Defend your ship from Pirates, Hackers & Thieves: Reducing Financial Risk

Administration

- Phones
- Food & Coffee
- Downloading the presentation (Clarknet)
- Agenda…

Agenda

(8:15)   Opening by Auditor Greg Kimsey

(8:20)   Washington SAO Updates and Guidance

(9:35)   Break (10 min)

(9:45)   Fraud & Ethics

(10:45)   Break (10 Min)

(10:55)   Treasurer's Office Update

(11:25)   Internal Control Review Report, Gift Cards

(11:45)   Systems of Internal Controls

(11:55)   Closing by Finance Director Mark Gassaway

SAO Update

Time for a Break!

Fraud & Ethics Presentation

Take another 10 minute break!

Treasurer Presentation

Internal Control Reviews

Internal Control Reviews (ICRs)

- Purpose
- The Plan
- The Visit
- What to Expect when we visit
- Recent Trends
- Evaluating Risk: "LET's think about it"

Why conduct ICRs?

- Work to minimize risk of loss or misuse through periodic internal monitoring

- Evaluate live operations and evaluate control procedures in use

- Help improve effectiveness and efficiency of internal controls

Our ICR Plan

- ⊙ Identify who has cash and cash equivalent in use
- ⊙ Evaluate risk
- ⊙ Schedule visits
- ⊙ Conduct visits
- ⊙ Follow-up

Prepare to meet the Auditors!

The ICR Visit "Flow"

- ⦿ Two auditors arrive unannounced with ID

- ⦿ Normally1-3 hours with staff and management

- ⦿ Oral out brief when complete

- ⦿ Memo with recommendations in five days

- ⦿ Respond within 30 days with plan if needed

What to Expect

◉ Self-identify and ask general questions

◉ Verify authority for use and value of fund

◉ Review policy and procedures in effect

◉ Observe practices and controls in use

◉ Storage and replenishment procedures

◉ Will follow checklists

Functions Subject to Review

- Public Facing Cash Handlers or Clerks

- Petty Cash Funds

- Special Use Funds (travel, special purchases)

- Cash Equivalents (cash cards, vouchers for client emergency services or incentives)

Three Year Trend

- **2014:**
  - 29% written procedures
  - 29% management oversight
  - 19% account over/short

2015:
  - 32% written procedures
  - 26% management oversight
  - 11% secure funds/separate key duties

2016:
  - 42% written procedures
  - 15% corrections to logs & records
  - 9% separate key duties / training

2017 Crystal Ball

- Management reviews are a key part of internal controls.

- Procedures need to be documented and reviewed for accuracy every 2-3 years

- Changes to logs or records need to be in ink with a single line through, initials, and date

Gifts & Gift Cards: Trouble?

Problems on the horizon: Cash Cards and Gifts

- Evaluate risk with the acronym "LET"

EVALUATING GIFTS OF CASH, CASH CARDS OR EQUIVALENTS

(Prosecutor)

LEGAL

Can I do it?

(Payroll – Dave Ratliff)
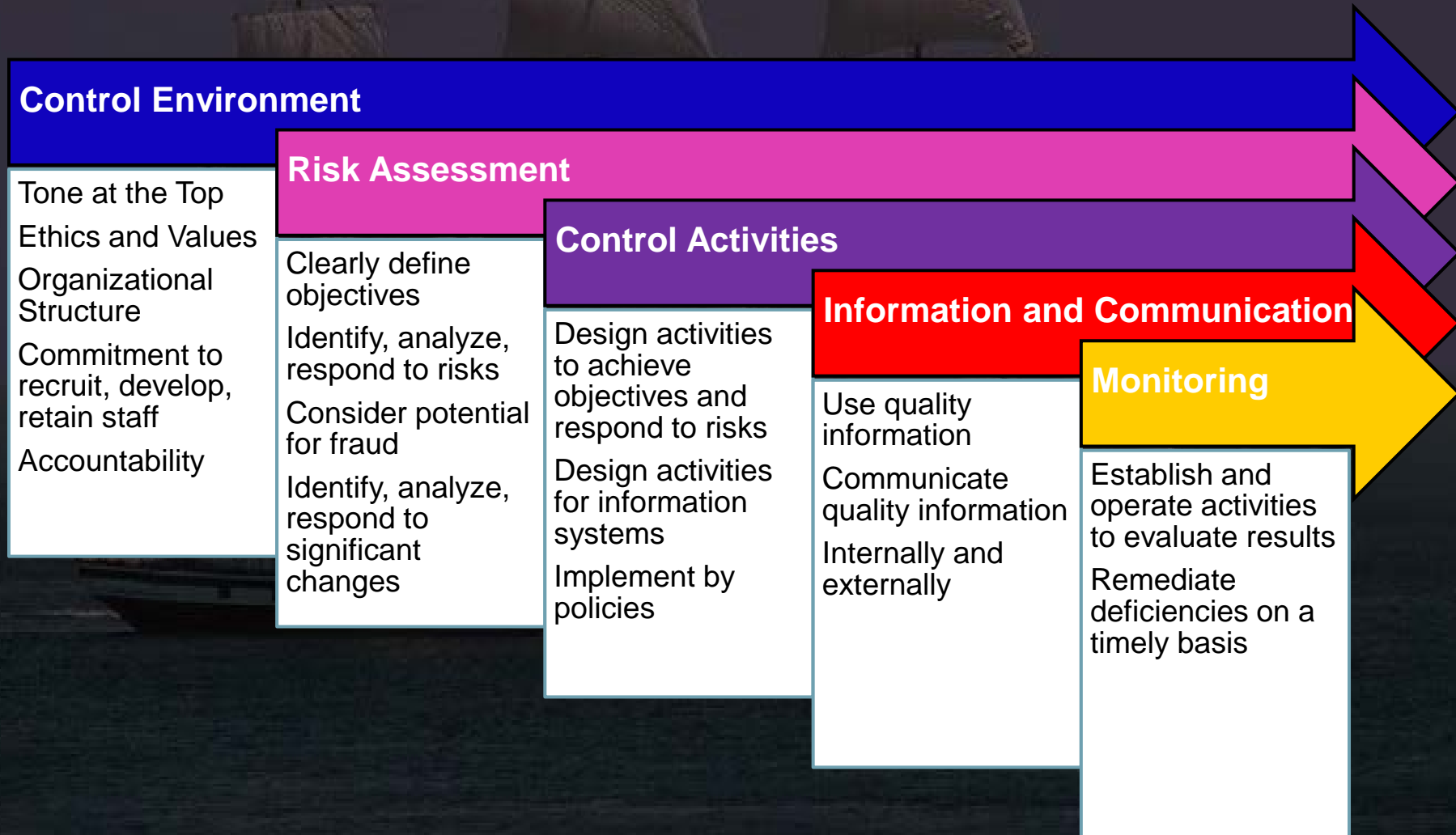
TAXABLE

What is tax effect?

(HR or Audit Services)

ETHICAL

Should I do it?

Systems of Internal Controls

System of Internal Controls

Control Environment

- Tone at the Top
- Ethics and Values
- Organizational Structure
- Commitment to recruit, develop, retain staff
- Accountability

Risk Assessment

- Clearly define objectives
- Identify, analyze, respond to risks
- Consider potential for fraud
- Identify, analyze, respond to significant changes

Control Activities

- Design activities to achieve objectives and respond to risks
- Design activities for information systems
- Implement by policies

Information and Communication

- Use quality information
- Communicate quality information
- Internally and externally

Monitoring

- Establish and operate activities to evaluate results
- Remediate deficiencies on a timely basis

Internal Control Framework

COSO PYRAMID

Thank you!