



# **RISK MANAGEMENT FOR NONPROFITS**

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**DISCLAIMER**

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- Volunteers
- Events
- Financial
- Cybersecurity
- Legal
- Governance
- HR

## **WHAT TYPES OF RISK DO NONPROFITS NEED TO MANAGE?**

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- How can volunteers put organization at risk?
  - Challenge #1
  - PR-reputation
  - Accidents-property damage or personal injury
  - Disclosure of confidential information
  - Lawsuits
  - Risk tax exempt status
  - Violate laws

# **VOLUNTEER RISK**

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- Screening
- Training
- Supervision
- Age appropriate
- Family friendly?
- Insurance
- Sample Volunteer Policy

# HOW DO YOU MITIGATE?

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- Challenge #2
- Third Party Events
  - Contracts
- Organization planned event
  - Operations (vendor contract compliance)
  - Logistics (capacity, parking, lighting, hazards)
  - First Aid and reporting of incidents
  - Staff/Volunteer to attendee ratio
  - Promotion/Publicity/cancellation
  - Mission Dissonance
  - Insurance
  - Waivers
- Challenge #3

# EVENT RISKS



- Insurance
- Professional Bartenders
- Controls to prevent underage drinking
- Food
- Last call
- Attentiveness

# **ALCOHOL LIABILITY**

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- What are the risks?
  - Financial
  - Donor, Volunteer, Employee, organizational information
- Challenge #4
- Where are you vulnerable?
- Minimizing Risk
  - Background checks
  - Password protection
  - Policies for use of personal phones, laptops
  - Policies for money requests
  - Isolate wifi enabled equipment
  - Periodic professional review

# CYBERSECURITY

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- Data protection policies
- Use of Cloud
- Crisis Management Plan
- Insurance

# **CYBERSECURITY PLAN**

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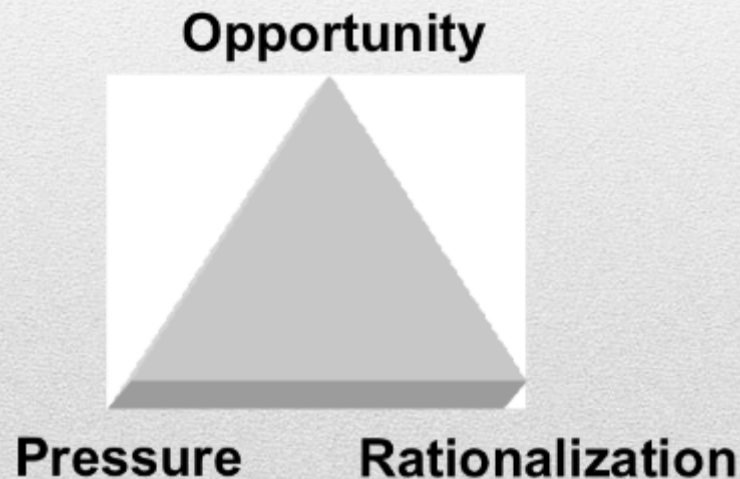
- Components of Crisis Management Plan
- IT should not be in charge: Why?
- Call Attorney before Accountants: Why?

# **CRISIS MANAGEMENT PLAN**

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- Fraud can only occur when opportunity, pressure and rationalization are all present.
- The Fraud Triangle:



# FINANCIAL RISK

- Opportunities
  - Inadequate or no supervision and review, segregation of duties, internal controls
- Pressure
  - Personal financial problems, personal vices
  - Unrealistic deadlines and performance goals
- Rationalization
  - Justification for action develops

WHAT CAN YOU CONTROL?

**OPPORTUNITIES, PRESSURE,  
RATIONALIZATION**



- Segregate duties of authorization, custodianship and recordkeeping
- Minimize or eliminate unrestricted access to assets or data
- Record all transactions, accountability
- Reconcile assets
- Regular audits
- No unauthorized transactions or overriding controls allowed
- Implement controls, don't just have policies, enforce them
- Supervise employees and especially volunteers

# FRAUD PREVENTIONS

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- Contracts
- Permits
- Waivers
- Fiduciary Duty
- Conflict of Interest
- Tax Compliance
- Tax Exempt Status- Challenge #5
- HANDOUT

# LEGAL RISKS

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- Acceptable benefits:
  - Naming rights
  - Web link IF ONLY acknowledges sponsors services and support
  - Signage
  - Tickets to events (use 2% rule)
  - Booth at events
- Potential Problems:
  - Charity promotes or markets sponsor
  - Charity directs attendees to do business with sponsor
  - Who hands out coupons/marketing materials?
  - Descriptions of products or services that are not neutral
  - Benefit exceeds 2% of total amount of sponsorship payment
  - Sponsorship contingent on level of attendance, broadcast ratings, degree of public exposure
  - Hyperlink

# QUALIFIED SPONSORSHIP RULES

- Compensation
- Whistle Blower
- Recruitment (Federal, State and Local EEO Laws)
- Code of Conduct
- Expense reimbursement
- Procurement
- Investment
- Financial Document and Tax Return Preparation
- Audit Procedures
- Conflict of Interest
- Financial Reconciliation and Review
- Succession Plan
- Crisis Management Plan

# **CRITICAL GOVERNANCE POLICIES**



- Employee Handbook (includes policies that affect employees) Pros and Cons
- Understand State and Federal Laws that govern your organization (often governed by number of employees. 15+ employees= Lots of regulations)
- Clear terms of employment and at-will status
- Non-discrimination
- Consult attorney before terminating (or harshly disciplining) employee.
- Have attorney review Employee Handbook

# HUMAN RESOURCES

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