



## **TONE AT THE TOP**

### Risk Management for Board Members

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**October 25, 2017**

# Objective

To have Board Members deepen their knowledge of roles and responsibilities related to risk management for not-for-profit organizations



# Risk Management Oversight

## **BOARD MEMBERS PLAY A CRITICAL ROLE**


- Understand risk philosophy and risk appetite
- Know what risk management policies are in place
- Review the organization's portfolio of risks
- Ensure management is responding to the most significant risks





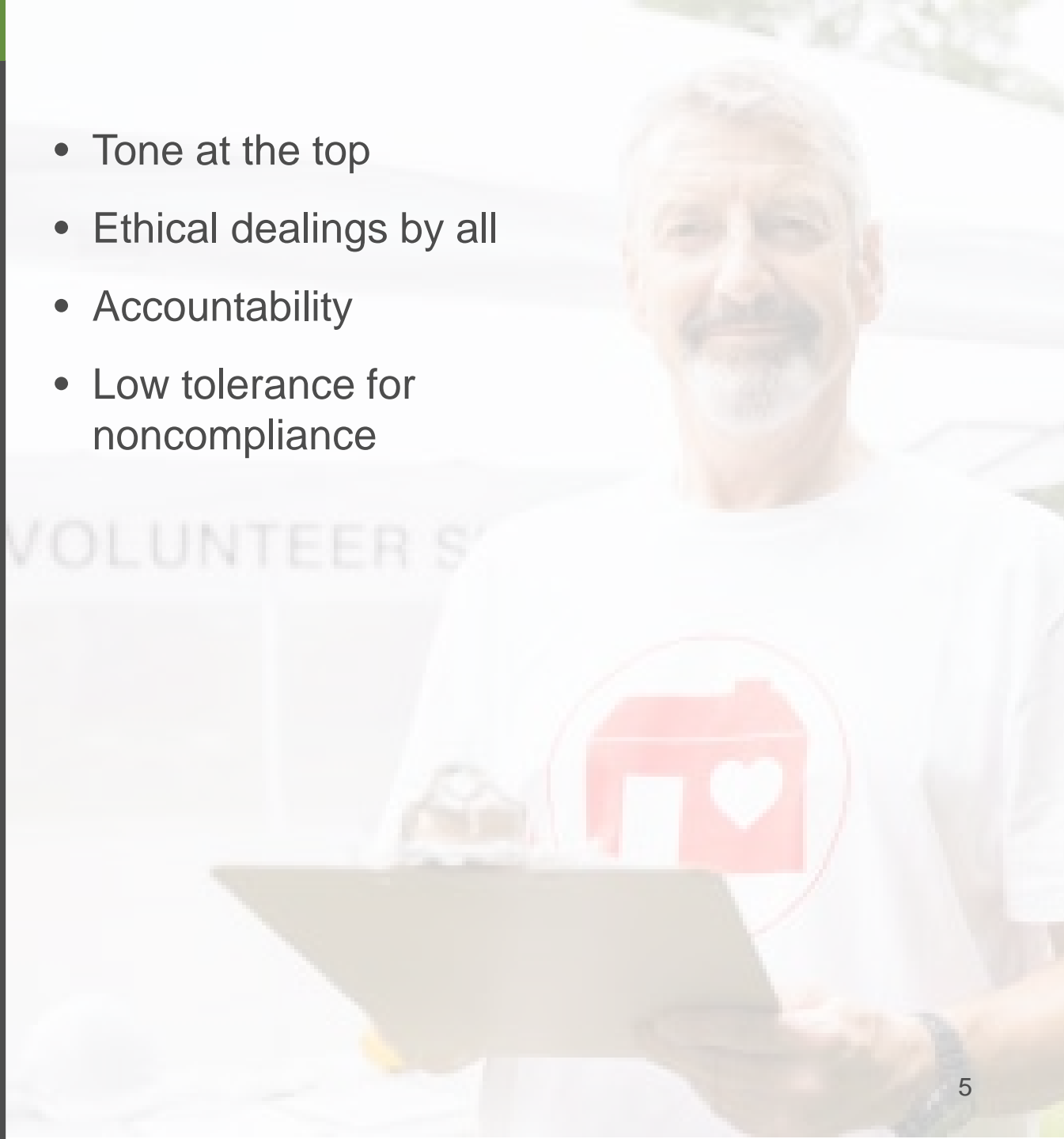
# Risk Management Oversight

## **SPECIFIC AREAS TO REVIEW**

- Fiduciary duties
  - Federal and state laws and regulations
  - Financial risks
  - Operations risks
  - Reputational risks
  - Workforce risks
  - Client risks
  - Emerging risks
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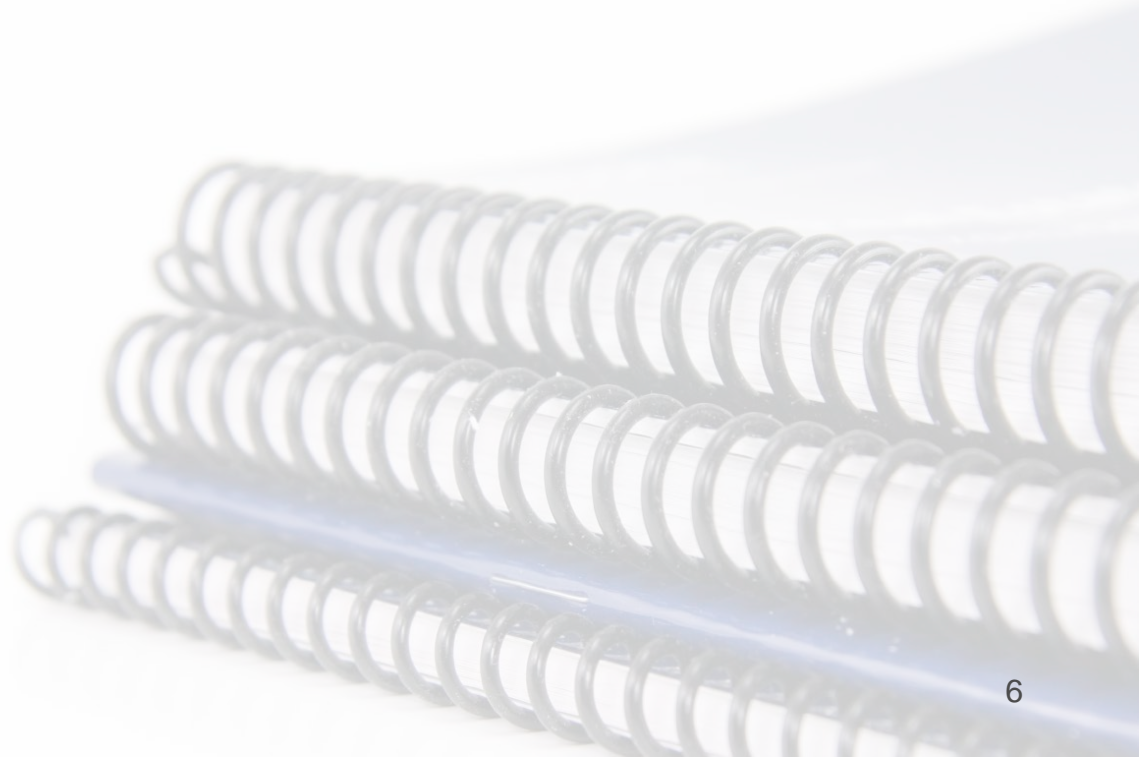
# Create a Culture of Risk Management

- Tone at the top
- Ethical dealings by all
- Accountability
- Low tolerance for noncompliance



# Board Monitoring

- Financial professional
- Benchmarking
- Dashboards
- Calendar for risk management review
- Internal controls monitoring





# Internal Control Analysis

- Safeguard assets and resources
- Deter and detect errors, fraud and theft
- Ensure accuracy and completeness of accounting data
- Produce reliable and timely financial and management information
- Ensure adherence to its policies and plans



## Segregation of Duties

### **SEGREGATE THESE DUTIES:**

- Authorization
- Custody
- Recordkeeping

### **ESTABLISHED POLICIES AND PROCEDURES:**

- Written
- Followed

### **MONITOR ESTABLISH CONTROLS**



# The Fraud Triangle

- Opportunity
- Rationalization
- Pressure

**WHO IS CAPABLE  
OF THEFT?**



## Fraud Examples

# Ex-Head of Maine Nonprofit to Plead Guilty in \$4.6-Million Theft

**NEWS** Posted April 27, 2015 | Updated April 27, 2015

INCREASE FONT SIZE **A<sup>+</sup>**

## VFW theft offers a cautionary tale for Maine nonprofits

Thefts from the Winslow post and other nonprofits show that small volunteer groups often lack the capacity to put checks and balances in place.


## Brunswick woman pleads guilty to embezzling more than \$300,000 from former employer

# Managing Financial Risks

## NEW IDEAS

- Positive pay
- Email notifications
- Electronic receipt of bank statements
- Electronic verification of wire transfers
- Remote capture





## Concluding Thoughts

- Emphasize ethics and accountability
- Set the tone at the top
- Assess risk policies
- Ensure management is responding to significant risks
- Develop benchmarks and dashboard for oversight
- Understand key internal controls
- Have an avenue for reporting breaches

# Questions

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