Risk Assessment- Part 1
Region 8 RPIC

December 5, 2017

Webinar Leader: Kay Sohl

Sometimes
Bad Things Happen
To Good People

What Can You Do About It?
CAAs & Risks

- Identification
- Evaluation
- Management
- Mitigation
- Tolerance
- Avoidance

What is Risk?

- The possibility that a present process or future event will have negative consequences

CAA World of Risks

- Financial Management
- Compliance
- Personnel
- Sustainability
- Service delivery
- Reputation
- Governance
- Technology
- Environmental
- Facilities
- Transportation
- ???
Your CAA’s Most Significant Risks?

Risk Management

- The process used to identify and measure risk and the development of strategies to manage it

Risk Assessment & Management Goals

- Protect reputation
- Anticipate emerging risks
- Maintain compliance
- Facilitate decisions about taking risks
Why Do Risk Assessment?

- Common sense
- Protect our agency
- Required by OCS IM 138
- Org Standard 4.6

Standard 4.6

An organization-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the governing board.

http://cap.iescentral.com/filelibrary/oscoe_developed_standards_seperated.pdf

4.6 Interpretation

- Must be organization-wide, not just for one or a group of programs/departments
- Must be comprehensive, not just for one function (e.g. finance, human resources)
- Risk assessment results must be reported to the board

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4.6 Documentation
• Copy of the risk assessment tool and brief narrative on its use to confirm it was applied to the whole agency and comprehensive
• Board minutes showing the board had been provided a report
• Public agencies just need to comply with local government policies and procedures

Community Action Partnership
Risk Assessment Toolkit
• http://portal.nonprofitrisk.org/CAP/
• Assessment Tools
• Risk Management Policy Templates
• Joint project with the Nonprofit Risk Management Center

Roadmap to Risk Management
• Identify and prioritize risks
• Plan and execute responses
• Monitor and re-evaluate
Risk Assessment Approach?

- Top Down
- Bottom Up
- Both Essential

Risk Analysis

- List risk areas
- Evaluate likelihood of occurrence and impact of potential damage

Risk Factors

- Level of complexity of activity
- Significant change
- Potential impact on CAA
- Systemic problem
Board Role in Risk Assessment

- Review management’s risk assessment & management plan
- Review findings from Auditor & monitors
- Review adequacy of insurance coverage
- Determine whether expert risk management consultation is needed

Board Risk Factor Warnings

- Financial pressure
- Failure to address previous findings
- Materiality of exposure – $$$ at risk
- Complexity of compliance requirements
- CAA’s experience/lack of experience with program
- Management experience/expertise

Low Income Board Members-Risk Awareness ???

- Availability of accurate info in community
- Eligibility requirements clear to the community?
- Do community members feel they are treated fairly and respectfully?
- Do people in the community perceive the staff of the CAA to be honest?
- Do people in the community perceive that CAA programs are “safe
Risk Assessment Goals

• Focus Board & management attention on most significant risks
• Make ALL risks known to management
• Facilitate strategic, organization-wide approach
• Integrate risk management realities into key decisions & strategic planning

Financial Management Risks

Financial Management Risk Assessment ???

• Materiality of exposure – $$$ at risk
• Ease of misappropriation or misstatement
• Likelihood of occurrence
• Likelihood of discovery
Risk Dimensions

- Financial Reporting
- Operations
- Compliance

Scope of Risk

- Entity
- Division
- Operating Unit
- Function

3 Kinds of Fraud

- **Misappropriation**: improper taking or use of assets
- **Misstatement**: reported assertions are false or misleading
- **Corruption**: decisions contrary to the best interest of entity

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**Misstatement Risks**

- Reports to funders
  - Inaccurate financial info
  - Inaccurate assertion of compliance
- Board financial reports
- Payroll tax reporting

**Compliance Risk**

**Top CAA Compliance Risks**

1. Compliance breakdown
   - Failure to identify & communicate compliance requirements
   - Training & supervision glitches
   - Lack of time for review & testing of financial & program data
   - Cost allocation including documentation of staff use of time
More CAA Compliance Risks:

2. Inadequate or outdated documentation

3. Control of assets purchased with federal $$$:
   • Equipment
   • Inventory

Governance Risk

• Failure to maintain Tri-Partite composition
• Improper selection of low income Board members
• Conflict of interest
• Asleep at the switch

Sustainability Risk

• Inadequate unrestricted cash
• Inadequate Net Assets
• Insufficient diversity of funding sources
• Compliance failures
Service Delivery Risk

- Ineffective design
- Insufficient participation
- Poor execution
- Injury
- Damage to reputation

Technology Risk

- Privacy failure
- Data destruction
- System failure
- Inefficiency & down time

More Risk Arenas

- Personnel
- Environmental
- Facilities
- ????
Risk Management

- Not about saying **NO** to risks
- Is about how to say **YES** with effective strategies

Effective Risk Management

- Identify risks
- Determine risk tolerance
- Determine how to mitigate risk

Prioritization of Risk

<table>
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<tr>
<th>Impact</th>
<th>Probability</th>
<th>High</th>
<th>Medium Risk</th>
<th>Low Risk</th>
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<td>Medium Risk</td>
<td>High Risk</td>
<td>Transfer Risk</td>
<td>Accept</td>
</tr>
<tr>
<td>Low</td>
<td>Medium Risk</td>
<td>Accept some level of risk</td>
<td>Accept</td>
<td>Probability</td>
</tr>
</tbody>
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Managing Risks

- Identify areas of greatest concern
- Enhance control policies, procedures, & training
- Create internal audit functions
- Rethink internal audit priorities
- Develop dashboards to monitor performance

Basic Risk Management Strategies

- Process improvement
- Policy & procedure development
- Hire, retain & train skilled staff
- Improve technology
- Systematic monitoring

Your Next Steps?

- Review current risk assessment approaches
- Identify areas of priority areas for improvement in risk assessment & risk management
Areas of Greatest Concern??

- Fraud
- Compliance
- Personnel
- Sustainability
- Service delivery
- Reputation
- Governance
- Technology
- Environmental
- Facilities
- Transportation
- ???

Risk Assessment – Part 2

- December 19, 2017
- Region 8 RPIC
- Please complete pre-webinar survey so that we can focus on your needs