

City Auditor's Office

Updating Citywide Risk Assessment

Process Roadmap for FY24

Define Audit Universe*

- Auditable units based on organizational structure /chart of accounts
- Top Vendors by spend and contracts by amount
- Critical applications

*Completed for FY23

**COO, DCOOs, Selected Department Commissioners

City-Level Risk Library

Draft standard library of high-level risks by category:

- People
- Processes
- Legal/Compliance
- External Events

Risk Assessment Workshops

Gather input on risk rankings and application to audit universe from:

- Audit Committee
- Executive team**

Report Results

Process Roadmap for Future Years

Update Audit Universe and Risk Rankings Annually

- Auditable units, top vendors and contracts, critical applications
- Input on risk rankings and application of city-level risk library to audit universe

Pilot a Department-Level Risk Assessment

More detailed risk assessment with a narrower focus on departmental activities and controls

Probably pilot with DWM

Expand to More Departments

Take lessons learned from pilot department-level risk assessment and apply to more departments

People Risks

Attracting Talent	Inability to attract qualified personnel
Retaining Talent	Inability to retain qualified personnel—for example, employees perceive fewer career advancement opportunities, or the culture creates exposure to high employee turnover
Equity	Risk of inequitable treatment/investment/resource allocation geographically across city, or appearance thereof
Public Safety	Risk of failure to fulfill responsibility to provide for public safety or risk of abuse of power
Corruption	Conflicts of interest, bribery, illegal gratuities, or economic extortion
Asset Misappropriation	Loss of cash, inventory, or other assets
Financial Statement Fraud	Intentional asset or liability overstatement or understatement, or improper expense or revenue recognition

Process Risks

Information Security	Compromise of information assets (via internal or external threats) <ul style="list-style-type: none">• Customer privacy data• Employee privacy data• Security data
Physical Assets	Assets not maintained, damaged, or otherwise compromised so that physical assets are impaired (incl. infrastructure and plant/facilities)
Cash Management	Credit risk (default, concentration, settlement, collateral), liquidity risk (cash flow, opportunity cost, concentration), and price risk (currency, commodity, and so forth)
Information Systems	Inability to capture or retain access or to disseminate critical information needed to effectively and efficiently run the city
Service Delivery	Risk of failure to effectively provide promised services to the public, for example solid waste services, parks programs, or permit review
Change Management	Failure to plan and prepare for change, including population growth and administration change
Inventory	Risk of holding too much inventory, too little inventory, obsolescence, loss, or waste

Legal/Compliance Risks

Legal and Regulatory Compliance	Compliance with laws, regulatory compliance violations and personal health and safety exposure, or other regulatory violations—for example, clean water requirements, FAA requirements, or consent decrees (things we must do or not do)
Grant Compliance	Grant compliance violations—for example, charging unallowable costs
Regulatory Reporting	Tax compliance reporting, labor reporting, statutory reporting, reporting required by bond covenants, and so on (things we must report)
Contractual	Compromised legal or contractual relations—for example, vendors or subcontractors don't comply with contract commitments

External Events

Business Interruption	Natural disasters, fire, utility supply, infrastructure failure, IT failure, labor, or terrorism
Market	Unfavorable market dynamics—for example, decreased tax revenue during a recession or increased cost of construction inputs
Political	Unfavorable political environment creating secession movements, large-scale protests, adversarial relationship with state, and so on