

# Risks - What You Need to Know

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# What Do You Think?

In the chat, please introduce yourself, identify which department/unit you are from, and list the first thing that comes to mind when you hear the word "**risk**".



# Objectives

- Define risk
- Describe the roles of Internal Audit and Risk & Compliance
- Examine risks at Kansas State University
- Explain how employees can help identify and mitigate risk in their department

# Definition

- Possibility of **loss** or **injury** (Merriam Webster Dictionary)
- The possibility of something **bad** happening (Cambridge Dictionary)
- A chance or possibility of **danger, loss, injury** or other **adverse** consequences (Oxford English)
- The potential for **uncontrolled loss** of something of value (Wikipedia)
- The effect of **uncertainty** on objectives (ISO 31000:2009)

# Risk is...

- An uncertain event or condition that, if it occurs, has a **POSITIVE** or **NEGATIVE** effect on objectives.



# RISK

## Threat

Any uncertainty that, if it occurs, would affect one or more objectives

**NEGATIVELY**

## Opportunity

Any uncertainty that, if it occurs, would affect one or more objectives

**POSITIVELY**



# THREATS

- Global Pandemic
- Declining enrollment
- IT breach
- Research misconduct
- Theft
- Conflicts of interest
- Inadequate funding

# Threats you might not have thought of

- Improper segregation of duties
- Clocking in when not working
- Noncompliance with federal, state, University policies
- Inefficient ways of processing transactions, information, etc
- Negative public perception





# OPPORTUNITIES

- Research breakthroughs
- Growth potential (enrollment, grant awards, etc)
- New construction
- Increased value of higher education completion
- Technological advances

# Risk is bad...or is it?

- Determine what risks are acceptable and unacceptable.
- What is the **risk tolerance** of the University?
- Cost vs Reward
- Grow and Prosper

# Internal Audit's Role

- Assess compliance with federal, state, University policies / regulations
- Make recommendations to improve operations, improve internal controls, and gain efficiencies
- As part of Risk Advisory Work Group, advise management of high risks on campus
- Give guidance on questions related to policy
- Provide in-house consulting services



# Office of Risk & Compliance Role

- Leads K-State's Enterprise Risk Management and Compliance program.
- Support risk owners by helping them identify, assess and treat risks in their areas.
- Advise leadership on university-wide risks and treatment techniques.



# Areas for Today's Session

- Contract Review
- International Travel & Activities
- Business Procurement Cards
- Time & Leave

# Contract Review

- PPM 3070 – University Contracts
  - University contracts may be signed only by authorized University signatories.
  - All University contracts must be reviewed by the Office of General Counsel for proper form and legal sufficiency
- PPM 6310 – Purchasing Procedures
  - All contract services, commodities, equipment and capital outlay items must be obtained through the University's Purchasing Office or by direct purchase in accordance with University purchasing procedures

# Contract Review

- Elevated risk activities, services, equipment, etc...
- Insurance and Certificates of Insurance
  - Coverage types
  - Limits
- Indemnification
- Force majeure clauses

# International Travel & Activities

- PPM 3120 - International Travel & Activities Policy
  - Required trip registration
  - Elevated risk locations
  - Foreign Corrupt Practice Act
  - Export controls
  - Third-party contracts
  - Loaner laptop program
- International travel insurance and travel assistance services





# BPC Risks

- Bypass normal procurement controls, reviews, and approvals
- Fraud and abuse
- Duplicate payment (BPC and APV)
- Bypassing preferred vendor
- Split purchases

# BPC Cards - What You Can Do?

- PPM 6310.060
- Limit number of cardholders and daily/monthly spending amount
- BPC training
- Adequate documentation / approval
- Reason for purchase
- Reconciliation of BPC statement

# Time & Leave Risks

- One employee initiating and approving changes
- Hours not reviewed and approved by employee's supervisor
- Working and not recording time (non-exempt)
- Recording work time when not working
- Not recording leave when absent from work

# Time & Leave - What Can You Do?

- Record time accurately
- Take leave when not working
- Supervisors - review and approve hours
- Review reports - overtime, vacation use, leave accruals, etc
- Segregate duties
- Monitor web clock in access

# Case Study

## Background Info


- Pay raise was discussed with the employee but pay raise was not able to be given
- Employee was reclassified but not the position the employee wanted
- Employee declined to sign the reclassification forms
- Employee asked area Manager if OT would be allowed to make up for not being reclassified to higher level
- Manager approved OT
- Employee told his Supervisor the area Manager authorized OT. No communication between Manager and Supervisor. Manager assumed Supervisor knew why OT was being worked. Supervisor assumed Manager knew why OT was being worked.
- Employee's ride to and from work was public transportation. Employee rode on same schedule when recording OT

# FACTS

- Employee had less than 5 hours OT prior to reclass
- After employee declined to sign the reclass, the employee started recording 10 OT hours per week except for when vacation or sick leave was reported
- Employee was not spending more time on campus when working OT and duties requiring OT could not be done at home
- Employees in similar positions were recording OT sporadically
- No review of OT reports by management
- Area Manager who approved OT did not know whether OT was needed
- No OT policy in department
- Timesheets were not questioned when OT was recorded and person approving timesheet did not know if OT was needed



WHAT RISKS DID YOU SEE?

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- No OT policy
  - Person approving OT did not know if OT was needed
  - No communication between Supervisor (person approving time sheets) and Area Manager (person who approved OT)
  - No OT reports generated or reviewed
  - Person who would know if OT was needed was not consulted





# What Risks are in Your Department?



Questions?

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