



TONE AT THE TOP

Risk Management for Board Members

Presented By

Renee Bishop, CPA | Tracy Harding, CPA

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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





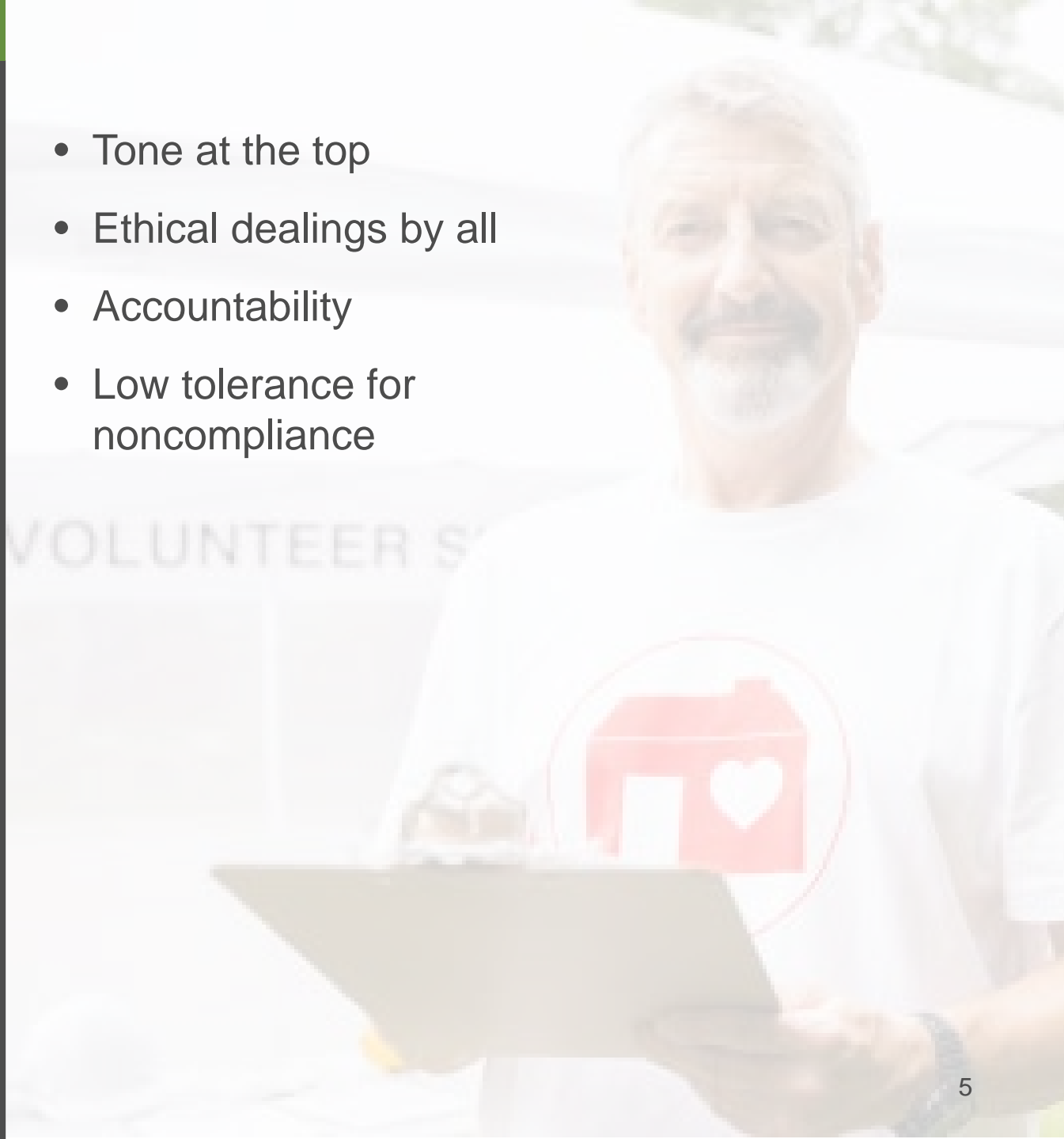
Risk Management Oversight

SPECIFIC AREAS TO REVIEW

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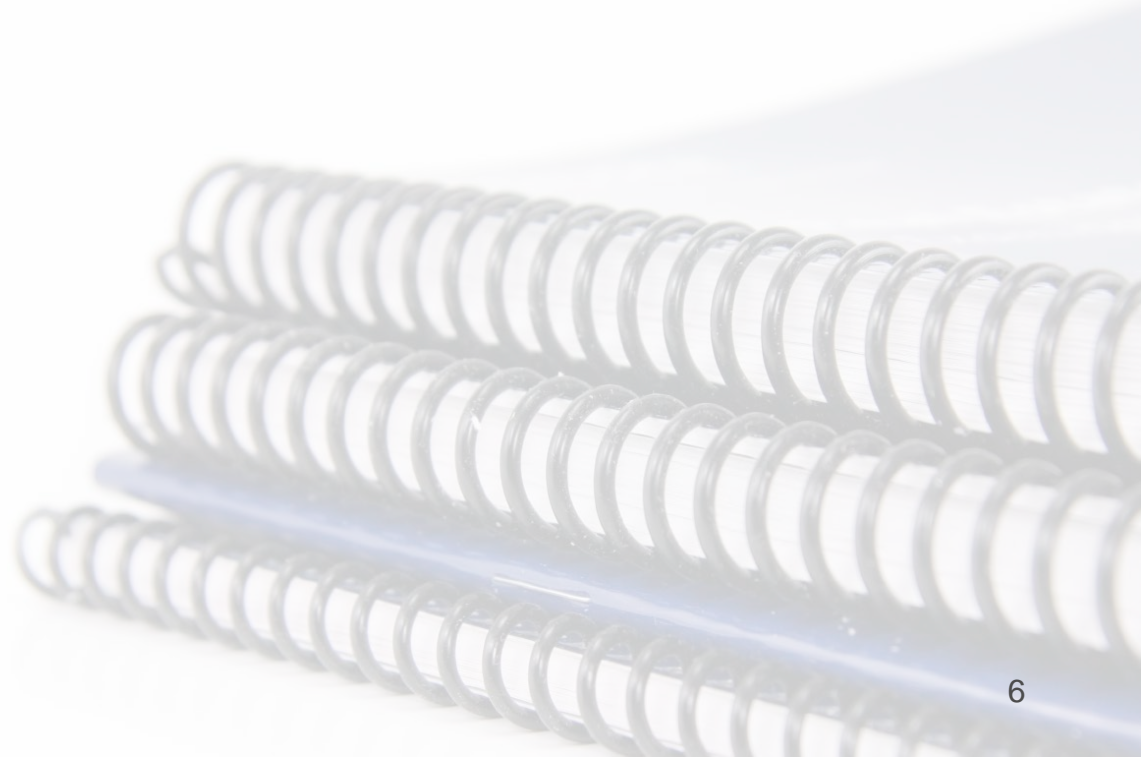
Create a Culture of Risk Management

- 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+**

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



RENEE BISHOP

Principal
rbishop@berrydunn.com

TRACY HARDING

Principal
tharding@berrydunn.com