

The Increasing Call for Risk Management Programs at Independent Schools

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In today's ever-changing world, it has become more important than ever for independent schools to become comfortable discussing risk and being proactive about mitigating a variety of circumstances over which they may not have control.

Given the events of the past year and a half and the pressures that all independent schools are facing as a result of the COVID pandemic, proactively discussing, planning and preparing for potential risk factors has taken on a whole new priority. For those independent schools that have been working to implement risk management programs (e.g., leadership, processes, governance, communication, engagement), many have found that discussion on the risks facing the school is a way to protect its reputation and brand.

In fact, as a result of implementing risk management programs, many independent schools have realized significant benefits in the form of:

- Robust discussion and communication among the board, management and risk owners.
- Enhanced understanding of the core strategic and operating elements of the school.
- Improvement in overall strategies and operations across the school.
- Visibility and understanding of the risks at all levels.
- Mitigation of risk factors.

Talking about risk has dramatically improved communication, discussion, understanding, and, most importantly, awareness of the opportunities and challenges faced by the school.

So, why aren't all independent schools implementing risk management programs?

For those schools who are new to the idea of having a risk management program, the prospects of (1) increasing expenses for risk management efforts, (2) assigning an additional set of responsibilities for already stretched employees, and (3) inviting additional review and critique of processes and procedures may present some initial concerns.

Regardless, executive leaders and boards who have guided and weathered the COVID storm and have seen the previously unidentified/unmitigated risks become reality in the schools they serve are more and more interested in identifying and mitigating other risk factors where the school could be exposed. One-off requests on certain areas of concern, special projects to dive-in on perceived or immediate risk factors, and a desire for risk registers and other robust documents are increasing considerably.

For schools developing this capacity, a conversation about risk and setting up a risk program does not have to be a painful or difficult task. Taking the initiative to develop a plan to identify and mitigate a school's risk can have a considerable positive impact. Leaders taking this proactive step will not only be addressing an immediate and important need for their schools, they also will be enhancing visibility for all members of their community.

How can leaders enable their schools to successfully launch and benefit from a risk management program?

When someone mentions “risk” in relation to the school, most everyone thinks of a senior-level individual (e.g. COO, CFO) and assumes that this person is responsible for risk management. It is also likely true that this individual is extremely busy and has limited capacity to address the existing mission critical functions of their roles, let alone expand the set of activities to also include risk management. Further, this individual does not have a full view of each and every risk in the organization.

Nevertheless, as the need for risk management increases, this person is going to be responsible for creating a risk management program for the organization. This risk management program will include many elements of the school – the board, executive leadership, functional risk owners such as IT, HR, and finance – as well as external partners such as auditors, legal counsel and public relations firms.

As an executive leader or board member identifying the need for a risk management program for your school, it is critical to engage proactively with the individual “owning risk” to provide guidance and support for the effort to create a risk management program and helping to define success. Success is not the individual spending considerable time and effort taking on all risks and mitigation plans in a short time frame. Rather, success is leading the engagement, communicating efforts and facilitating conversations about risk that will emerge and grow over the coming months and years.

What steps should be taken to develop a risk management program?

The following steps should be considered as leaders plan and implement a risk management program:

- Develop an initial risk management program hypothesis for discussion
 - Establish the scope, objectives and governance of the risk management program .
 - Define the risk management program functions initially and ongoing.
 - Consider the capacity and resources available for a risk management program.
 - Determine a realistic implementation timeframe.
- Introduce/facilitate a conversation with board and executive leadership about risk in your organization
 - Highlight the limited resources available for this program, but also emphasize the immediate need to start down this path to create a robust and formalized risk management program.
 - Using the program hypothesis as a frame/starting point, discuss risk management program scope, objectives and governance.
 - Establish a realistic timeframe for implementation based on the resources available.
 - Emphasize board and executive support for the program.
- Begin the implementation of a risk management program in line with the agreed upon scope, governance, timeline and degree of robustness
 - Codify the vision, mission and objectives for the risk management program.
 - Establish the risk committee and risk committee charter.
 - Determine definitions for levels of threat and priority for risks.
 - Develop an initial set of risks in the organization.
 - Prioritize initial set of risks and develop strategies/tactics to mitigate risks.
 - Develop communication materials, timing and forums to review regularly questions with larger set of risks and dive-in on details for several of the more timely risks.
 - Launch risk management program in order to continuously enhance the quality of risk visibility and mitigation for the organization.

What are the benefits of a risk management program?

It is more important than ever for independent schools to understand their entire risk portfolio. The effective and efficient allocation of time and effort into initiatives such as a risk management program is important.

With regard to risk, proactively investing the time and effort to build a robust risk management program not only has benefits in the form of risk identification and mitigation, it also becomes a channel for school-wide communication. Make your school more resilient and consider protecting it in ways that would help ensure its long-term sustainability for many generations to come.

How can we help?

PKF O'Connor Davies can assist with facilitating discussions, planning, and implementing a risk management program for your independent school, as well as provide any needed accounting, audit, tax compliance and advisory services.

Contact Us

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