

Risk Management in Nonprofits

Monday, February 8, 2010

Midland, Texas

11:45am – 1:00pm

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&

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YOUR POWERPOINT
SLIDES IMPRESSED THE
EXECUTIVES SO MUCH
THAT THEY'RE CHANGING
OUR ENTIRE STRATEGY.



www.dilbert.com scottadams@aol.com

THOSE SLIDES WERE
NOTHING BUT A BUNCH
OF GARBAGE DRESSED
UP TO LOOK GOOD.



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AND THAT'S WHAT
OUR NEW PRODUCT
LINE WILL BE!



OH.

NON SEQUITUR BY WILEY

WELL? WHAT ARE YOU WAITING FOR?

A GOOD REASON TO DO THIS...

TWO WORDS, LUCK... RISK MANAGEMENT

OH, I THINK I'M GONNA NEED A LOT MORE WORDS THAN THAT

IF EVERYTHING GOES AS PLANNED, THEN WE'LL REAP THE REWARDS FOR CREATING THE GREAT NEW SPECTATOR SPORT OF HORSEBACK SKI JUMPING!

OH...AND WHAT ABOUT THE ALL-TOO-OBVIOUS DISASTER THAT'S WAITING TO HAPPEN?

THAT'S WHERE I MANAGE TO IGNORE THE RISKS

NOW WHAT?!

TWO WORDS... BAIL OUT

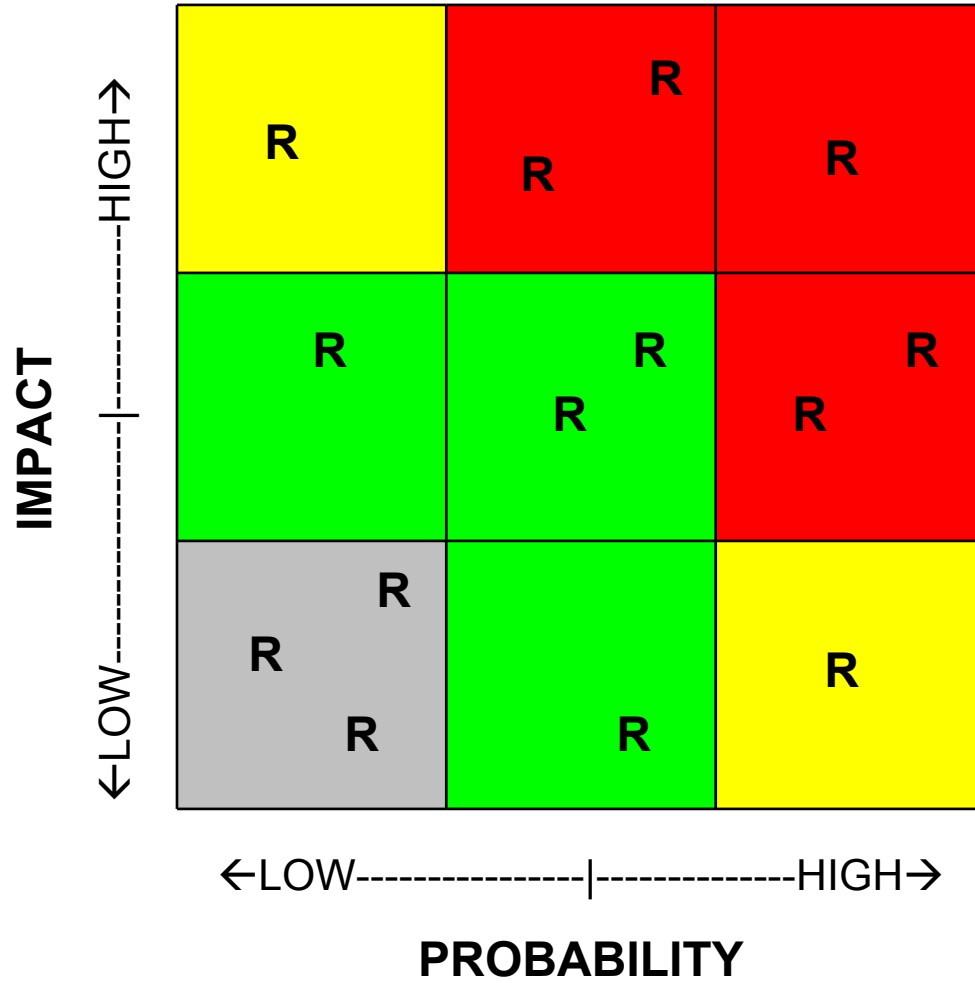
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Session Objectives

- Orientation to Risk Management
- Background, approaches, and key definitions of CSA's
- Participant feedback, ideas, and questions

Involvement

- Who fulfills risk management role?
- Timing, frequency, and resource commitment
- Direction and misdirection of risk management

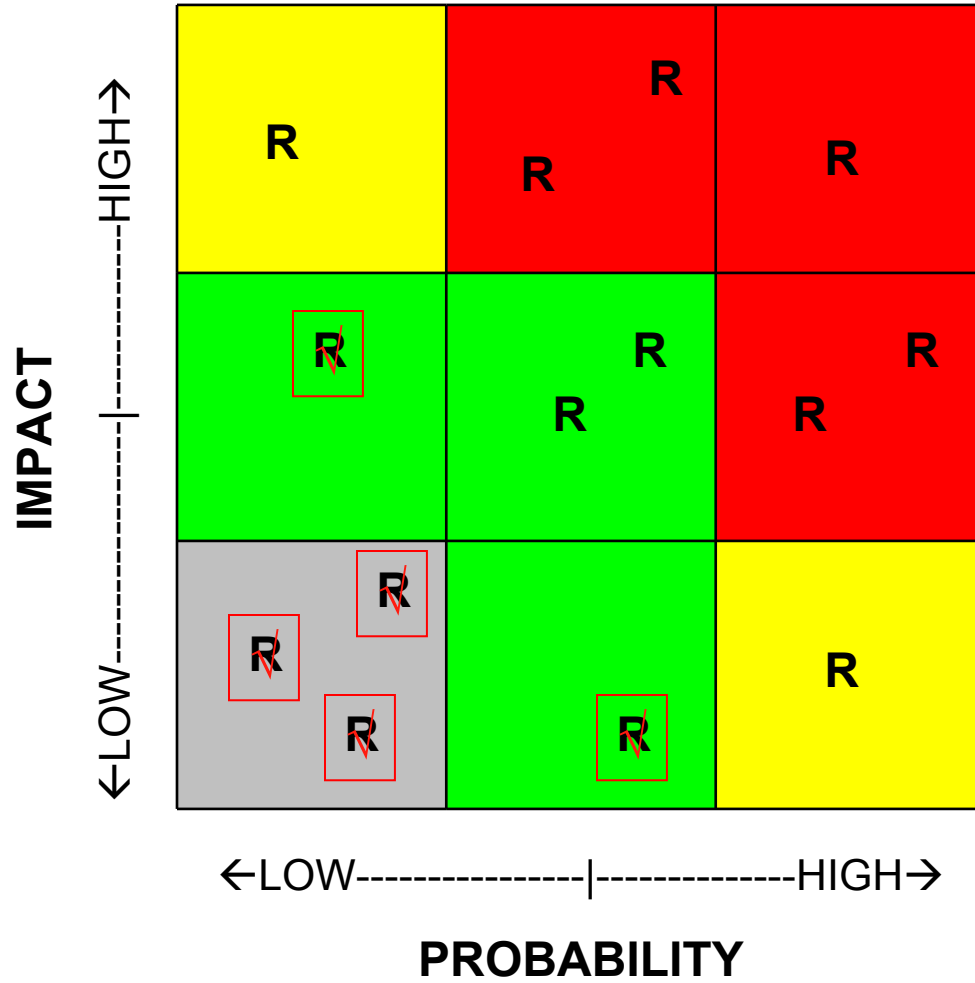


What is CSA?

- ***Definition = Control Self-Assessment***
- ***What is a “control”***

Any action taken by management to enhance the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Institute of Internal Auditors Standards for Professional Practice of Internal Auditing



Approaches to CSA

- **Facilitated team meetings (workshops)**
- **Questionnaires**
- **Management-produced analysis**
- **Combination of approaches (questionnaire in advance of a facilitated team meeting)**

Who should be involved in CSA?

- **Inclusive, not exclusive**
- **All levels of hierarchy**
- **Variety of personalities (effect on results...)**
- **Attentive, respectful participants**
- **Facilitator (trained is better, not stakeholder)**
- **Recorder (good handwriting, not stakeholder)**

What should controls accomplish?

- **Ensure reliability and integrity of information**
- **Comply with policies, plans, procedures, laws, regulations, and contracts**
- **Safeguard assets**
- **Effect the economical and efficient use of resources**
- **Fulfill established objectives and goals for operations or programs**

History of CSA

- **First practiced at Gulf Canada in 1987**
- **Originated as the *facilitated meeting* approach**
- **Expanded practice into US during late 80's and early 90's**
- **Appears in a variety of forms including Internal Control Questionnaires and Enterprise Risk Management practices**

Canadians had it right...

Defined differently by Criteria of Control (CoCo) sponsored by Canadian Institute of Chartered Accountants

- **Termed CRSA to incorporate “risk” with “control”**

Well then what is “risk?”

- **Cause-based risk – Something that hinders an organization from meeting its goals and objectives**
 - Doing something that should **NOT** be done
 - **NOT** doing something that should be done
- **Inherent risk – the risk related to the fundamental characteristics of the area / process**

Other key definitions

- ***Goals and objectives*** – the general short-term and long-term mission of the organization or unit.
- ***Activity*** – anything that an organization and its members do, regardless of frequency. ***Ideally***, these activities should be something that directly relates to the goals and objectives

Risk ≠ Consequence

- ***Risk*** – something that happens or does not happen that may require control
- ***Consequence*** – an unintended effect when a risk occurs that an organization does not control

Consequences:

Bad effects when bad things happen

- Bad PR
- Loss of credibility / public trust (long-term bad PR)
- Civil fines or penalties
- Criminal fines or penalties
- Loss of significant future revenue stream
- Increased oversight/scrutiny
- Lawsuits
- Loss of knowledge base (key personnel)
- Loss of significant assets
- Damaged employee morale
- Return funds (i.e. grants, etc.)
- Rework / inefficiency
- Significant interruption to business continuity



Consequence → Impact

- **Impact – a consequence’s effect on the organization’s ability to meet its goals and objectives**
 - An impact may be applicable to multiple risks
 - Risks may have differing impacts (i.e. severity)
 - Most readily measured in degrees:
 - **Very High**
 - **High**
 - **Medium**
 - **Low**
 - **Very Low (“null”)**

...but will the risk occur?

- **Probability – the likelihood that a risk will occur**
- **We have controls so it won't occur, right?**
- **Probability pre-control vs. post-control?**
- **Most readily measured in degrees:**
 - **Very High**
 - **High**
 - **Medium**
 - **Low**
 - **Very Low (“null”)**

Types of controls

- **Operating control** – generally performed as part of the process (i.e. policies/procedures, etc.)
(preventative)
- **Supervisory control** – generally performed as a quality check, usually soon after process control (i.e. approval) *(preventative)*
- **Oversight control** – generally performed after process is complete (i.e. reconciliation)
(detective/reactive)
- **Audit / Regulatory control** – generally performed by an attestation or compliance function
(detective/reactive)

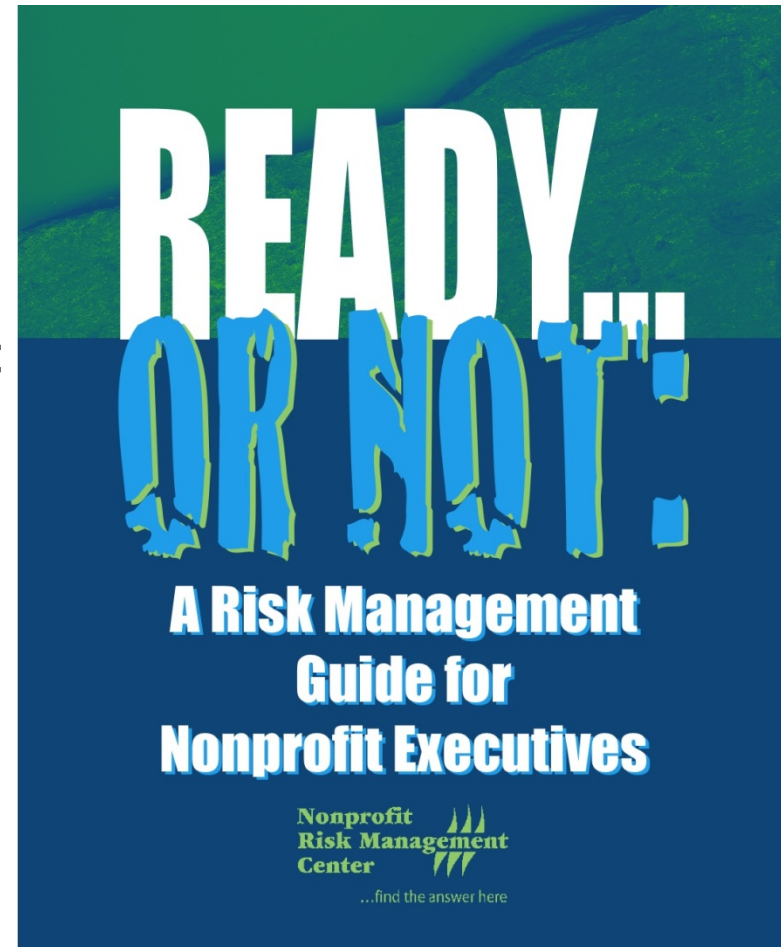
Practice makes perfect...

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Resources

- Non-Profit Risk Management Center:
www.nonprofitrisk.org
- Risk Management Policies tool:
www.myriskmanagementpolicies.org
- Financial Management Planning tool:
www.myfinancialmanagementplan.org
- Institute of Internal Auditors:
www.theiia.org



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