADDITIONS TO OR CHANGES IN POLICIES AND PROCEDURES
  • REVIEWS AT PROGRAM OR FUNCTIONAL LEVEL
  • REVIEW OF PERFORMANCE INDICATORS
WHAT IS THE ROLE OF THE CEO/SENIOR MANAGEMENT?

• DEVELOP CONTROLS OVER INFORMATION PROCESSING/IT
• ENSURE PROPER EXECUTION OF TRANSACTIONS AND EVENTS
• SEGREGATION OF DUTIES
• ACCURATE AND TIMELY REPORTING OF EVENTS
• ACCESS RESTRICTIONS AND ACCOUNTABILITY FOR RESOURCES AND RECORDS
WHAT IS THE ROLE OF THE CEO/SENIOR MANAGEMENT?

• INFORMATION AND COMMUNICATION:
  • MONTHLY FINANCIAL REPORTING AT PROGRAM AND ORGANIZATION LEVEL
  • MONTHLY PROGRAM ACCOMPLISHMENT REPORTING AT PROGRAM AND ORGANIZATIONAL LEVEL
  • MANAGER ACCESS TO OPERATIONAL AND FINANCIAL DATA AS NEEDED FOR PLANNING AND OVERSIGHT
  • STRUCTURE, POLICIES, AND PROCEDURES TO ENCOURAGE OPEN INFORMATION FLOW AMONG ALL LEVELS OF THE ORGANIZATION
WHAT IS THE ROLE OF THE CEO/SENIOR MANAGEMENT?

• MONITORING
  • MONTHLY COMPARISON OF PLANNED PROGRAM AND FINANCIAL ACTIVITY TO ACTUAL - REVIEWED BY PROGRAM MANAGERS, TOP MANAGEMENT, AND BOARD.
  • SYSTEM FOR TRACKING MONITORING AND AUDIT FINDINGS
  • RESPONSIBILITY CORRECTING/RESOLVING ALL FINDING IS CLEARLY ASSIGNED AS WELL AS THE RESPONSIBILITY TO CORRECT/RESOLVE THEM
  • VERIFICATION OF FINANCIAL AND PROGRAM DATA REPORTS.
WHAT IS THE ROLE OF THE PROGRAM MANAGER?

• ENSURE COMPLIANCE WITH GRANTS AND CONTRACTS

• FOLLOW ALL AGENCY FISCAL, ADMINISTRATIVE, AND OPERATIONAL POLICIES AND PROCEDURES

• REPORT TO SENIOR MANAGEMENT ON COMPLIANCE
WHAT IS THE ROLE OF THE PROGRAM MANAGER?

• REVIEW PERSONNEL ACTIVITY REPORTS OF ALL EMPLOYEES SUPERVISED
• MAKE SURE PURCHASES ARE NECESSARY, REASONABLE, AND ALLOWABLE
• EASY ACCESS TO FISCAL AND ADMINISTRATIVE POLICIES AND PROCEDURES
• REGULARLY TRAIN STAFF ON THE POLICIES
WHAT IS THE ROLE OF THE PROGRAM MANAGER?

• REVIEW MONTHLY SERVICE DATA TO ENSURE IT IS COMPLETE AND ACCURATE

• REVIEW MONTHLY FISCAL DATA TO ENSURE COMPLETENESS AND ACCURACY
HOW TO DIMINISH RISK

• ORGANIZATIONAL CULTURE THAT DOES NOT SUPPORT RISKY PRACTICES
• SEGREGATION OF DUTIES
• QUALITY ASSURANCE IN THE WORKPLACE
• ACTIVE AND KNOWLEDGEABLE BOARD INVOLVEMENT
BIG PICTURE RISK MANAGEMENT TECHNIQUES

• AVOIDANCE – DON’T OFFER PROGRAMS THAT POSE TOO HIGH A RISK (FINANCIAL, STAFF EXPERTISE, ETC.)
• RETENTION – INTENTIONALLY ACCEPT RISK
• MODIFICATION OF PROCEDURES
• SHARING OF RISK
QUESTIONS FOR YOU TO ANSWER

• THE BOARD IS CONSIDERING A LOCAL BANKER TO FILL A RECENTLY VACATED SEAT ON THE BOARD. THE BANKER HAS ASKED TO MEET WITH YOU TO GET TO KNOW A LITTLE MORE ABOUT YOUR AGENCY BEFORE DECIDING WHETHER OR NOT TO JOIN THE BOARD. WHAT QUESTIONS SHOULD YOU BE PREPARED TO ANSWER??
SOME QUESTIONS YOU SHOULD BE PREPARED TO ANSWER

- HAVE THERE BEEN ANY AUDIT FINDINGS DURING THE PAST 3 YEARS?
- WHAT IS THE BOARD’S ROLE IN REVIEWING THE AGENCY AUDIT?
- DOES THE BOARD HAVE A CONFLICT OF INTEREST POLICY?
- DOES THE AGENCY HAVE A WHISTLEBLOWER POLICY?
- WHAT IS YOUR SYSTEM OF INTERNAL CONTROLS?
- WHO IS IN CHARGE OF MAKING SURE YOU ARE IN COMPLIANCE WITH ALL GRANT/FUNDING SOURCE REQUIREMENTS?
- DO YOU CARRY DIRECTORS AND OFFICERS INSURANCE FOR THE BOARD?
WHAT IS RISK MANAGEMENT?

• IDENTIFYING, ANALYZING, AND MANAGING THREATS THAT COULD DAMAGE THE ORGANIZATION
RISK MANAGEMENT

• BEYOND COMPLIANCE
WHAT’S AN EFFECTIVE RISK MANAGEMENT PLAN?

- Reflects a wide range of views and perspectives in an organization;
- Expresses the nonprofit’s belief in and support of risk management;
- States that personnel at all levels of the organization play a vital role in protecting the nonprofit’s mission, reputation and assets;
- Incorporates the existing risk management policies of the organization;
- Reflects the nonprofit’s goals and aspirations for its risk management efforts;
- Focuses on priority risks and considers secondary risks.
RISKS TO STRATEGIC GOALS

• TURNOVER IN KEY MANAGEMENT POSITIONS?
• EMPLOYEE MORALE?
• BOARD SKILLS AND ABILITIES?
• CLEAR VISION AND STRATEGIC PLAN?
NEW STRATEGIC INITIATIVES

ANALYZE THE RISK OF ENGAGING IN A NEW INITIATIVE OR PROGRAM:

• COMPLEXITY OF PROCESSES
• VOLATILITY OF PROCESSES
• MATERIALITY OF PROCESSES
• VOLUME
OTHER RISKS TO CONSIDER

• SPECIAL EVENTS AND OTHER FUNDRAISING RISKS
• VOLUNTEER RISKS
• STAFFING RISKS
• RESTRICTED GRANTS RISKS
• REPUTATIONAL RISK
• NATURAL DISASTERS
ARE YOU COVERED?

• YOUR AGENCY LEASES ONE LOCATION FOR ITS OPERATIONS AND ALSO USES DONATED SPACE AT A NEARBY CHURCH. THE EXECUTIVE DIRECTOR BELIEVES THAT THE AGENCY DOES NOT NEED GENERAL LIABILITY COVERAGE FOR THE CHURCH LOCATION BECAUSE “THE CHURCH ALREADY HAS INSURANCE.”
WHY IS RISK MANAGEMENT IMPORTANT?

- SOME RISK-TAKING IS INEVITABLE IF AN ORGANIZATION IS TO ACHIEVE ITS OBJECTIVES. THOSE ORGANIZATIONS THAT ARE MORE RISK AWARE APPRECIATE THAT ACTIVELY MANAGING NOT ONLY POTENTIAL PROBLEMS (THREATS) BUT ALSO POTENTIAL OPPORTUNITIES PROVIDES THEM WITH A COMPETITIVE ADVANTAGE. TAKING AND MANAGING RISK IS THE VERY ESSENCE OF BUSINESS SURVIVAL AND GROWTH.
BENEFITS OF RISK MANAGEMENT

• MORE EFFICIENT USE OF RESOURCES
• REDUCED WASTE
• REDUCED FRAUD
• BETTER SERVICE DELIVERY
• REDUCTION IN MANAGEMENT TIME SPENT FIRE-FIGHTING
• BETTER MANAGEMENT OF CONTINGENT AND MAINTENANCE ACTIVITIES
BENEFITS OF RISK MANAGEMENT

• LOWER COST OF CAPITAL
• IMPROVED INNOVATION
• INCREASED LIKELIHOOD OF CHANGE INITIATIVES BEING ACHIEVED
• MORE FOCUS INTERNALLY ON DOING THE RIGHT THINGS PROPERLY
• MORE FOCUS EXTERNALLY TO SHAPE EFFECTIVE STRATEGIES.
THREATS VS. OPPORTUNITIES

• ONLY IN RECENT YEARS HAVE ORGANIZATIONS BEGUN TO RECOGNIZE THAT RISK MANAGEMENT, IN ITS BROADEST SENSE, APPLIES TO BOTH NEGATIVE THREATS AND POSITIVE OPPORTUNITIES

• IN EACH CASE A PROACTIVE APPROACH IS REQUIRED, WHICH SEEKS TO UNDERSTAND THE SIZE OF THE POSSIBLE THREATS AND OPPORTUNITIES SO THAT A DECISION CAN BE MADE ABOUT WHETHER TO ACCEPT THE THREAT OR OPPORTUNITY OR ACT UPON IT IN SOME WAY.

• WHILE IT MAY BE TEMPTING TO CONSIDER THESE AS SEPARATE ACTIVITIES, IN PRACTICE, OPPORTUNITIES AND THREATS ARE Seldom INDEPENDENT.
A CULTURE OF RISK MANAGEMENT

• THE PRESENCE OF AN ACTIVE RISK-MANAGEMENT PROGRAM SAYS SOMETHING ABOUT YOUR COMPANY’S BRAND

• WORKERS HAVE KNOWLEDGE OF EXPECTATIONS AND LEADERSHIP FROM THE START OF THEIR EMPLOYMENT, WHILE YOUR BUSINESS DEVELOPS A REPUTATION AS THOROUGH AND PROFESSIONAL.

• YOU BUILD AND SUPPORT STRATEGIC PLANNING THROUGH DEVELOPMENT OF YOUR PROGRAM, AND YOU ESTABLISH A STANDARD TO WHICH YOU CAN EVALUATE PERFORMANCE AND ADAPT TO CHANGING NEEDS

• WHEN YOU ANTICIPATE RISK, YOUR PREPARATION BEGINS, AND THE SHOCK OF THE UNEXPECTED IS DISSIPATED.
RISK MANAGEMENT RISKS

• STAFF RESISTANCE TO CHANGE
• A NEW ‘INITIATIVE’ THAT FORCES STAFF TO CHANGE THE WAY THEY WORK
• NO GOOD REASON FOR CHANGE
• I’M NOT DOING ANYTHING WRONG – WHY CHANGE?
• I HELPED SET UP THIS PROGRAM (SYSTEM, ETC.) – I THINK IT’S JUST FINE
• THIS IS JUST GOING TO MAKE MY JOB HARDER
RISK MANAGEMENT RISKS

• LACK OF SUPPORT FROM UPPER MANAGEMENT
  • THIS IS AN UNNECESSARY DRAIN ON OUR TIME AND RESOURCES
  • THIS IS GOING TO TAKE TOO MUCH TIME AND MONEY
  • THIS IS TAKING AWAY FROM OUR MISSION AND QUALITY SERVICE DELIVERY
MITIGATING RISKS TO RISK MANAGEMENT

• STAFF WILL GENERALLY BE MORE WILLING TO ACCEPT CHANGE IF THEY CAN SEE HOW IT WILL HELP THE AGENCY AND SERVICE TO CUSTOMERS.

• UPPER MANAGEMENT WILL BE MORE WILLING TO ALLOCATE RESOURCES TO CREATING AND IMPLEMENTING RISK MANAGEMENT PROGRAMS IF THEY ARE CONVINCED THAT THOSE PROGRAMS WILL PROTECT THE FIRM’S FINANCIAL SECURITY.

• WHAT THIS MEANS IS THAT PROONENTS OF THESE PLANS NEED TO COMMUNICATE WELL.

• THEY NEED TO GATHER EVIDENCE THAT SHOWS THAT THEIR PLANS WILL BE BENEFICIAL AND THEY NEED TO COMMUNICATE THAT EVIDENCE TO EVERYONE IN THEIR FIRM IN A WAY THAT WILL GET THROUGH TO AS MANY AS POSSIBLE.
10 EASY STEPS TO IMPLEMENT RISK MANAGEMENT

"GOOD RISK MANAGEMENT FOSTERS VIGILANCE IN TIMES OF CALM AND INSTILLS DISCIPLINE IN TIMES OF CRISIS." - DR. MICHAEL ONG
10 EASY STEPS TO IMPLEMENT RISK MANAGEMENT

• 1. DEFINE WHAT VALUE YOUR ORGANIZATION WILL GAIN FROM AN AGENCY-WIDE RISK MANAGEMENT PROGRAM
• 2. RESEARCH AND UNDERSTAND DIFFERENT STANDARDS AND FRAMEWORKS
10 EASY STEPS TO IMPLEMENT RISK MANAGEMENT

• 3. INVENTORY WHAT YOUR ORGANIZATION IS ALREADY DOING
• 4. SEEK SUPPORT AND HELP
• 5. KEEP IT SIMPLE
10 EASY STEPS TO IMPLEMENT RISK MANAGEMENT

• 6. START SMALL
• 7. GO FOR THE QUICK WINS
• 8. DELEGATE “FIXES” TO RISK OWNERS
10 EASY STEPS TO IMPLEMENT RISK MANAGEMENT

• 9. REPORT ON PROGRESS
• 10. DEVELOP YOUR “SOFT SKILLS”

SPECIAL ACKNOWLEDGMENT TO RICHARD W. SARNIE, VICE PRESIDENT OF RISK MANAGEMENT AT THE ATLANTIC AND PACIFIC TEA COMPANY, INC, WHO, ALONG WITH CAROL FOX, GAVE THE PRESENTATION ON WHICH THIS ARTICLE IS BASED AT THE 2012 RIMS ANNUAL CONFERENCE & EXHIBITION IN PHILADELPHIA.
WHAT RISK ASSESSMENT TOOL SHOULD WE USE?

- THERE ARE MANY RISK ASSESSMENT TOOLS AVAILABLE – DETERMINE WHAT IS BEST FOR YOUR AGENCY

- THE RISK ASSESSMENT TOOLKIT AVAILABLE ON THE COMMUNITY ACTION PARTNERSHIP WEBSITE INCLUDES A COMPREHENSIVE RISK ASSESSMENT FOR USE BY CAA’S
THE COMMUNITY ACTION PARTNERSHIP RISK MANAGEMENT PORTAL

• GO TO PARTNERSHIP HOME PAGE, CLICK ON ‘RESOURCES’ ON THE RIGHT HAND SIDE OF THE PAGE – SCROLL DOWN TO:

Nonprofit Risk Management Center AFFILIATE
Find the answer here | nonprofitrisk.org
RISK ASSESSMENT AND RISK MANAGEMENT TOOL KIT
AGENDA

• CONDUCTING A RISK ASSESSMENT AND DEVELOPING A RISK MANAGEMENT PLAN
• THE COMMUNITY ACTION PARTNERSHIP TOOL KIT
• DISASTER PLANNING
RISK ASSESSMENT AND MANAGEMENT

• RISK IS ABOUT UNCERTAINTY. IF YOU PUT A FRAMEWORK AROUND THAT UNCERTAINTY, THEN YOU EFFECTIVELY DE-RISK YOUR PROJECT. AND THAT MEANS YOU CAN MOVE MUCH MORE CONFIDENTLY TO ACHIEVE YOUR PROJECT GOALS. BY IDENTIFYING AND MANAGING A COMPREHENSIVE LIST OF PROJECT RISKS, UNPLEASANT SURPRISES AND BARRIERS CAN BE REDUCED AND GOLDEN OPPORTUNITIES DISCOVERED.
RISKS TO HAVING A PARTY

- Guests will be bored
- The party will end in a drunken brawl
- Rain
- Fire
- Not enough food
- Food is spoiled
THE RISK ASSESSMENT AND MANAGEMENT PROCESS

• STEP 1: IDENTIFY THE RISK
• STEP 2: ANALYZE THE RISK
• STEP 3: EVALUATE OR RANK THE RISK
• STEP 4: TREAT THE RISK
• STEP 5: MONITOR AND REVIEW THE RISK
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<th>Risk Name</th>
<th>Risk Number</th>
<th>Probability (1-3)</th>
<th>Impact (1-3)</th>
<th>Risk Score</th>
<th>Mitigation</th>
<th>Contingency</th>
<th>Risk Score after Mitigation</th>
<th>Action By</th>
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<td>Invite crazy friends, provide sufficient liquor</td>
<td>Bring out the karaoke</td>
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<td>Call 911</td>
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<td></td>
</tr>
<tr>
<td>Nature</td>
<td>Fire</td>
<td>2.2</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>Start the party with instructions on what to do in the event of fire</td>
<td>Implement the appropriate response plan</td>
<td>1</td>
<td></td>
<td>Everyone</td>
</tr>
<tr>
<td>Food</td>
<td>Not enough food</td>
<td>3.1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>Have a buffet</td>
<td>Order pizza</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>Food is spoiled</td>
<td>3.2</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>Store the food in deep freezer</td>
<td>Order pizza</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TOOLKIT RISK ASSESSMENT CATEGORIES

- GOVERNANCE
- FINANCIAL MANAGEMENT
- CONTRACTS AND PROCUREMENT
- HUMAN RESOURCES
- COMMUNICATION RISKS
- SERVICE DELIVERY RISKS
- PROTECTING VULNERABLE POPULATIONS
- TRANSPORTATION
- PROPERTY
GOVERNANCE

• DOES THE BOARD CREATE AND PROMOTE A CULTURE OF OPENNESS AND TRANSPARENCY?

• DOES THE BOARD HAVE POLICIES AND PROCEDURES IN PLACE TO ENSURE ETHICAL CONDUCT AND AVOID CONFLICTS OF INTEREST?

• DOES THE BOARD HAVE A RISK MANAGEMENT POLICY?
FINANCIAL MANAGEMENT

• IS THE BOARD ACTIVELY INVOLVED IN FINANCIAL OVERSIGHT?
• WHAT ROLE DOES THE FINANCE/AUDIT COMMITTEE PLAY IN REVIEWING AND ANALYZING FINANCIAL REPORTS AND AUDITS?
• DOES MANAGEMENT SET ‘A TONE FROM THE TOP’ FOR THE HIGHEST OF ETHICAL STANDARDS?
• DOES MANAGEMENT ENSURE THAT FINANCIAL REPORTS ARE PROVIDED REGULARLY AND WITH TRANSPARENCY?
CONTRACTS AND PROCUREMENT

• HOW DOES THE AGENCY ENSURE ONGOING COMPLIANCE WITH GRANTS AND CONTRACTS?

• HOW DOES THE AGENCY ENSURE THAT ALL AGENCY PROCUREMENT POLICIES ARE BEING FOLLOWED?

• IS THE AGENCY WHISTLEBLOWER POLICY UNDERSTOOD BY ALL AGENCY STAFF?
HUMAN RESOURCES

• FEDERAL EMPLOYMENT LAWS
• INDEPENDENT CONTRACTORS
• PERIODIC REVIEW OF EMPLOYMENT PRACTICES
• JOB DESCRIPTIONS
• EMPLOYMENT APPLICATIONS
HUMAN RESOURCES

• HIRING PROCESS
  • BACKGROUND CHECK
  • INTERVIEW GUIDE

• PERFORMANCE REVIEWS

• EMPLOYMENT PRACTICES LIABILITY INSURANCE
COMMUNICATION RISKS

- RESPONDING TO VOLUNTEER INQUIRIES AND REQUESTS
- RESPONDING TO MEDIA REQUESTS
- PHOTO RELEASES
- SOCIAL MEDIA POLICY
SERVICE DELIVERY RISKS

- WRITTEN GUIDELINES FOR STAFF BEHAVIOR WHEN THEY ARE IN CONTACT WITH SERVICE RECIPIENTS
- INTERNAL PERSONAL RELATIONSHIPS
- CLIENT DISCIPLINE
- MENTORING RISKS
- PROGRAMS AND SERVICES
- EMERGENCY PROCEDURES
PROTECTING VULNERABLE POPULATIONS

- ACCESS TO FACILITIES AND CLIENTS
- FACILITY AND EQUIPMENT INSPECTIONS
- STAFF SCREENING AND SELECTION
- TRAINING AND SUPERVISION
TRANSPORTATION

- DRIVER SELECTION AND TRAINING
- VEHICLE MANAGEMENT
- CONTRACT TRANSPORTATION
- INSURANCE
PROPERTY

• BUILDING OWNERSHIP;
• FACILITIES BASICS;
• ADA COMPLIANCE;
• SPECIAL FACILITIES: PLAYGROUNDS, THRIFT SHOPS, CAMPS, DAY CARE AND RESIDENTIAL CARE;
• TOXIC MATERIALS;
PROPERTY

- CRIME PREVENTION;
- VISITORS,
- LIGHTING, LANDSCAPE, FLOOR MAINTENANCE AND REPAIR;
- ROOF, ELEVATORS, ESCALATORS AND STAIRWAYS; AND
- SAFETY DEVICES.
THE COMMUNITY ACTION PARTNERSHIP RISK MANAGEMENT PORTAL

• GO TO PARTNERSHIP HOME PAGE, CLICK ON ‘RESOURCES’ ON THE RIGHT HAND SIDE OF THE PAGE – SCROLL DOWN TO:

Nonprofit Risk Management Center AFFILIATE
Find the answer here | nonprofitrisk.org
NOT JUST FINANCIAL RISK

• FINANCIAL, PROGRAM, AND AGENCY RISK

• EMERGENCY PREPAREDNESS - DISASTERS
WHEN IS IT A DISASTER?

WHEN CRITICAL SERVICES AREN’T HAPPENING
DISASTER SCENARIOS

• TEMPORARY DISRUPTION OF SERVICES – POWER OUTAGE
• BUILDING(S) UNUSABLE FOR A PERIOD OF TIME
• BUILDING IS DESTROYED
• AREA AROUND THE BUILDING IS UNUSABLE (FLOODING, EARTHQUAKE, BOMBINGS, ETC.)
DISASTER PLANNING

- **Emergency Planning** are those procedures and steps done immediately after an interruption to business.

- **Disaster Recovery** are the steps taken to restore some functions so that some level of services can be offered.

- **Business Continuity** is restoration planning, completing the full circle to get your organization back to where it was before an interruption.
DISASTER PLANNING AND BUSINESS CONTINUITY

DISASTER RECOVERY – A PROCESS THAT TAKES PLACE DURING AND AFTER A CRISIS, WHICH IS ESTABLISHED TO MINIMIZE INTERRUPTION AND HELP THE ORGANIZATION RECOVER BY RESTORING SOME OF ITS NORMAL FUNCTIONING AS QUICKLY AND SEAMLESSLY AS POSSIBLE.

• RON MATAN, CPA AND BRIDGET HARNETT, CPA
DISASTER PLANNING

• IDENTIFY A TEAM TO PLAN FOR A DISASTER
• IDENTIFY POSSIBLE DISASTERS
• ANALYZE AND KNOW YOUR ORGANIZATION
• IDENTIFY WHERE INFORMATION IS STORED
• COMPUTERS AND TECHNOLOGY

NONPROFIT COORDINATING COMMITTEE OF NEW YORK
DISASTER PLANNING

• KNOW YOUR BUILDINGS
• CONDUCT A RISK ANALYSIS
• BUSINESS IMPACT ANALYSIS
• TEST THE PLAN
• INSURANCE
• PERSONNEL POLICIES AND CRISIS COMMUNICATIONS
IDENTIFY A PLANNING TEAM

- POTENTIAL TEAM MEMBERS:
  - EXECUTIVE DIRECTOR
  - BOARD CHAIR
  - FACILITIES STAFF, WHEN AVAILABLE
  - RISK MANAGER, WHEN AVAILABLE

- IDENTIFY WHO IS ABLE TO MAKE SHORT TERM DECISIONS – EVACUATE THE BUILDING

- WHO IS RESPONSIBLE FOR UPDATING THE PLAN?
CONDUCT A RISK ANALYSIS

• POWER OUTAGE
• FLOODING
• HURRICANE
• TORNADO
• FIRE
• TERRORIST THREATS
• NETWORKS CRASHING
• NUCLEAR EVENT
• WHAT OTHERS MIGHT YOU HAVE?
CONDUCT A RISK ANALYSIS

• CONDUCT A SITUATIONAL ANALYSIS WITH EACH OF THE SCENARIOS
• CONDUCT A SWOT ANALYSIS OF THE ORGANIZATION DURING A CRISIS
  • STRENGTH
  • WEAKNESS
  • OPPORTUNITIES
  • THREATS
ANALYZE AND KNOW YOUR ORGANIZATION

• IDENTIFY THE CRITICAL SERVICES AND FUNCTIONS OF THE ORGANIZATION
  • WHAT SERVICES DO WE PROVIDE – WHICH ARE CRITICAL AND WHICH ARE NOT?
  • WHAT STAFF ARE RESPONSIBLE FOR THE SERVICES?
ANALYZE AND KNOW YOUR ORGANIZATION

• CLIENT IMPACT ANALYSIS – IN THE EVENT OF AN INTERRUPTION, WHAT WOULD BE THE IMPACT ON YOUR CUSTOMERS?
  • WHERE DO YOU SERVE THEM?
  • HOW DO YOU SERVE THEM?
  • WHAT ARE YOUR STAFFING REQUIREMENTS?
  • WHAT ARE YOUR EQUIPMENT REQUIREMENTS?
  • HOW DO SERVICES IMPACT THE ORGANIZATION’S FUNCTIONING?
WHERE IS YOUR ORGANIZATIONS INFORMATION STORED?

• BANK BOX
• FIREPROOF BOX AT AGENCY
• SCAN DOCUMENTS AND STORE ON CD’S
• INTELLECTUAL CAPITAL
DOCUMENT STORAGE

• DETERMINE - ONSITE AND WHERE, OFFSITE AND WHERE, ONLINE AND URL
  • BLANK CHECKS
  • COMPUTER PASSWORDS
  • IRS DETERMINATION LETTER, FORM 1023, 990S, AUDITS
  • CLIENT RECORDS
  • FINANCIAL RECORDS
  • VOLUNTEER RECORDS
  • INSURANCE
COMPUTERS AND TECHNOLOGY

• HARDWARE INVENTORY
• SOFTWARE INVENTORY
• LIST OF VENDORS AND CONTACT INFORMATION
• IT SUPPORT IF OUT OF THE OFFICE – WEB HOSTING
• EMAIL SERVICE
• PHONES – FORWARD, CHANGE VOICE MAIL MESSAGES, ACCESS VOICE MAIL
• PROCESS TO UPDATE WEBSITE
• EMPLOYEE EMAIL ACCESS
COMPUTERS AND TECHNOLOGY

• DATA BACKUP – OFF-SITE STORAGE
  • DO A BACKUP, TEST FOR VALIDITY, AND RESTORE
• WEB-BASED DATABASES AND PROGRAMS
• COLOCATION SERVER
COMPUTERS AND TECHNOLOGY

- POWER AND SERVERS
  - UNINTERRUPTED POWER SUPPLY – BATTERY BACKUP SYSTEM

- FIREWALL DRIVES
KNOW YOUR BUILDING

• CREATE A SITE MAP THAT LOCATES:
  • UTILITY SHUTOFFS
  • WATER MAIN VALVES AND LINES
  • GAS MAIN VALVES AND LINES
  • ELECTRICAL CUTOFFS
  • STORM DRAINS
  • FIRE ALARMS
KNOW YOUR BUILDING

• FIRE EXTINGUISHERS
• FIRE SUPPRESSION SYSTEMS
• EXITS
• STAIRWAYS
• ESCAPE ROUTES
• HAZARDOUS MATERIALS
• HIGH VALUE ITEMS
KNOW YOUR BUILDING

• EMERGENCY CONTACTS
  • POLICE
  • FIRE DEPARTMENT
  • GAS
  • POWER
  • OTHER UTILITY COMPANIES
  • POISON CONTROL
  • ELECTRICIAN PLUMBER
  • BUILDING MANAGERS, WHEN APPROPRIATE
KNOW YOUR BUILDING

• EXAMINE PLANT SECURITY
  • BATTERIES FOR EMERGENCY LIGHTING CHECKED REGULARLY?
  • STAIR TREATS HAVE REFLECTIVE GLOW-IN-THE-DARK STRIPS?
  • ELECTRIC DOOR/KEY PAD LOCKS HAVE A MANUAL BYPASS CYLINDER LOCK?
  • FIRE EXTINGUISHERS EASILY ACCESSIBLE? PEOPLE KNOW HOW TO USE?
  • TEST EMERGENCY EXIT ROUTES AND POST
BUSINESS IMPACT ANALYSIS

• HOW LONG WILL IT TAKE BEFORE THE LOSS OF INCOME AFFECTS THE DELIVERY OF YOUR ORGANIZATION’S SERVICES?
• HOW MANY PAYROLL PERIODS CAN YOU MEET WITH NO INCOME?
• WHAT IS YOUR CASH RESERVE?
• WHAT IS YOUR RECOVERY TIME OBJECTIVE?
INSURANCE REVIEW

• CURRENT COVERAGE FOR CATASTROPHE OR BUSINESS INTERRUPTION

• WORKERS’ COMPENSATION POLICY – ALL PERSONNEL AND VOLUNTEERS COVERED

• POLICIES FOR EXCLUSIONS

• ARE PHOTOGRAPHS AND OTHER RECORDS UP TO DATE AND STORED IN A SAFE PLACE?
INSURANCE

• WHAT IS THE COST TO REPLACE YOUR EQUIPMENT?
• WHAT WOULD IT COST TO SET UP A TEMPORARY FACILITY FROM WHICH TO OPERATE?
• WHAT IS THE COST TO REPAIR THE FACILITY AND THE EQUIPMENT?
PERSONNEL POLICIES

• REVIEW PERSONNEL FILES TO MAKE SURE EMERGENCY CONTACT INFORMATION IS INCLUDED.

• UPDATE PERSONNEL MANUAL TO REFLECT:
  • EMERGENCY CLOSING POLICIES
  • WORKPLACE SAFETY
  • TELECOMMUTING

• PRESERVE AGENCY RECORDS
  • RECORD STORAGE – OFFSITE, SCAN, CD, ETC
CRISIS COMMUNICATIONS

- CREATE A SYSTEM TO COMMUNICATE WITH STAFF REGARDING NEXT STEPS
  - PHONE TREE
  - SPECIFIC PHONE NUMBER FOR STAFF TO CALL, ANSWERING SERVICE
  - EMAIL PLAN
  - WEBSITE UPDATE
WORKPLACE SAFETY

• EMERGENCY CONTACT SHEET
• TRAIN ALL EMPLOYEES ON EMERGENCY PROCEDURES
• DETERMINE A CENTRAL MEETING PLACE FOR ALL STAFF AND CUSTOMERS
• MAKE CONTINGENCIES IF STAFF ARE REQUIRED TO STAY INSIDE
TEST THE PLAN

• VERIFY THAT YOUR PLANS ARE IMPLEMENTABLE
  • HAVE YOU TRIED RESTORING AFTER A BACKUP?
  • HAS SOMEONE TRIED THE EVACUATION PLANS TO ASSURE THAT THEY WORK?

• ANALYZE SITUATION
  • WHY DID IT HAPPEN?
  • COULD IT HAVE BEEN PREVENTED
  • WHAT WORKED WELL?
  • WHAT SYSTEMS DID NOT FUNCTION WELL?
  • COULD THESE HAVE BEEN PREVENTED?

• MAINTAIN AND UPDATE THE PLAN
  • WHO IS ASSIGNED TO KEEP THE PLAN CURRENT?
EMERGENCY PREPAREDNESS IS NOT A ONE TIME EVENT

• REQUIRES A PLAN
• REQUIRES REGULAR ASSESSMENT, UPDATING, AND TESTING
• CAN CHANGE AS TECHNOLOGY CHANGES
QUESTIONS, COMMENTS??

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