Risk Management Quiz:

(don't look at the answers until you've tested yourself first):

1. What are the two 'dimensions' of risk?

2. What are the three ways organizations can reduce risk?

3. In what 5 cases are Board Members of organizations potentially personally liable even when indemnified by by-laws and even when D&O insurance is obtained?

4. What are the three most common types of lawsuits filed against non-profits?

5. Why do risks associated with *partnership* (unincorporated) ventures require special attention?

6. In a recent survey, what % of small non-profit organizations had suffered at least one fraud since they were incorporated — 8%, 18%, 38% or 58%?

7. What was the average amount of the frauds reported by small non-profit organizations — $25k, $50k, $100k, $200k, or $500k?

8. What do you call procedures put in place to prevent or detect fraud and accounting errors?

9. What is the meaning of "fiduciary duty"?

10. What kind of fraud is a "write-off scheme"?

11. Postponing payment of overdue bills at the end of the year or the end of a fiscal quarter in order to inflate the reported cash balance is called______?

12. Stealing cash by pocketing cheques from one customer, and then covering it by crediting a later cheque from another customer to the first customer's accounts receivable account, is called ______?

13. What are the five most common types of fraud in small non-profit organizations?

14. According to the US Nonprofits Assistance Fund, how much cash should a typical small non-profit maintain in its reserve fund?

Quiz Answers:

1. Likelihood, impact. If likelihood and impact are both high, we control, mitigate and transfer/share the risk. If only likelihood is high, we manage it. If only impact is high, we monitor and manage it. If neither is high, we accept and monitor it.

2. Improve systems, improve processes, change culture eg. to reduce likelihood and impact of theft we can install security *systems*, we can implement bank reconciliation reviews and other *processes*, or we can ensure we have a *culture* that makes even petty theft not OK.

3. Board members can be charged with personal assault/harassment/discrimination or wrongful dismissal; they are liable if they sign personal guarantees; they are personally liable for the cost of failure to withhold taxes or file returns; they are liable if they co-mingle or divert funds, and they may be liable if they intentionally commit a harmful or illegal act.

4. wrongful dismissal, breach of contract, accidents/personal injury suits

5. Without incorporation, partners are jointly and severally liable i.e. their risk is not limited to their % in the partnership.

6. 38%

7. $200k

8. internal controls

9. Legal duty of the Board to manage money, property and operations of an organization with the utmost care.

10. writing off a receivable as a bad debt and then pocketing the cash received

11. window dressing

12. lapping

13. fake invoices; skimming cash before it gets into accounts; theft of inventory & supplies; cheque tampering; fake/inflated expense reports

14. 3-6 months' expenditures