



Risks & Controls for Managers

February 23, 2023



What is risk?



Risk

- Risk is the threat that an event, action, or non-action will adversely affect the district's ability to achieve its objectives and execute its strategies successfully.
- Risk is measured in terms of consequences and likelihood.

Risks

Every organization faces a variety of risks from external and internal sources that must be assessed.

- A precondition to risk assessment is the establishment of objectives, linked at different levels and internally consistent.

Risks, continued

- Risk assessment is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for determining how the risks should be managed.
- Risk management is protecting the district from significant risks.

Considerations in Managing Risk

- Evaluate the nature and types of errors and omissions that could occur, i.e., “what can go wrong”
- Significant risks (errors and omissions) that are common in your area or have been experienced in prior years
- Information technology risks (e.g., access, backups, security, data integrity)
- Volume, size, complexity and homogeneity of the individual transactions processed through a given process (students, personnel, etc.)

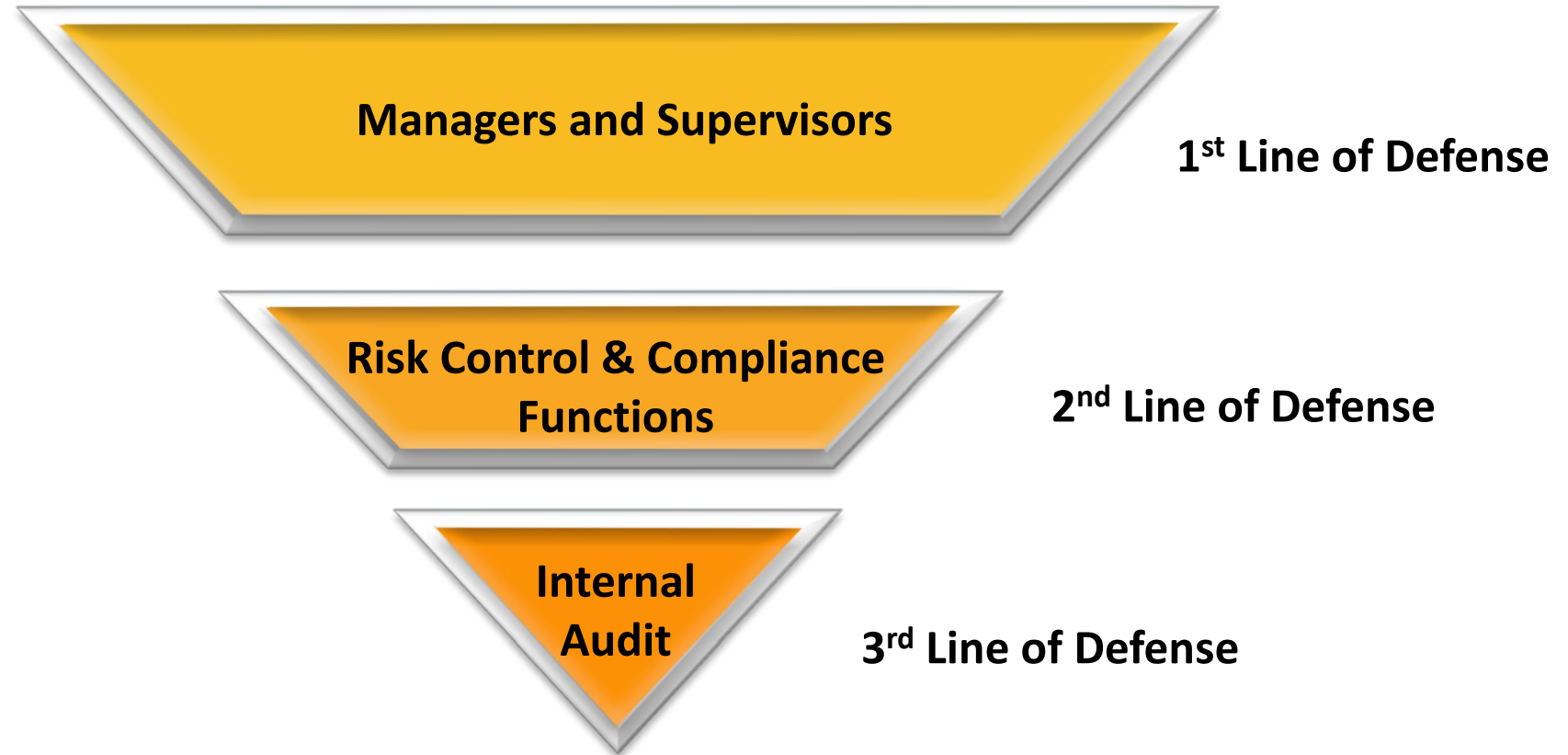
Considerations in Managing Risk, continued

- Susceptibility to error or omission as well as manipulation or loss
- Robustness versus subjective-ness of the processes for determining significant estimates
- Extent of change (internal/external, systems, key personnel) and its expected effect

Life Cycle of Risk Management

Involvement Timing	Involved Parties
Before the event occurs	Management
During (in the moment)	Staff and management
After the event is over	Audit

Controlling Risk is an Enterprise-Wide Responsibility



How do we manage (control) risks?



Internal Controls

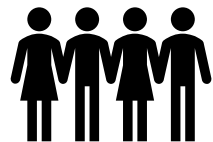
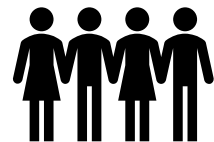
- Integrate the activities, plans, attitudes, policies and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its mission. (By reducing risk)

Internal Control Concepts

- Internal control is a process. It's a means to an end, not an end in itself.



- Internal control is effected by people at every level of the district. It's not merely policy manuals and forms.



Internal Control Concepts

- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to management and the board.



- Internal controls should mitigate risk to a level tolerable to management and/ or stakeholders



What are Internal Controls?

- Procedures developed and designed by us
- Managed and used by our people
- Built into our work activities
- Designed around our systems and processes

But why do all this?

Why?

To ensure that our operations work the *way* we want so we can accomplish *what* we want

OCPS' Internal Control Objectives

- Successful achievement of the District's mission
- Accurate collection, maintenance & reporting of district data
- Safeguarding of assets
- Effective, efficient and economical programs and operations
- Compliance with laws, regulations and policies
- Prevent / detect fraud, waste, and abuse

Florida Statutes 1010.01

- (5) Each school district, Florida College System institution, and state university shall establish and maintain internal controls designed to:
- (a) Prevent and detect fraud, waste, and abuse as defined in s. [11.45\(1\)](#).
 - (b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
 - (c) Support economical and efficient operations.
 - (d) Ensure reliability of financial records and reports.
 - (e) Safeguard assets.

Fraud

Obtaining something of value through willful misrepresentation, including, but not limited to:

- intentional misstatements or intentional omissions of amounts or disclosures in financial statements to deceive users of financial statements
- theft of an entity's assets
- bribery
- the use of one's position for personal enrichment through the deliberate misuse or misapplication of an organization's resources

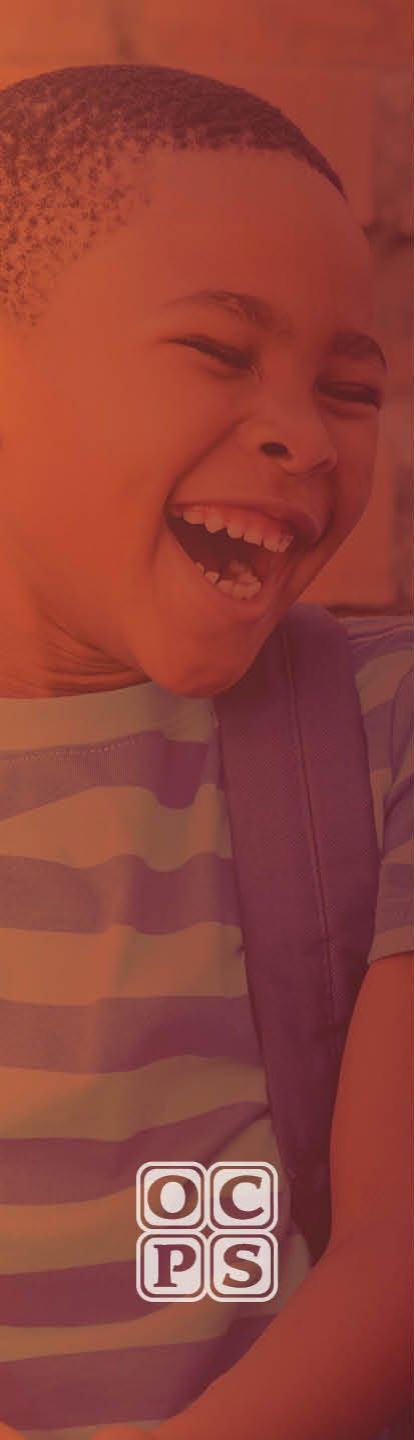
Waste

The act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose.

Abuse

Behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances.

Includes misuse of authority or position for personal gain.



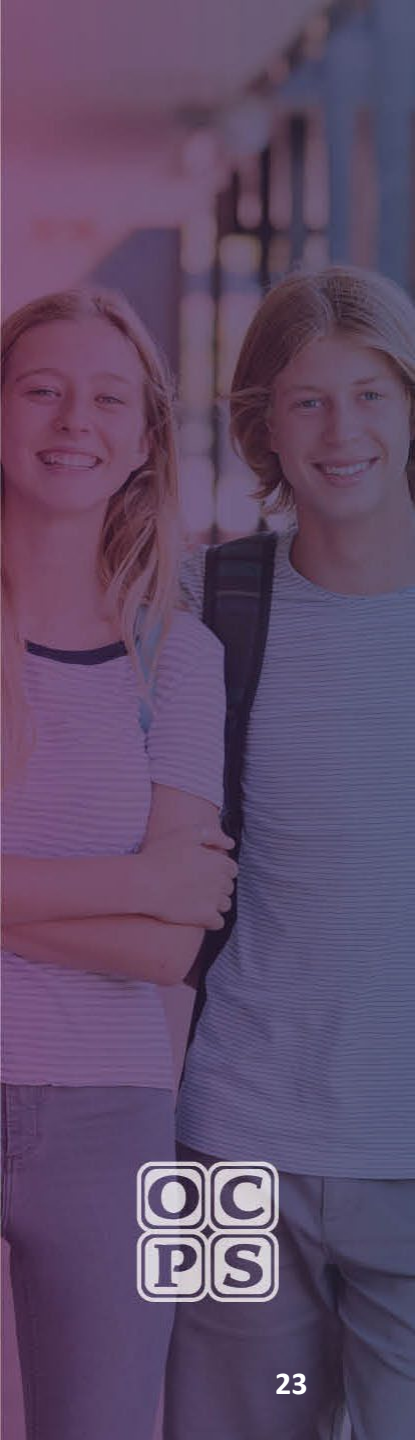
Who is responsible for internal controls?





Everyone!

What is your role?



Every Employee

- Helps ensure the district's internal controls are effective by:
 - Following them
 - Reporting problems or concerns
 - Suggesting improvements

Managers

- Help ensure the district's internal controls are effective by:
 - Setting the right “tone at the top” for their business units
 - Embracing their role as the first line of defense
 - Being risk aware
 - Initiating and monitoring controls to mitigate risks, including regulatory requirements
 - Encouraging staff to communicate concerns

General Expectations

- Acknowledge your responsibility for the design, implementation and maintenance of the control structure within your business processes
- Contribute direction to identify, prioritize and review risks and controls
- ❖ Remove obstacles for compliance; remedy control deficiencies
- Continue or begin a program of self-assessment and testing to monitor the controls within your processes

Action Items

- Educate your personnel about these requirements and this effort (Communication tips follow & we can help)
- Reinforce internal focus on controls within your area
- ❖ Raise any risks, concerns or issues promptly to allow adequate attention for correction (don't wait for an audit!)
- Fix control gaps as soon as possible

Communication (1/2)

- All personnel must receive a clear message from top management that control responsibilities must be taken seriously
- They must understand their own role in the internal control system, as well as how individual activities relate to the work of others

Communication (2/2)

- They must have a means of communicating significant information upstream
- There also needs to be effective communication with external parties, such as taxpayers, community members, suppliers, regulators and stakeholders

Examples of Internal Controls



Preventive

- Segregation of duties – dividing responsibilities so no one person controls an entire activity and thereby cause and conceal errors or fraud
- Safety procedures – precautions taken to help prevent accidents



Detective

- Physical inventories – inspect assets on hand and match to assets recorded in the books to detect missing items
- Supervisory reviews – review of work performed to detect error and omissions

Their Success. Our
Your Support. Their
Our Promise. Your
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Why Does This Matter?



If Internal Controls Are Not Effective, We Could





- Fail to meet our goals and objectives
- Violate laws or regulations
- Lose assets and/or opportunities
- Damage our reputation
- Lose our jobs

Internal Controls Are Important

For every area of the District no matter:

- How large or small the department is
- Whether or not the department handles money
- Whether or not the department handles confidential information

How Can You Help?

- Check your controls from time to time ✓
- Contact us if you have a concern that something is not working for you  
- Share your ideas for improvement 
- Don't hesitate to ask for help or advice 

Internal Control Resources

- Internal Control Program brochure
- Internal Controls web page
https://ocps.net/departments/internal_audit/internal_controls
- Internal Control tips
https://ocps.net/departments/internal_audit/internal_control_tips
- Linda Lindsey, School Board Internal Auditor
linda.lindsey@ocps.net ext. 2002897



Reporting Concerns and Fraud

- Your supervisor
- Hotline: 407-317-3976
- Internal Audit: 407-317-3200, 2002897
- Professional Standards: 407-317-3239
- Legal Services: 407-317-3411
- OCPS Police: 407-317-3325



Questions and discussion



Our Promise. Your Support. Their Success.

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