



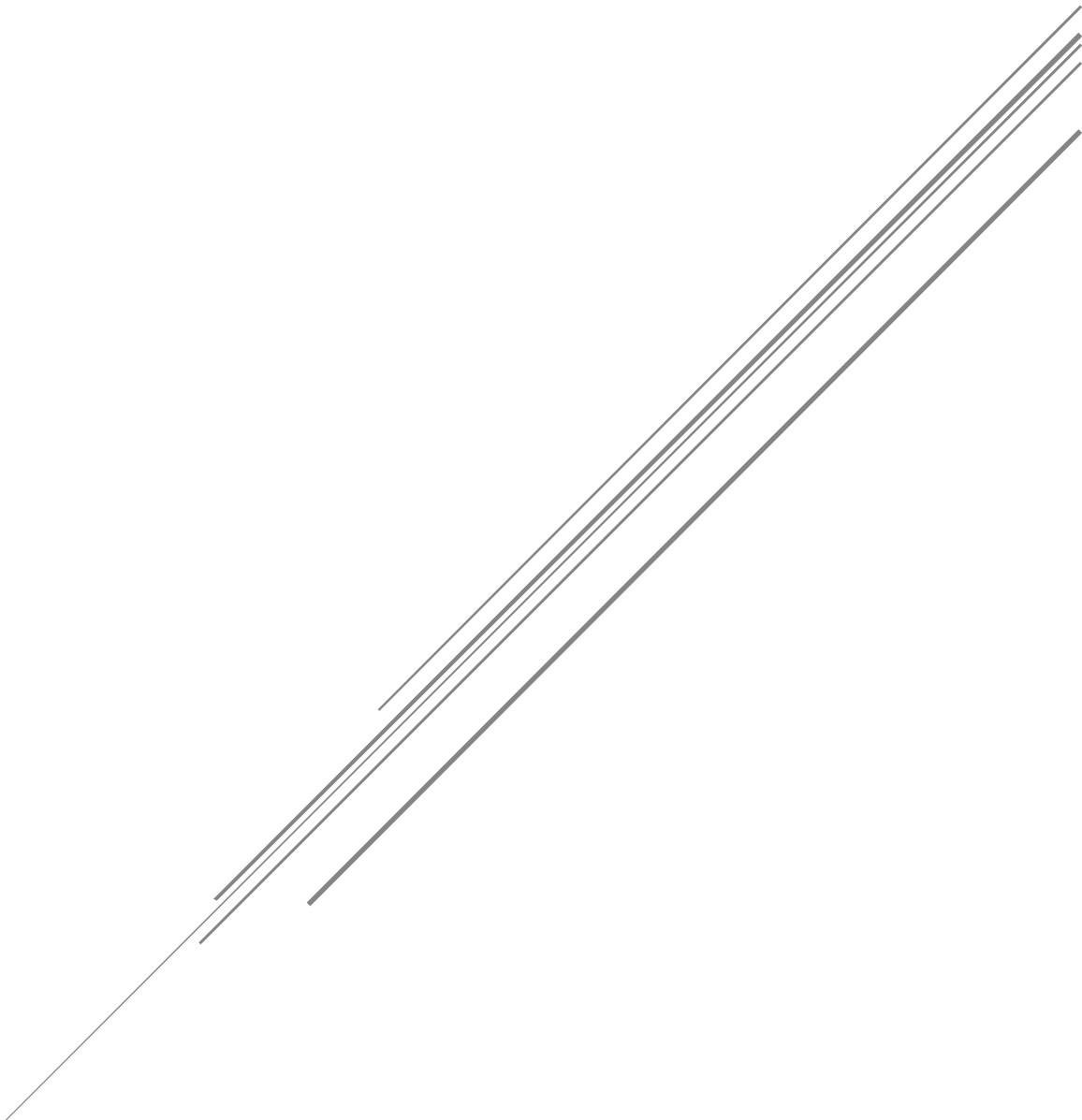
County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROLS 2

Finance, Budget, & County Mayor/Executive

SAMPLE RISK ASSESSMENT

On Solid Ground



Internal Controls 2

Sample Risk Assessment

County Mayors, Finance/Budget Directors and Highway Departments

One of the most important things in an internal control toolbox is the ability of management to perform a risk assessment of their current internal control process and procedures. Equally important for management is to address any concerns, deficiencies or other issues that arise as a result of the assessment.

The assessment should cover the original internal controls adopted in 2016 and any new risks that come to light.

On [month day], 2018, Sample Mayor, Finance/Budget Director and Highway Superintendents and management team conducted a risk assessment and reviewed the audit findings of the office.

I. Whether obligations and costs of the operations are in compliance with applicable law.

General

The Highway Superintendent has a written organizational chart, written job descriptions and an updated personnel policy. The highway department has the county's latest ethic policy on file in their office. All policies and written descriptions have been reviewed with each employee.

Risk Assessment Threat - Low

Physical Security of the Finance/Budget office

All employees including the director have a key to the office. The director and management team have keys to the main courthouse door. Outside of office employees, only county maintenance and janitorial employees have a key to the office. No employee outside of the Finance/Budget office is allowed into the office without permission from the director. During the two (2) years internal controls have been in place the office has zero turnover and therefore no rekeying of the door locks.

Risk Assessment Threat – Low

Purchasing

The mayor complies with the adopted purchasing policies of the county. The mayor signed several contracts during the fiscal year after it is reviewed in accordance with county policies. The mayor did have two (2) emergency purchases relative to emergency services. The emergency PO process was followed by the mayor.

Risk Assessment Threat – Low

Payroll

The highway superintendent has an approved Letter of Agreement on file. The highway superintendent's office received a copy of the county's current budget and reviewed the budget to ensure the highway department budget was correct. The highway superintendent reviews their budget monthly for accuracy. There were no personnel related amendments or budgetary issues during the year.

Risk Assessment Threat – Low

Internal Controls 2

Sample Risk Assessment

County Mayors, Finance/Budget Directors and Highway Departments

II. Whether county funds, property, and other assets that are designated/assigned to the register are safeguarded against waste, loss, unauthorized use or misappropriation.

The County Mayors, Finance/Budget Directors and Highway Departments and management team reviewed the most recent audited financial report and determined the following areas as material: (1) payroll and (2) data processing services.

The finance/budget office utilizes a computerized software system. The procedures outlined in the finance/budget internal controls process for receipting, check creation and accounting are still in effect and followed by office staff.

Risk Assessment Threat – Low

III. Whether revenues and expenditures in the register's office are appropriately recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports to maintain accountability over the assets.

The highway superintendent and management team performed the following activities:

- Reviewed accrued leave liability and submitted the report to the mayor's office.
- Prepared year end reports.
- Coordinated with mayor's office to prepare the year end capital asset report.

Risk Assessment Threat – Low

Risk Assessment Concerns

The mayor, finance/budget director, highway superintendent and management team have identified the following concerns as possible risks/threats to the office:

High

- Lack of segregation of duties.
- Security of county assets.

Medium

- Failure to review audit logs
- Month end closing not completed in a timely manner.

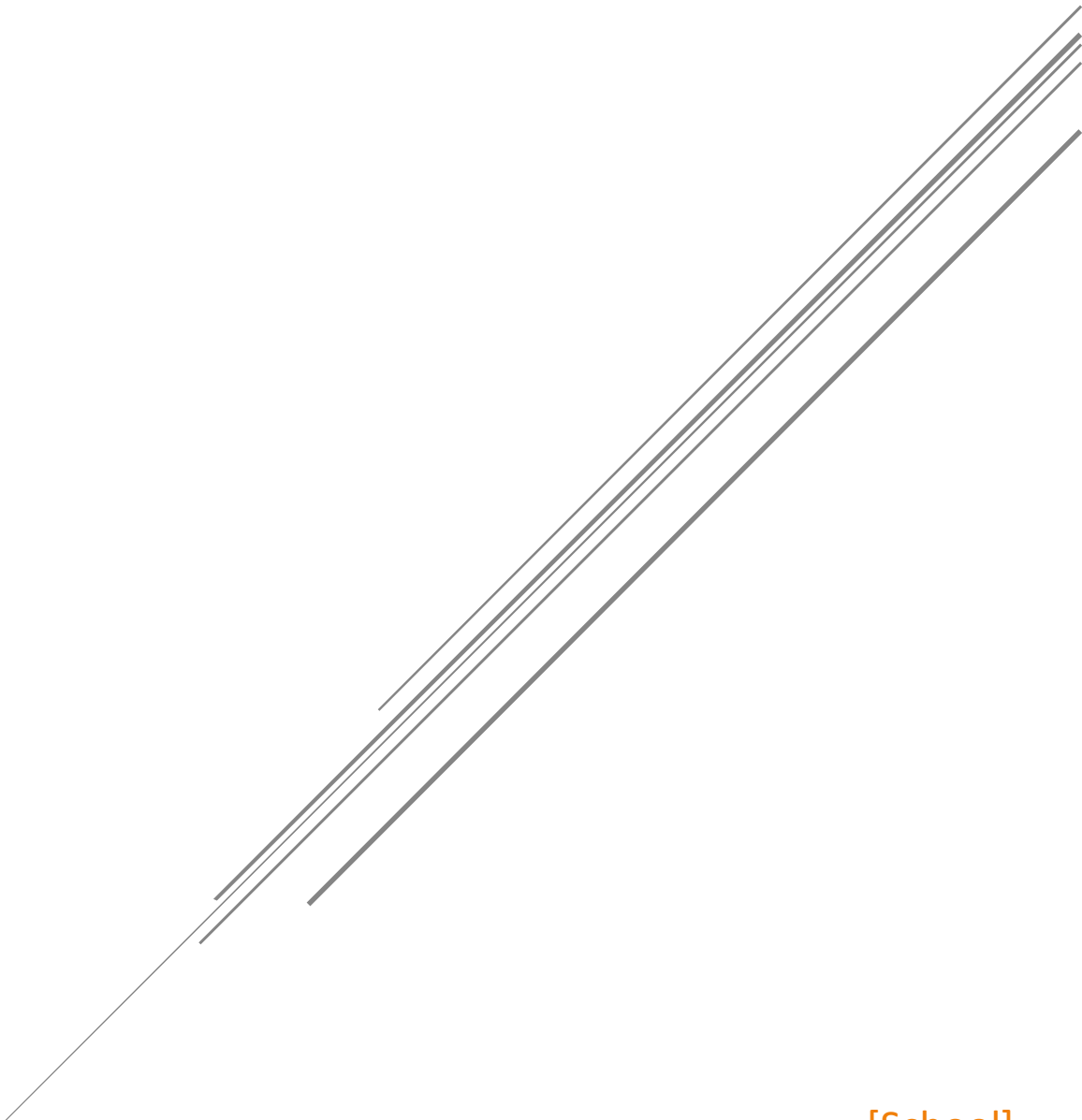
Low

- Physical security – door locks, computer passwords, etc.
- Employee Turnover

***REVIEW YOUR
SEGREGATION OF DUTIES!!***

SAMPLE RISK ASSESSMENT

Room for Improvement



[School]
[Course title]

Internal Controls 2

Sample Risk Assessment

County Mayors, Finance/Budget Directors and Highway Departments

One of the most important things in an internal control toolbox is the ability of management to perform a risk assessment of their current internal control process and procedures. Equally important for management is to address any concerns, deficiencies or other issues that arise as a result of the assessment.

The assessment should cover the original internal controls adopted in 2016 and any new risks that come to light.

On [month day], 2018, Sample Mayor/Finance or Budget Director/Highway Superintendent and management team conducted a risk assessment and reviewed the audit findings of the office.

I. Whether obligations and costs of the operations are in compliance with applicable law.

General

The Mayor has a written organizational chart, written job descriptions and a personnel policy. These documents list the names of employees who are no longer employed in the Mayor's Office. The personnel policy is not the most recent version. Employees within the office are unaware that job descriptions exist for their positions.

Risk Assessment Threat - Low

Physical Security of the office

The Highway Superintendent did not retrieve the keys of a terminated employee. There is no list of distributed keys to the office.

Risk Assessment Threat – Low

Purchasing

The Highway Superintendent purchased new equipment from a local vendor who agreed to meet the state bid price.

Risk Assessment Threat – Medium

Payroll

The Finance or Budget Director does not verify the salaries for each employee match what is in the current year's budget. The deduction amounts for several employees were for single coverage health insurance, when the employee was receiving family health insurance.

Risk Assessment Threat – High

II. Whether county funds, property, and other assets that are designated/assigned to the department are safeguarded against waste, loss, unauthorized use or misappropriation.

The Mayor/Finance or Budget Director/Highway Superintendent and management team reviewed the most recent audited financial report and determined the following areas as material: (1) fixed assets and (2) payroll.

Payroll

Payroll taxes were not filed with the IRS correctly and resulted in interest and penalty assessments.

Internal Controls 2
Sample Risk Assessment
County Mayors, Finance/Budget Directors and Highway Departments

Risk Assessment Threat – High

Fixed Assets

Several pieces of heavy equipment that are on the Highway Department's listing of fixed assets were unable to be located along with many of the listed small tools.

Risk Assessment Threat – High

III. Whether revenues and expenditures in the office are appropriately recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports to maintain accountability over the assets.

The office and management team received the following audit findings:

- Purchasing Procedures were circumvented on several occasions.
- Year-end trial balance required material audit adjustments.
- Several invoices were post dated and charged to the wrong period.
- The finance department had deficiencies in budgeting.
- County Equipment was used to perform work on private property.

Risk Assessment Threat – High

Risk Assessment Mitigation

Accounting Issues

The first step to mitigate risk related to issues in accounting, the court clerk should first review their staff to assess strengths and abilities. Assigning operational tasks to staff who are best suited to those tasks can help mitigate some of these issues.

The next step is to identify opportunities where staff have not or could not follow established policies. To address this issue, the mayor/finance or budget director/highway superintendent should provide additional training related to the policies to ensure all staff understand and are able to follow all county policies.

Management Team

The mayor/finance or budget director/highway superintendent may also need to assess the management team to address any issues related to management style and ability. It is important for the management team to understand and communicate all county policies to office staff. The tone is set at the top – if the management team is performing risky operational behavior, the office staff will follow suit.

In addition to assessing the management team, the mayor/finance or budget director/highway superintendent should also review operational policies for missing documentation such as a list of who has an office key, who has access to computer passwords, and any additional office-related policies.