

4.2 RISK ASSESSMENT

Overview

City officials and management assess risk of operations continually. The city has chosen to transfer the most common types of risk through the purchase of the following types of insurance.

- Property
- Liability
- Errors and Omissions
- Worker Compensation

There are risks we cannot anticipate or know about and as it relates to financial and compliance issues we have assessed the following areas and identified certain risks that we feel need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met.

Objectives

1. **Collections** are complete, timely and accurate.
2. **Disbursements** are for a valid city purpose and properly recorded.
3. **Assets** are properly safeguarded.
4. City is in **compliance** with contractual, local, state and federal laws and regulations.

Risk

Objective 1

1. Collections could be lost or misappropriated.
2. Collections could be recorded improperly.
3. Collections may not be deposited in the bank and recorded timely.

Risk

Objective 2

1. Disbursements could be unauthorized.
2. Disbursements could be for personal items.
3. Disbursements could be made for items never received.

Risk

Objective 3

1. Bank balances may be inaccurate due to failure to reconcile bank accounts.
2. Capital assets or inventory items could be missing.
3. Inventory is not available when needed.

RiskObjective 4

1. Grant funds could be spent for unallowable items.
2. Grant rules may not be followed which could result in having to return federal funds.
3. Federal reporting requirements were not met.

The significant areas of risk are identified above and policies and procedures will be documented in the **next section** to explain how the city plans to put internal controls in place to help reduce some of the risks associated with this area of operations.

4.3 CONTROL ACTIVITIES

Overview

This section is where the detailed procedures will be documented. The objectives, policies and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

4.3.1 UTILITY BILLING AND COLLECTIONS/ACHs

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded accurately and timely in the accounting system.

Risks

Objective 1

1. Lack of training.
2. Lack of guidelines.
3. No 3-day banking rule
4. Theft.

Objective 2

1. Cash not locked up.
2. Not segregating cash drawers.
3. Fraud.

Objective 3

1. Not issuing receipt.
2. Unrecorded accounts/cash shortage
3. Account manipulation.

Policies

Objective 1

1. All funds will be deposited within three business days.
2. All cash drawers will be closed out and counted daily.
3. There will be no checks or cash left out of a deposit

Objective 2

1. Each cashier (3) will have their own cash drawer.
2. Main vault is unlocked each morning, locked nights, weekends and holidays.
3. Cash drawers are kept in separate locked drawers inside main vault.
4. No checks will be cashed from cash drawers.
5. Employees are prohibited from working from another person's cash drawer.
6. Access to the vault is always restricted.
7. Deposit bag is secured until police officer arrives to transport to bank.
8. At no time will cash be left out in the open unattended.
9. Employees are prohibited from comingling city assets with personnel assets.

Objective 3

1. A receipt is issued for each collection made.
2. All cash drawers will be closed out and counted daily.
3. There will be no checks or cash left out of a deposit
4. Supervisor updates accounting system daily.

Procedures

Policy 1

1. Cashiers cash out (one at a time) each night in order to have one cashier available to take payments at all times.
2. Cashiers count their monies and reconcile with receipt register report from computer program. Report is printed, initialed, approved and posted.
3. All cash drawers are closed and counted daily.
4. All funds are deposited daily.
5. Supervisor counts/verifies with end of day the daily collection report, and prepares the deposit.
6. Police officers pick up deposit and take to bank daily.
7. Finance Director reviews/verifies end of day reports and initials.

Policy 2

1. Each cashier has beginning daily cash amount of \$100.
2. Supervisor unlocks main vault.
3. Cashiers have their own key to their lock box.
4. Vault is locked nights, weekends and holidays.
5. Computer passwords are changed periodically and access to collections, adjustments, voiding and other administrative functions are restricted and checked regularly.

Policy 3

1. A receipt is issued for each collection made
2. Computer receipt printer endorses back of each check "For Deposit Only".
3. Cashiers cash out one at a time.
4. Finance Director periodically performs surprise cash counts.
5. Catoosa Utility calls Billing Supervisor who verifies/updates deposit to our computer program, Catoosa Department Maintenance Supervisor then takes daily deposit to bank.
6. Billing Supervisor is responsible for verifying/updating daily collections for City Hall, Catoosa, Police Department each and every day.

4.3.1.1 CITY COURTS

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded in a timely and accurate matter.

Risks

Objective 1

1. Lack of training.
2. Lack of guidelines.
3. No 3-day banking rule.
4. Theft

Objective 2

1. Cash not locked up.
2. Not segregating cash drawer
3. Fraud

Objective 3

1. Not issuing receipts.
2. Unrecorded accounts/cash shortage.
3. Account manipulation.

Policies

Objective 1

1. All funds are deposited within three business days.
2. All cash drawers are closed out and counted daily.
3. There will be no checks or cash left out of a deposit.

Objective 2

1. Cash drawer is located in a lockable drawer under desk
2. Cash drawer is locked during closed hours, nights, weekends and holidays.
3. Cash drawer only accessible to personnel. Receptionist and administrative captain are the only key holders to cash drawer.
4. No checks are to be cashed from cash drawer.
5. Payments collected are counted, totaled and placed in an envelope along with all receipts.
6. Daily deposit envelope is locked in a bag and the supervisor on duty or designee delivers the bag to City Hall.

Objective 3

1. Receipts are issued for each transaction.
2. Cash drawer is closed out and counted daily.
3. Billing supervisor verifies and updates accounting system daily.

Procedures

Policy 1

1. Cashier balances cash drawer daily.
2. Daily Register (from computer program) is completed and verified that each transaction and tender is correct.
3. A signed copy of the Daily Register is placed in the daily deposit bag.
4. All funds are deposited daily.
5. Deposit is delivered to city hall by police department

Policy 2

1. Cashier drawer has beginning balance of \$100.
2. Cash drawer is unlocked by receptionist or administrative captain.
3. Cash drawer is locked nights, weekends and holidays.
4. Computer passwords are changed periodically.

Policy 3

1. A receipt is issued for each collection made
2. All checks and money orders are stamped "For Deposit Only".
3. Credit Card transactions have a separate signed agreement receipt.
4. Finance Director periodically performs surprise cash count.

4.3.1.2 PROPERTY TAX COLLECTIONS

Objectives

1. Legal requirements are met.
2. Tax bills are calculated and recorded in a timely manner.
3. Tax bills are mailed in a timely manner with current addresses.
4. Penalties/Adjustments are calculated, supported and recorded correctly.
5. Delinquent accounts are processed according to policy.
6. Court collections are dealt in accordance with the Administrative Office of the Courts.

Risks

Objective 1-6

1. Legal requirements not met.
2. Lack of training.
3. Human error.
4. Not issuing receipts.
5. Misclassification.
6. Wrong tax rates.
7. Fraud.
8. Parcel with no assessment.
9. Favoritism.
10. Unauthorized adjustments.
11. Refunds without proper authorization.
12. Late fees not added to account.

Policies

Objective 1-6

1. Approve annual tax rate.
2. Receive tax bill from state.
3. Review tax bills against tax rate.
4. Additions and deletions to Tax Role are supported and documented.
5. Record penalties when applicable.
6. Reconcile tax receivable to general ledger daily.
7. Payments properly posted.

8. Record all payments into annual Tax Role Book.

Procedures

Policies 1-6

1. Receive taxes from state tax office.
2. Review tax bill against tax rate.
3. Tax clerk verifies/prepares tax file to be sent to outsourcing company who then mails to taxpayers.
4. All major adjustments found are sent to county tax assessor.
5. Minor adjustments are approved by Billing Supervisor or Finance Director.
6. Tax bills mailed the first week in August.
7. Tax Receivables are verified against general ledger and balanced daily and are initialed by Billing Supervisor and Finance Director.

4.3.1.3 GENERAL COLLECTIONS

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded accurately and timely in the accounting system.

Risks

Objective 1

1. Lack of training.
2. Lack of guidelines.
3. No 3-day banking rule.
4. Theft.

Objective 2

1. Cash not locked up.
2. Not segregation cash drawers.
3. Fraud.

Objective 3

1. Not issuing receipt.
2. Unrecorded accounts/cash shortage.
3. Account manipulation.

Policies

Objectives 1-3

1. All funds will be deposited within three business days.
2. All cash drawers will be closed out and counted daily.
3. There will be no checks or cash left out of a deposit.
4. Cash drawer money, vault change and deposits are kept in separate locked money bags inside the safe.
5. No checks are cashed from cash drawers.
6. At no time will cash be left out in the open and unattended.
7. Employees are prohibited from comingling personnel assets with city assets.
8. A receipt is made for each collection made.
9. Cash drawers are closed out and counted daily.
10. There will be no checks or cash left out of a deposit.
Supervisor records monies received on a Daily Cash Report.
11. Supervisor takes daily deposit to bank.

Procedures (Meadow Park Lake)

Policies 1-3

1. Starting cash for each clerk is \$100 in drawer and \$100 in vault change.
2. Cash drawer money and vault change are kept in separate money bags and locked inside safe.
3. Revenue process for deposit is kept in separate lock bag inside safe.
4. When a clerk goes off duty a mid-day X report is run from cash register, along with cash strip, and a Daily Cash Report is prepared. Revenue is placed in clerks' revenue bag and stored in vault.
5. End of day, a final "Z" report is run from cash register, cash is counted, listed on a Daily Cash Report, revenue is placed in clerk bag, "Z" report, register strips and cash sheets are all placed in vault.
6. All receipted lake permits, rentals and license along with store sales are entered into cash register.
7. A Daily Sales report is generated from cash register along with each clerks (up to 4) Daily Cash Report.
8. Lake Manager takes reports, enters data, and prepares the deposit.
9. Lake Manager takes deposit to bank and an itemized revenue report is submitted to finance
10. Daily Cash Reports are entered into the accounting system by Accounts Payable clerks.

Procedures (Palace)

Policies 1-3

1. Concessions have two cash registers, with daily beginning balances of \$200 each, used by both staff and volunteers.
2. Lobby has one cash register with daily beginning balance of \$100 and is used only for ticket sales and by staff only.
3. A "Z" Report is printed nightly from each cash register.
4. Money totals and tape totals are reviewed for accuracy.
5. Any discrepancies found are reviewed and corrected accordingly.
6. Register is balanced by Palace manager. If for any reason Palace manger is not present, staff may be required to do so. At no time will volunteers balance cash.
7. All money is locked in safe upon closing.
8. All money is labeled: tickets, concessions; rent-Palace or rent-Amphitheatre, each has its own cash bag.
9. Receipts are given for all rent payment (cash or checks).
10. Palace Manager enters information onto a Daily Cash Report and delivers to Finance Department where Accounts Payable clerks enter information into accounting system.

Procedures (Parks & Recreation)

Policies 1-3Petty Cash

Petty Cash account beginning balance of \$100.

Petty Cash kept in Parks office in locked drawer at secretary's desk.

Petty Cash is used for making change for rentals and fees and also for emergency purchases.

A check request, with attached receipts is then submitted to Finance in order to replenish the amount due to petty cash.

Petty Cash is accessible only to Park Manager and secretary.

Finance Director will do periodic checks for balances of Petty Cash.

Monies Collected for Outside Agencies

Money belongs to each individual agency.

Parks office staff handles money as a courtesy.

Each vendor/agency has its own money bag.

Any funds received for that vendor is placed within their money bag.

These bags are kept in locked drawer at secretary's desk.

When money is received a written receipt is issued to vendor/agency.

Money is accessible by Parks Manager and secretary only.

Vendors pick up their money, verify and sign receipt for the amount of money they are receiving and make their own deposit.

Park office

Handles money for fees and receipts are issued.

Money for fees is locked in drawer in secretary's desk.

Park Manager enters information onto Daily Cash Report and makes deposits.

Daily Cash Reports are then given to Finance Department and Accounts Payable clerks enter information into accounting system.

Concessions

Beginning of sports season a Check Request is submitted to Finance Department in the amount of \$1000.

Check is cashed by Park Manager and divided into four bags of \$250 each.

Park consists of Turner, Warner, Tiny Turner, Duer concession stands.

Start bags are counted by a concession staff member before placing any monies into cash register.

At close of day, a staff member counts money and records start money, deposit and any variance amounts on to a "Concessions Daily Money Record", fills out deposit slip along with money in a sealed bag and places into a start money bag and places in the safe at Turner Concession stand.

Next business day, Park Manager retrieves money from safe, counts start money and adds to it as needed to have the appropriate cash in bag. Start bags are place in safe at Turner Concession.

Park Manager verifies each deposit amount and fills out Daily Cash Report, deposits at bank and report is taken to Finance Department where Accounts Payable clerks enter information into accounting system. Receipt tapes are attached to Daily Cash Reports.

4.3.2 GENERAL DISBURSEMENTS

Objectives

1. Disbursements are for a valid city purpose and necessary.
2. Disbursements are timely.
3. Disbursements are accurately coded and recorded into the accounting system.
4. Disbursements are legally appropriated.

Risks

1. Personal use of public funds.
2. Wasteful
3. False vendors.
4. Duplicate payments.
5. No support.
6. Going over budget.
7. Not following purchasing policies.

Policies

Objectives 1-2

1. The city has a policy complying with state law.
2. Purchase Order policy.
3. Requisition policy.
4. Quote/Bid policies.
5. Mail all checks.
6. Computerized check signing with password protection.
7. Policy of when to pay invoices.

Objectives 3-4

1. Finance office used computerized accounting system (Incode).
2. Purchase orders issued by accounts payable clerk(s)
3. Lists kept on file designating who has approval to obtain purchase orders/requisitions and updated annually.
4. Purchase orders approved by department head.
5. Purchases over \$1000 have to be obtained by purchase requisition prior to purchasing.
6. Requisitions require four signatures: Requisitioner, Department Head, Finance Director & City Manager.
7. Purchases of \$5000 or more, must have sealed bid and approved by council.
8. Before purchases are allowed, budgets are reviewed for available funds.

Procedures

Policies 1-4

1. Designee calls accounts payable clerk for purchase order.
2. Identifiers are: Department, items to be purchased, amounts, vendor, specific jobs to charge, who is obtaining this purchase order.
3. Purchase orders cannot exceed \$1000.
4. Purchase orders are pre-numbered by accounting software system in sequential order.
5. Purchase orders are printed daily and distributed to department heads for signed approval and returned to accounts payable awaiting invoices.
6. Invoices are approved by department heads and attached to purchase order by accounts payable clerks.
7. Invoices are keyed and matched for accuracy to checks.
8. Purchase orders greater than \$2500 but less than \$5000 should obtain three quotes unless it is determined to be a sole source.

Policies 5-7

1. Checks are printed weekly.
2. Checks are signed using computerized signatures with invoices totaling \$2500 and over reviewed and initialed by City Manager and Finance Director.
3. Only accounts payable clerks have access to computer signatures (password protected).

4. Checks mailed within three days.
5. Vendors are entered into computer system by accounts payable clerks only authorized by Finance Director monthly.
6. Accounts Payable clerks void checks when needed with appropriate backup attached and filed.
7. Accounts Payable /Payroll clerks are cross-trained.

4.3.2.1 GENERAL DISBURSEMENTS (CREDIT CARDS)

Objectives

1. Disbursements are for a valid city purpose and necessary.
2. Disbursements are paid monthly.
3. Disbursements are accurately coded and recorded into the accounting system.
4. Disbursements are legally appropriated.

Risks

1. Personal use of credit card.
2. Wasteful.
3. False vendors.
4. No support.
5. Going over budget.
6. Not following purchasing policies.

Policies

Objective 1-4

1. The city has a policy complying with state law.
2. Purchase Order policy.
3. Requisition policy.
4. Quote/Bid policies.
5. Credit cards are tracked on in/out sheet with employee, department, dates, vendors, etc.
6. Credit cards are used only when vendors will not accept purchase orders.
7. Credit cards are used for travel.
8. Credit cards are matched with supporting documents.
9. The city sets limit amounts per card up to \$15,000) in emergency cases Finance Director can up the limit for a specific purchase).

Procedures

Policies 1-4

1. Designee calls accounts payable clerk for purchase order.
2. Identifiers are: Department, items to be purchased, amounts, vendor, specific jobs to charge, who is obtaining this purchase order.
3. Purchase orders cannot exceed \$1000.
4. Purchase orders are pre-numbered by accounting software system in sequential order.
5. Purchase orders are printed daily and distributed to department heads for signed approval and returned to accounts payable awaiting invoices.
6. Invoices are approved by department heads and attached to purchase order by accounts payable clerks.
7. Invoices are keyed and matched for accuracy to checks.
8. Purchase orders greater than \$2500 but less than \$5000 should obtain three quotes unless it is determined to be a sole source.

Policies 5-9

1. Credit cards locked with accounts payable clerks having only access.
2. Credit cards are not issued unless purchase order, travel form, etc. accompanies.
3. Accounts payable clerks keep sign in/out sheet for all cards.
4. Purchase orders/invoices are matched with monthly credit card statement.
5. Backup is required for all credit card purchases.
6. Limits to credit card maximum purchases are set by the Finance Director.

4.3.2.2 GENERAL DISBURSEMENTS (TRAVEL)**Objectives**

1. Travel is for a valid city purposes only.
2. Disbursements for travel are paid monthly.
3. Disbursements are accurately coded and recorded into the accounting system.
4. Disbursements are legally appropriated.

Risks

1. Personal use of credit card.
2. Wasteful.
3. False vendors.
4. No support.
5. Going over budget.
6. Not following travel policies and procedures.

Policies

Objective 1-4

1. The city has a policy complying with state law.
2. Ordinance for General Travel Policy.
3. Comply with Federal and State Reimbursement Rates for Travel.
5. Credit cards are issued for travel purposes.
6. Credit cards are matched with supporting documents.
7. Travel receipts require itemized bills.
8. City Manager and/or Finance Director approves all travel prior to.

Procedures

Policies 1-8

1. Update policies as needed.
2. Finance Department oversees General Travel Policy.
3. No credit cards are issued without prior approval on travel form by City Manager and/or Finance Director.
4. Must have receipts for all charges, if one is lost or unavailable city requires lost form to be completed and approved by department head, Finance Director and City Manager before paid. If not approved, employee is responsible for payment.
5. Overages on travel purchases/rates are charged to employee.
6. Credit card and receipts are required to be returned in a timely manner or the employee is responsible for payment.

4.4.1 PAYROLL

Objectives

1. Ensure that payroll is properly approved, supported, calculated and recorded, including overtime.
2. Ensure that paychecks are issued in a timely manner.
3. Ensure that payroll is handled in accordance with all local, state and federal laws and that appropriate federal forms are on file.
4. Ensure all payroll deductions are properly supported and calculated.

Risks

1. Ghost employees.
2. Paying for time not worked.
3. Time sheet not verified.
4. Payroll not turned in on time.
5. Terminated employees are paid.
6. Timely deposit for payroll.
7. No cross training for employees.
8. I-9, W4s not on file.
9. Not using correct tax rates.

Policies

Objectives 1-4

1. Payroll is paid bi-wkly.
2. Time is tracked through software system.
3. Human Resources keep all personnel files with I-9s, W-4s, all payroll changes/additions.
4. Human Resources onboards new employees.
5. Human Resources terminate employees.
6. Pay increases (across the board) are approved by city council. City Manager approves all others

Procedures

Policies 1-6

1. Payroll is paid bi-wkly.
2. Timesheets are maintained daily and approved by supervisor.
3. Human Resources maintain all personnel files locked in her office at all times.
4. Human Resources assist in interviews of all new employees, reviews policies and procedures with all employees.
5. Human Resources is responsible for obtaining all information on new employees and enters on a Green Sheet for the payroll department.
6. Payroll enters information along with assigning time cards.
7. Payroll submits an audit report for Finance Director and City Manager to review on all changes made bi-wkly.
8. Human Resources perform Exit conference with all terminated employees and submits for payroll to terminate from system.
9. Accounts payable clerk and payroll clerk are cross-trained.
10. All unused checks are locked and only accessible to payroll/accounts payable clerks.
11. Void checks are filed with appropriate backup attached.