



Top 10 Areas of Risk for Schools

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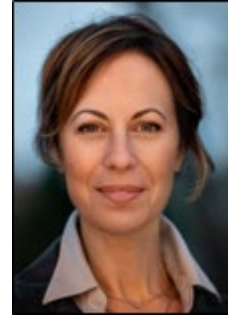
Your Presenters

Christine DiMenna, Director



Christine provides audit and risk assessment services to a wide variety of companies and nonprofit organizations, including foundations, colleges, universities, independent schools, and health care organizations. She provides services such as Sarbanes-Oxley readiness and compliance, corporate compliance, internal audit, risk management, and assessment of internal controls. She brings more than 20 years of experience to her role.

Jocie Dye, Principal



Jocie Dye leads CLA's Business Opportunity Assessments (BOA) practice. She has more than 20 years' experience in financial, operational and IT management and leverages this experience to assist clients in assessing the structure, processes and systems of their finance and operations, with an eye toward integration of cloud-based systems and automated processes. Prior to joining CLA, Jocie was the Managing Director of Finance for a national charter school network based out of PA. Jocie currently works with a wide variety of nonprofit and for-profit clients, with a focus in the charter school sector.



Learning Objectives

By the end of this session, you will be able to:

- **Describe potential risks that can impact a school**
- **Identify opportunities to mitigate risks**





Enterprise Risk Management - Reimagined



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Polling Question

When is the last time the organization performed or updated an ERM assessment?

- A. Never
- B. In the past 6 months
- C. In the past year
- D. Over 1 year ago
- E. Unsure

Traditional ERM Methodology



Enterprise Risk Management - Reimagined

- **Be proactive not reactive**
- **Challenge the current process – risks are too unpredictable for traditional approach**
- **Facilitate regular risk discussions**
- **Monitor for emerging threats and opportunities**
- **React quickly**
- **Mitigate emerging risks on a continuous basis**
- **Need real time systems – not a periodic risk review**



Top 10 Risks

10. Preserving community

9. Retaining and hiring quality teachers

8. Virtual classrooms / privacy concerns

7. Student engagement



Top 10 Risks

6. Enrollment uncertainty / International student population

5. Financial aid / refund requests / uncertainty of funding climate

4. Health and safety standards



Top 10 Risks

3. Remote work

2. Changes to processes and controls

1. Cybersecurity



ERM of the Future

- **Scenario analysis**
- **Identify trends and evolving risks**
- **Predictive analytics**
- **Automate processes for rapid response**
- **Use of specialized software and dashboarding**
- **Embed ERM at all levels**





Operational Assessments to Identify and Mitigate Risks

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Operational Risk: Common Challenges in K-12 Schools Today



CLA approach to Assessing Operations

Structure

- Critically review roles and responsibilities, job descriptions and skill sets needed, staff capacity and workload, reporting structure, team culture, and other structural components.

Process

- Walk through all core processes to identify areas of potential risk, opportunities for automation, spots with likely errors, controls concerns, and redundancy. This includes everything from entering an invoice to budgeting and reporting.

Systems

- Seek to understand the key components of the core technology systems, how they are structured, and where the organization isn't using technology, but could to help automate or streamline. Look at how data flows through the organization. Review systems of record and system integrations, and analyze areas where the movement of data between systems or functional areas is a manual process.



Methodology for Assessing Operational Risk

- **Documentation Review**

- Audit findings; management letter comments
- Large variances on financial statements
- Gaps, vacancies in org charts
- Heavy reliance on paper processes

- **Staff Surveys**

- Where are staff spending the bulk of their time
- Major pain points
- Areas of duplication



Methodology for Assessing Operational Risk

- **Interviews and Walkthroughs**

- Step through each process from start to finish; process mapping
- How many hands touch it?
- Approvals and audit trails
- How much are we tracking in Excel?

- **Observations and Recommendations**

- What did you learn?
- What is the impact – inefficiency, duplication of efforts, risks from inaccurate reporting to the potential for fraud, real cost to the organization
- How can we better leverage technology to gain efficiencies and mitigate risk?



Team/Structure- Common Observations

Lack of time for professional development and team skill building.

Critical operational teams, e.g. finance and accounting, has not grown at pace with the org.

Teams are missing critical skillsets – often analysis, planning, and compliance.

Are there broader cultural issues impacting compliance and risk of the entire organization?



Process- Common Observations

Processes are paper-heavy; manual signatures; lost documents; requires in-person execution.

Lack of segregation of duties lead to concentrated risk in the hands of specific individuals.

Decentralized purchasing power with lack of control of spend to budget.

Lack of formal month end close process. Late financials and mess at month end.



Systems – Common Observations

Assuming automation is too expensive; avoiding add-on systems.

External facing systems are prioritized while internal systems fall behind.

Lack of internal capacity or skill sets to truly manage cybersecurity risk.

Lack of data integration causing manual movement of data is prone to risk and human error.





Polling Question

What is your plan to evaluate IT security in light of personnel changes due to the pandemic?

- A. Assessment or review is underway
- B. Planning to assess or review in the next 90 days
- C. No current plans for an assessment or review

Impact of Observations

- **Lack of compliance oversight due to overworked or untrained staff**
- **Weak internal controls over financial operations**
- **Manual processes lead to increased error and opportunities for fraud**
- **Data silos lead to unclear systems of record or single points of truth**
- **Increased reliance on a remote work environment has led to greater exposure to cybersecurity risk**



Important things to consider

- **The overall goal: better mitigate risk for the organization**
- **Engage all related staff in the process**
- **Frame the discussions as a way for everyone to help shape the future of organization; not as an “audit” or restructuring**
- **Gain insight from stakeholders and leadership, too**
- **Once you identify opportunities for improvement, go the next step and develop an actionable, yet realistic plan to implement the changes**



Implementation Roadmap

- **Identify the top 3 – 4 priorities**
- **Determine sequencing & resources required**
- **Take a long view to improvement – what can we implement over the next 12 – 18 months**
- **Engage external resources as appropriate to assist with implementation**





Questions

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Dennis Osuch, Principal

Dennis.Osuch@CLAConnect.com

602.604.3630

Christine DiMenna, Director

Christine.DiMenna@CLAconnect.com

860.570.6439

Jocie Dye, Principal

Jocie.Dye@CLAconnect.com

267.419.1141



CLAconnect.com



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