Aitkin County

Board of County Commissioners Agenda Request

2H
Agenda Item #

Requested Meeting Date: April 28, 2020

Title of Item: Risk Assessment and Internal Control Policies

☐ REGULAR AGENDA	**Action Requested:**	☐ Direction Requested
☑ CONSENT AGENDA	☑ Approve/Deny Motion	☐ Discussion Item
☐ INFORMATION ONLY	☐ Adopt Resolution (attach draft)	☐ Hold Public Hearing* *provide copy of hearing notice that was published

Submitted by:
Kathleen Ryan, CFO

Department:
Auditor

Presenter (Name and Title):

Estimated Time Needed:

Summary of Issue:

As noted in the 2018 Audit report - It was recommended that a formal plan be developed to assess and monitor internal controls. These two policies (Risk Assessment and the Internal Control) define how the County will assess risks and monitor our internal control procedures. Once adopted, these two policies will be added to the General Operation Policies.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:
Recommend approving the two policies to be added to the County's General Operations Policies.

Financial Impact:
Is there a cost associated with this request? ☐ *Yes* ☑ *No*
What is the total cost, with tax and shipping? $
Is this budgeted? ☐ *Yes* ☑ *No* *Please Explain:*
N/A

Legally binding agreements must have County Attorney approval prior to submission.

Section N. Risk Management Policy

Subd. (1) The purpose of this policy is to guide the County in analyzing exposures to hazard risk, financial risk, operational risk, and strategic risk, and mitigating such risks where possible.

(a) This policy is applicable County-wide.

(b) Enterprise Risk Management (ERM) differs from traditional risk management in that it expands beyond examination of hazard risk (fire, theft, accidents, weather conditions, etc.).

(i) For purpose of this policy, risk is defined as: *An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured in terms of a combination of the likelihood of a perceived threat or the opportunity occurring and the magnitude of its impact on objectives.*

(ii) Within the ERM process the County views four threats of utmost importance – reputation damage, financial loss, disruption to services, and missing opportunities for innovation and collaboration.

(iii) The County recognizes and accepts its legal responsibility to manage its risks effectively and has adopted a proactive approach to risk taking. The effective management of risk is therefore at the heart of the County Board's approach to delivering cost effective and valued services to the public as well as sound governance.

(c) The County recognizes that all organizations face risk, and that well-managed risk taking should be recognized by all managers and staff within the County as being fundamentally important to effective service delivery, maximizing opportunities for innovation in service development, and adapting to change.

(d) The County strives to be risk aware, not risk averse. The County will integrate risk management into its Budgeting, Purchasing and Capital planning processes. The results will be integrated with traditional risk management mechanisms (i.e., purchase of insurance).

(e) Analysis of hazard risk in combination with value of County property shall guide the County in the purchase of insurance. Protection of County assets is a primary goal of the County's approach to risk management. The County desires to protect itself against the financial consequences of accidental losses, which are catastrophic in nature, and to preserve County assets and public service capabilities from destruction or depletion.

(i) Changes in insurance providers and material changes in coverage levels or deductibles shall be approved by the County Board. Responsibility for maintaining adequate insurance coverage lies with the County Auditor.

(ii) Risk management activities will be undertaken in the most efficient manner, recognizing that not all risks are avoidable, and that certain cost/benefit analysis may be required to ensure the County is maximizing value while maintaining adequate safeguarding of assets.

Subd. (2) The County's primary financial risks are losses from changes in financial markets and labor costs.

(a) To mitigate the risk of investment loss, the County Board has approved the County's Investment Policy. The primary focus of the Investment Policy is preservation of capital, followed by liquidity and yield. As documented in the Investment Policy, the County follows Minnesota statutes for investing.

(b) The County relies on a Third Party to evaluate job descriptions and place them on the wage scale based on guidelines established by the State of Minnesota for political subdivisions.

(c)

Subd. (3) The County desires to reduce operational risk (i.e., inability to perform operations, constituent satisfaction, fraud, technology security, obsolescence, etc.) to the extent economically feasible.

(a) The County has taken the following approaches to mitigate this risk:

(i) The County has an Emergency Operations Plan (EOP) to ensure continued operations in the event of a disaster, natural or other. These disaster plans are reviewed by the Public Health Supervisor and Emergency Management Director, and modified if necessary.

(ii) The County's Internal Control Policy documents an internal audit function designed to help reduce the risk of fraud; in addition, the County is audited annually by an external independent auditor.

(iii) The County maintains an Information Systems and Technology Policy to guide employees in the safe use of technology. This policy is reviewed periodically by the Information Technology Department, and modified if necessary.

Subd. (4) The County has identified the following strategic risks:

(a) Changes in the economy

(b) Damage to the government's reputation

(c) Changes in constituent preferences and attitudes.

(i) In order to reduce the County's exposure to reputational damage, all elected and appointed positions, as well as all other County employees, are expected to abide by the County's Personnel Manual, which includes a section specifically on Ethics and Conflicts of Interest.

Section O. Internal Control Policy

Subd. (1) The purpose of this policy is to guide the County in the maintenance of a system of internal controls in order to safeguard its assets against loss, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

(a) This Internal Control Policy is effective County-wide.

(b) The County shall maintain an environment conducive to good internal control. The County recognizes that the control environment provides the discipline and structure to help the County achieve its objectives.

(c) Working in concert with the County Board, County Administrator, and department directors, the Auditor's Office is responsible for designing appropriate financial internal controls for departments, and departments are responsible for implementation. The Auditor's Office shall ensure that a good faith effort is made to implement all independent auditor recommendations pertaining to internal controls. The Auditor's Office will administer an "in-house risk assessment" program at least annually to systematically review and monitor internal control procedures and compliance with federal and state regulatory requirements pertaining to internal controls or financial reporting.

(d) The County's Internal Control Policy shall be adopted by resolution of the County Board. The policy shall be reviewed on a biennial basis by the Budget Committee and any modifications made thereto must be approved by the County Board.