

Risk Assessment- Part 1

Region 8 RPIC

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Sometimes

Bad Things Happen

To Good People



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What Can You Do About It?



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CAAs & Risks

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

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What is Risk?

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

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CAA World of Risks

- | | |
|------------------------|------------------|
| • Financial Management | • Governance |
| • Compliance | • Technology |
| • Personnel | • Environmental |
| • Sustainability | • Facilities |
| • Service delivery | • Transportation |
| • Reputation | • ??? |

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Your CAA's Most Significant Risks?

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Risk Management

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

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Risk Assessment & Management Goals

- Protect reputation
- Anticipate emerging risks
- Maintain compliance
- Facilitate decisions about taking risks

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Why Do Risk Assessment?

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

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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

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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



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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**

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Roadmap to Risk Management

- **Identify and prioritize risks**
- **Plan and execute responses**
- **Monitor and re-evaluate**

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Risk Assessment Approach ?

- Top Down
- Bottom Up
- Both Essential

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Risk Analysis

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

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Risk Factors

- Level of **complexity** of activity
- Significant **change**
- Potential **impact** on CAA
- **Systemic** problem

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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

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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

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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"

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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

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Financial Management Risks

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Financial Management Risk Assessment ???

- Materiality of exposure – \$\$\$ at risk
- Ease of misappropriation or misstatement
- Likelihood of occurrence
- Likelihood of discovery

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Risk Dimensions

- Financial Reporting
- Operations
- Compliance

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Scope of Risk

- Entity
- Division
- Operating Unit
- Function

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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**

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Compliance Risk

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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

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More CAA Compliance Risks:

2. Inadequate or outdated documentation

3. Control of assets purchased with federal \$\$\$:

- Equipment
- Inventory

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Governance Risk

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

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Sustainability Risk

- Inadequate unrestricted cash
- Inadequate Net Assets
- Insufficient diversity of funding sources
- Compliance failures

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Service Delivery Risk

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

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Technology Risk

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

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More Risk Arenas

- Personnel
- Environmental
- Facilities
- ???

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Risk Management

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

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Effective Risk Management

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

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Prioritization of Risk

Impact	High	Medium Risk <i>Transfer Risk</i>	High Risk <i>Actively Control</i>
	Low	Low Risk <i>Accept</i>	Medium Risk <i>Accept some level of risk</i>
		Probability	High

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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

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Basic Risk Management Strategies

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

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Your Next Steps?

- Review current risk assessment approaches
- Identify areas of priority areas for improvement in risk assessment & risk management

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Areas of Greatest Concern??

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

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Risk Assessment – Part 2

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

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