 <p style="text-align: center;"><b>Paradise Oaks Youth Services Policy &amp; Procedure</b></p>	Policy Issuer	<b>Quality Assurance Department</b>
	Policy Number	<b>(QA-2021-001)</b>
	CARF Number	
	Effective Date	<b>TBD (Pending Approval)</b>
	Revision Date	
Title: Risk Management Plan	Review Date:	
	Next Review Date: Annually and as needed	
<b>Department:</b> <b>Quality Assurance</b>		
<b>Policy Holder:</b> <b>Kinsley Titchener, M.Ed.,</b> <b>Paradise Oaks Youth Services'</b> <b>Corporate Compliance Officer</b>		
<b>Approved by:</b> <b>Bob Pye, CEO</b>		

**I. POLICY:** Paradise Oaks Youth Services recognizes that risk management is one of the key principles of effective corporate governance and operational planning, day-to-day management, and decision making at all levels of the organization.

**II. PURPOSE**

Paradise Oaks Youth Services enacted this policy to establish and implement a Risk Management Plan which manages risks and ensures a reduction in the severity of loss if one were to occur. This policy intends to establish a robust risk management system that supports decision-making when setting objectives, prioritizing strategic alternatives, and analyzing organizational-wide results. It also serves to enhance and to calibrate Paradise Oaks Youth Services' internal oversight to ensure continuous improvement for operational processes, performance management, and strategy. This policy is rooted in a systematic and consistent approach to risk management across Paradise Oaks Youth Services, cultivating a culture that encourages employees to engage in open dialogue about risk. Specifically, this policy seeks to establish a common language that articulates how employees are expected to approach a potential risk and strike an appropriate balance between identifying, reporting and addressing of risk. This policy also sets out to take a proactive approach to reduce and prevent undesirable incidents and/or outcomes and it will implement best practices across the organization.

Paradise Oaks Youth Services' risk management approach is guided by the following principles:

- i. Systematic and structured process

II. Transparent and inclusive process

III. Foreseeing and managing risk

The premise of this Risk Management Policy is (a) to build a systematic and iterative ongoing organizational process, that is (b) approved by executive leadership to identify if corrective action is needed in order (c) to achieve adequate and appropriate decision making that includes budgetary control.

Subsequently, this policy will include the following:

- (1) Identification of loss exposures;
- (2) Analysis of loss exposures;
- (3) Identification of how to rectify identified exposures;
- (4) Implementation of actions to reduce risks;
- (5) Monitoring of actions to reduce risk;
- (6) Reporting results of actions taken to reduce risks;
- (7) Inclusion of risk reduction in performance improvement activities

**III. SCOPE:** This Risk Management Policy and procedure applies to all Paradise Oaks Youth Services' employees, departments, and functions that deal with risks to the organization and its stakeholders in any form.

**IV. OBJECTIVE:** The objective of this Risk Management Plan will help Paradise Oaks assist (a) the organization to achieve its business objectives, (b) operate effectively and efficiently, (c) protect the employees, staff, internal/external stakeholders and assets, (d) make informed decisions, (e) and comply with applicable California laws and regulations.

**The Risk Management Plan Definitions:**

<b>Compliance Risk Profile</b>	The current and prospective risk to earnings or capital arising from violations of or nonconformance with laws, rules, regulations, internal policies and procedures, and ethical standards
<b>Impact</b>	The influence and effect of a risk
<b>Inherent Risk</b>	Risk that is inherent to a process, taking into consideration the likelihood and impact of a risk

<b>Loss</b>	An unplanned reduction in the value of something.
<b>Mitigation</b>	Actions which reduce a risk or its consequences
<b>Metrics</b>	Measuring the effectiveness and/or success of risk mitigation strategies
<b>Monitoring</b>	The entirety of risk management is monitored, and modifications are made as necessary. Monitoring is accomplished through ongoing oversight by management activities, separate evaluations, or both
<b>Probability</b>	Is the likelihood that a risk will occur
<b>Risk</b>	The chance of loss or gain; the possibility that an event affecting the achievement of an organization's mission or objectives will occur
<b>Risk Acceptance</b>	The decision to accept the consequences, impact, and likelihood of a risk. No action is taken to affect risk likelihood or impact
<b>Risk Appetite</b>	An organization's tolerance of risk; the amount of risk an organization willing to accept in pursuit of its mission/vision
<b>Risk Assessment</b>	The prioritization of potential business disruptions based on the impact and likelihood of occurrence; includes an analysis of threats based on the impact to the organization, its customers, and financial markets
<b>Risk Assessment Tools</b>	Instruments designed to assist employees in assessing and evaluating risks when making decisions
<b>Risk Control</b>	The technique of minimizing the frequency or severity of losses by any number of means such as training, safety and security measures, a

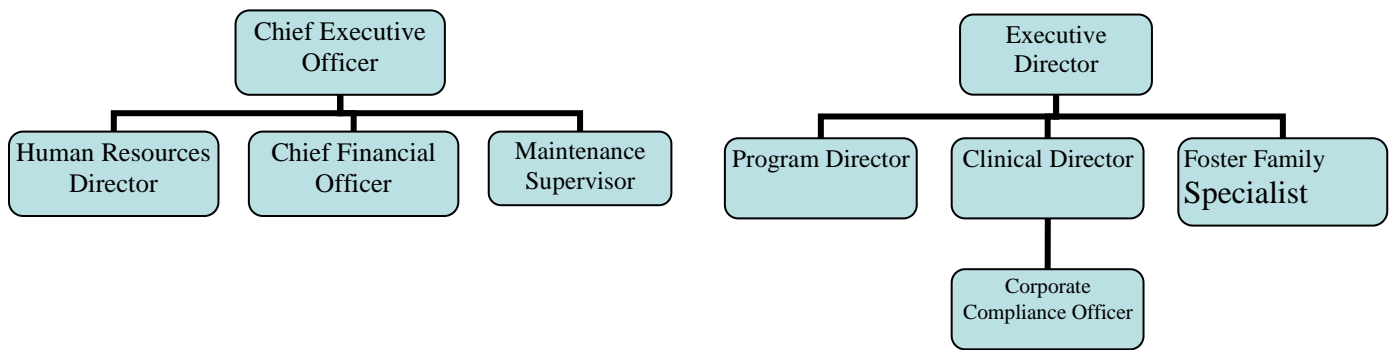
	regulation, policy, and procedure
<b>Risk Financing</b>	Involves the identification of risks, determining how to finance the risk, and monitoring the effectiveness of the financing technique that is chosen
<b>Risk Identification</b>	A process that reveals and determines the possible organizational risks that as well as conditions, arising risks. Risk management includes activities to realize opportunities while simultaneously mitigating threats
<b>Risk Management Policy</b>	An organization's written policy and procedure/statement that sets out its approach and intentions to an appetite for risk and its approach to risk management
<b>Risk Mitigation</b>	Actions to reduce a risk or its consequences (see Risk Strategies in policy)
<b>Risk Owner</b>	The risk owner is the individual or department who will take the lead in developing a plan of correction and executing a mitigation activity plan. The individual/owner is responsible for communication progress to executive leadership
<b>Risk Reduction</b>	Action is taken to reduce risk likelihood or impact, or both. Measures to reduce the frequency or severity of losses
<b>Risk Reporting</b>	Notifying and publishing information on risks to internal and external stakeholders

### **Risk Management Governance Structure/Risk Responsibility**

Paradise Oaks Youth Services' corporate compliance officer and executive leadership team is responsible for overseeing the establishment, implementation, execution, and maintenance of risk management systems and reviewing their effectiveness. Its role in relation to risk includes but is not limited to:

- (a) providing oversight on the creation, implementation, execution, and maintenance of its internal-control framework and processes

- (b) establishing a quantitative analysis (e.g., risk profile) of the types of potential threats Paradise Oaks Youth Services is at risk to; provide a non-subjective understanding of the nature, likelihood, level of potential disruption, and the effectiveness of control of the risk(s)
- (c) reviewing potential risks on an on-going basis and as needed
- (d) how ownership of risks is to be corrected, in accordance with function or expertise
- (e) regular reporting of risks (if any) by the corporate compliance officer to the executive leadership team
- (f) internal compliance and control systems for the implementation and execution of the risk management plan
- (g) compliance with regulatory requirements, applicable laws and procedures, and best practices



Responsible Entity(ies)	Roles and Responsibilities	Approval Authority
Corporate Compliance Officer; Executive Leadership;	Ensure that the overall risk management framework is effective and relevant and applied organizational-wide; Work in conjunction with Executive Leadership team, departments, and other functions in the organization to escalate the most critical risks for action: (i) report <i>catastrophic</i> risks (level 5) to designated authorities to make a shared informed decision on an action plan and mitigation strategy; (ii) report <i>major</i> risks (level 4) to the designated authorities to ensure quick implementation response to risk(s); Monitor and provide oversight on all action plans designed to mitigate risks; Analyze risk data, identifying new trends and patterns and presenting any information on potential organizational risk/mitigation plans/action plans/etc., to the Executive Leadership team and other pertinent departments and functions;	TBD on level of risk(s)

**PROCEDURE:**

*Identification* of risks is conducted by Paradise Oaks Youth Services’ Corporate Compliance Officer and Executive Leadership Team and is structured in four categories (e.g., operational, compliance, financial, strategic), and are documented on the Risk Register (Figure 1).

*The Risk Assessment/Risk Register Matrix* will be utilized by Paradise Oaks Youth Services to assist the organization with calculating the different response (e.g., fast, moderate, slow) times per each risk and what preventative measures/mitigation plans will be implemented to prevent future occurrence of risk(s), and the category of risk involved (e.g., operational, compliance, financial, strategic)—refer to Figure 1 and Figure 2.

PARADISE OAKS YOUTH SERVICES' RISK REGISTER									
Risk Category	Risk Description	Impact Description	Impact Level	Probability Level	Priority Level	Mitigation Notes	Owner of Risk	Root Cause Category	
Operational Compliance Financial Strategic	Brief summary of the risk	What will happen if the risk is not mitigated or eliminated	Rate = Low - High 1[LOW] 5[HIGH]	Rate = Low - High 1[LOW] 5[HIGH]	[IMPACT X's PROBABILITY] = Address highest risk first	What can be done to lower or eliminate the impact or probability	Who is responsible?	FAST: Likely to occur with little to no warning. MODERATE: Likely to occur within 2-4 weeks. SLOW: Likely to occur in four weeks or more.	
EXAMPLE RISK SCENRARIO --> Compliance	Data Breach - Violation of PHI/HIPPA	Can be cited with Class A or Class B Deficiencies if POYS does not respond to Community Care Licensing Corrective Action Plan by the designated date -- per Title 22, Code of Regulations. Deficiencies for DHCS and Sacramento County.	5 [Loss of client's confidentiality]	3	10	Corporate Compliance Officer will retrain all Paradise Oaks employees on HIPPA/HITECH/PHI. Corporate Compliance Officer in conjunction with Executive Leadership Team will revise (if needed) all Privacy Policies pertaining to risk endured (e.g., HIPPA/HITECH/PHI/Clients' Rights/Cybersecurity, etc.). This will be to ensure a less likelihood of this risk occurring in the future and preventative measures are taken by all employees, functions, and departments. POYS' IT Department will	Corporate Compliance Officer, Executive Leadership Team, and IT Department	FAST	

Figure 1

PARADISE OAKS YOUTH SERVICES' RISK PRIORITY MATRIX (Equation = [IMPACT X's PROBABILITY])						
	ALMOST CERTAIN 5	5	10	15	20	25
	LIKELY 4	4	8	12	16	20
PROBABILITY	POSSIBLE 3	3	6	9	12	15
	UNLIKELY 2	2	4	6	8	10
	RARE 1	1	2	3	4	5
		1	2	3	4	5
		NEGLIGIBLE	MINOR	MODERATE	MAJOR	CATROSTROPHIC
			IMPACT			

Figure 2

**Probabilities can be Estimated, Events can be Imagined**

The relative threat of each possible risk event is measured according to the following equation:

$$\text{Risk} = \text{Probability} \times \text{Impact/Severity}$$

Where impact/severity is *magnitude* (human, property, and business impact) minus (-) *mitigation* (preparedness, prevention, internal response, external response). Each category within magnitude and mitigation and overall likelihood of occurrence are judged on a scale. The final ordering can then continue in tabular (data) form (see Figures 1 & 2) to assist Paradise Oaks Youth Services with visualizing the greatest threats.

A common response to these types of predictable threats/risks can be resolved by obtaining insurance. Purchasing insurance for risk management purposes and intent is of benefit to Paradise Oaks Youth Services for the following reasons:

- Protection from financial loss
- Improve Liability
- Defends persons (e.g., volunteers, persons served, board members, etc.) against reasonable claims due to adverse events for which Paradise Oaks Youth Services is liable.

As part of this Risk Management Policy, Paradise Oaks Youth Services' insurance policy is reviewed for adequacy and at least annually.

**Paradise Oaks Youth Services' Insurer:**

**Non-Profits United; Nonprofits Insurance Alliance of California**

**Policy includes:**

<b>Commercial General Liability</b>
<b>Automobile Liability</b>
<b>Social Service Professional Liability</b>
<b>Improper Sexual Conduct</b>
<b>CyberRisk</b>

**Choosing to Take on Strategic Risks**

Paradise Oaks Youth Services executive leadership team, corporate compliance officer, departments, and other relevant functions to the threat/risk impacted, is responsible for making the most appropriate decision to ensure the health, safety, and welfare of all employees, stakeholders, volunteers, vendors, and other Our organization will utilize a basic decision-model (Young, 2006), which will allow Paradise Oaks Youth Services to make an appropriate and sound decision between two possible options—the decision to take action has two possible outcomes, a better outcome (A) and a worse outcome (B), whereas (C) is a riskless third outcome (see Figure 4; Young, 2006).

Paradise Oaks Youth Services will utilize the below equation:  $EV=pA+(1-p)B$ . Given the decision to take action, the probability of A happening is p and the probability of B occurring is 1-p, giving the equation:  $EV=pA+(1-p)B$ . This decision model will assist our organization with determining value for the possible outcomes for any threats/risks the company has endured.



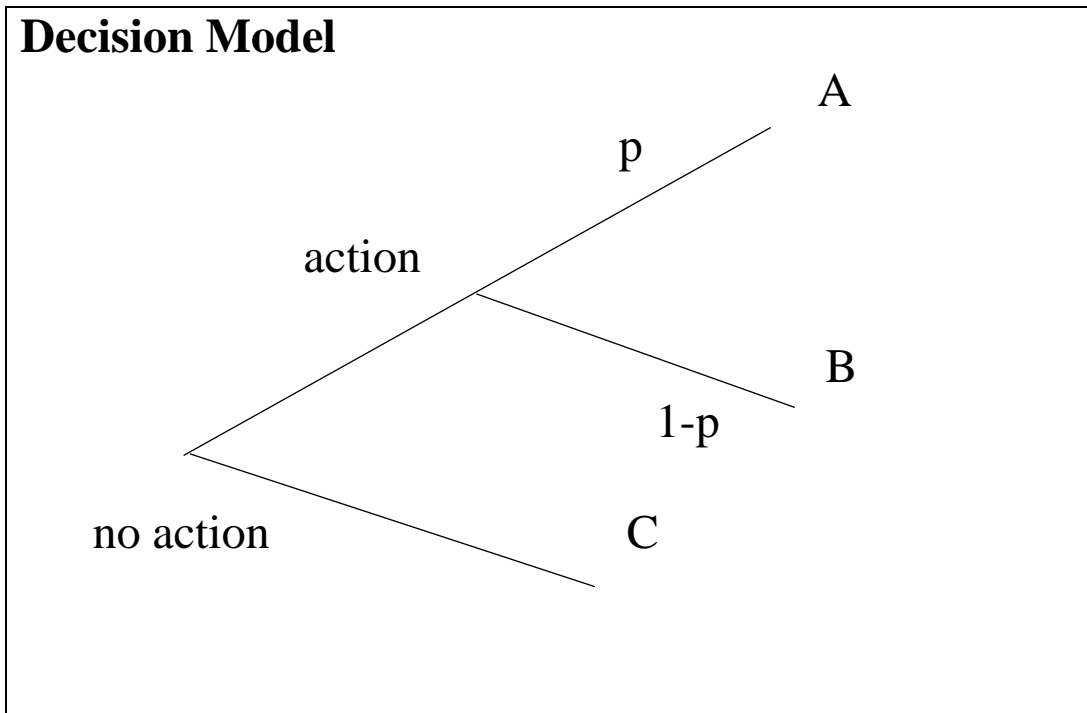


Figure 4

## Risk Appetite



Figure 5

## **Risk Management Procedures Regarding Communications With Media Relations and Social Media**

Increased development of social media communication can result in greater effectiveness of risk management, both internal to an organization and external. This strategy and process largely remains an organizational blind spot, underdeveloped, and safeguard; hence why Paradise Oaks Youth Services has implemented a media relations and social media policy (see policy #126).

Paradise Oaks Youth Services includes communication activities as a part of our risk management plan to ensure our organization minimizes the impact of potential threats and risks integral to communication. As Paradise Oaks Youth Services continues to build our presence across platforms to engage and serve clients, the scale and complexity of our organizations social media operations will continue to grow. With this growth, there is an inherent risk of encountering potential problems due to the increased amount of information being managed and the number of people involved. Our media relations and social media policy

### **Media Relations and Social Media Policy #126 attached**

#### **Review of Risk Management Plan**

Paradise Oaks Youth Services' will update the Risk Management Policy and Procedures when there are significant changes in the tasks, problems arising from the task, accidents or near misses, changes in regulations, improvements our organization have made, and at least annually. Paradise Oaks Youth Services understands that that most activities evolve over time. As our organization innovates, introduces new tools and equipment, streamlines the process – it can introduce new hazards. Additionally, when changes occur, Paradise Oaks Youth Services will review the Risk Management Policy and Procedure to prevent any threats or risks to the organization.

#### **Contracted Personnel/ Contracted Services**

Paradise Oaks Youth Services complies with all applicable legal and regulatory requirements relative to the management to the workforce. Our organization abides by the Internal Revenue Service – Small Business/Independent Contractor laws and regulations to ensure Paradise Oaks Youth Services conforms with CARF standards applicable to the services our organization provides. The leadership team, corporate compliance officer, human resource department, and other relevant functions and departments, will review all contracts and assess performance in relation to contracted services related to service delivery to the persons. Paradise Oaks Youth Services will review our contracted psychiatrist's services at least annually that assesses performance in relation to the scope and requirements of the contract.

#### **Risk Management as an Essential Part of Good Governance and Stewardship**

This Risk Management Policy is a framework to ensure Paradise Oaks Youth Services executive leadership team, corporate compliance officer, and other relevant internal functions act in the best interest of the organization's resources, mission, employees, and stakeholders. This policy also confirms the organization has a comprehensive understanding of risk management to protect the organization from any potential risks (e.g., waste of resources, property loss, litigation, changes in funding, new or growing populations, maintenance to organization's infrastructure, etc.). Additionally, this Risk Management Policy demonstrates Paradise Oaks Youth Services is taking a proactive

approach to controlling threats/risks to our employees, persons served, volunteers, vendors, and stakeholders.

Paradise Oaks Youth Services views risk management as an integral part of our mission. Our organization will continue to take the necessary steps to allow strategic risk management to emerge as a cornerstone of good stewardship and governance.