

FRAUD RISK ASSESSMENT

BACKGROUND

- Utah State Auditor regularly receives complaints of fraud or abuse.
- Developed Fraud Risk Assessment.
- The solution to reducing fraud risk is effective internal controls.
- Required by the Utah State Auditor.
- Must be completed and presented to the governing body before the end of FY 2020.

Basic Separation of Duties

See page 2 of this questionnaire for instructions and definitions.

	Yes	No	MC*	N/A
1. Does the entity have a board chair, clerk, and treasurer who are three separate people?	✓			
2. Are all the people who are able to receive cash or check payments different from all of the people who are able to make general ledger entries?	✓			
3. Are all the people who are able to collect cash or check payments different from all the people who are able to adjust customer accounts? If no customer accounts, check "N/A".			✓	
4. Are all the people who have access to blank checks different from those who are authorized signers?			✓	
5. Does someone other than the clerk and treasurer reconcile all bank accounts OR are original bank statements reviewed by a person other than the clerk to detect unauthorized disbursements?	✓			
6. Does someone other than the clerk review periodic reports of all general ledger accounts to identify unauthorized payments recorded in those accounts?	✓			
7. Are original credit/purchase card statements received directly from the card company by someone other than the card holder? If no credit/purchase cards, check "N/A".			✓	
8. Does someone other than the credit/purchase card holder ensure that all card purchases are supported with receipts or other supporting documentation? If no credit/purchase cards, check "N/A".			✓	
9. Does someone who is not a subordinate of the credit/purchase card holder review all card purchases for appropriateness (including the chief administrative officer and board members if they have a card)? If no credit/purchase cards, check "N/A".	✓			
10. Does the person who authorizes payment for goods or services, who is not the clerk, verify the receipt of goods or services?		✓		
11. Does someone authorize payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	✓			
12. Does someone review all payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	✓			

MITIGATING CONTROLS

3. Some employees collect cash or check payments can also adjust customer accounts. However, any adjustments will now require approval of the Mayor.

4. The City Treasurer has access to blank checks and is also an authorized signer. However, the Mayor or certain members of the City Council are also required to sign all checks. They do not have access to blank checks.

7. Currently the employee who receives the credit card statements is also a card holder. This employee will retire shortly, and her replacement will not be a card holder.

8. Currently the employee who ensures that all card purchases have supporting documentation is also a card holder. This employee will retire shortly, and her replacement will not be a card holder.

RECOMMENDATIONS

- Implement fraud hotline.
- Work with IT provider to develop a written policy for IT and computer security.
- Council members complete online training before end of FY 2021 (30 June 2021).
- Establish internal audit function. Areas to be audited determined by Audit Committee.
- Update and improve one written policy each fiscal year.
- Eliminate one mitigating control each fiscal year.
- Hold fraud risk training / discussion at least annually.

QUESTIONS?