



Carson City

Board of Supervisors
Enterprise Risk Assessment
May 17, 2012

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Acumen. Agility. Answers.

AGENDA

- Project Approach and Scope
- ERM Conclusions
- Aggregated Risk
- Risk Survey
- Potential Areas of Focus
- Priority Audit Projects

PROJECT APPROACH AND SCOPE

- Project initiated to define the City's overarching risk at a point in time (April 2012), and identify priority areas of performance audit focus
- Followed conventional Enterprise Risk Management (ERM) methodology defined by COSO and embraced by the IIA
- Evaluated risk for a comprehensive set of factors and in aggregate to define an overarching risk level
- Process included three phases of work, including fact finding, risk assessment, and reporting
- Encompassed all City departments
- Conducted from January through April 2012
- Obtained input from approximately 70 employees

PROJECT APPROACH AND SCOPE

- City's Audit Committee has placed priority use on:
 - Reducing costs
 - Strengthening performance
 - Reducing exposure to risk
- Framework included four conventional risk reporting elements, including assessment of:
 - Likelihood
 - Impact
 - Trajectory
 - Risk level

ERM CONCLUSIONS

Risk Factor	Risk Level
Governance	Low
Economic	Moderate-High
Operations	Moderate-High
Human Resources	High
Asset Management	Moderate-High
Internal Control	Low-Moderate
Management	Low - Moderate
Emergency Preparedness	Moderate-High
Technology	Moderate
Compliance	Low
Risk Management	Low - Moderate
Procurement and Supply Chain	Low
OVERALL AGGREGATED RISK	MODERATE-HIGH

AGGREGATED RISK: OVERALL

RISK LEVEL:	Moderate to High
LIKELIHOOD:	Moderate to High
IMPACT:	Moderate to High
TRAJECTORY:	↑ Increasing
CONDITION:	<ul style="list-style-type: none">• When risk factors are aggregated together, the City's risk level is assessed as being moderate to high• By far, the City's economic factor is the driving force behind this risk level• The potential for economics to affect other City functions results in a domino effect on other factors• The consequences of reduced funding could be significant in terms of long-term impact on the City's capability to deliver services• Likely need to scale back its operations and cut services• Corresponding impact on supporting infrastructure

AGGREGATED RISK: OVERALL

RISK MITIGATION:	<ul style="list-style-type: none">• Aggressively pursue additional funding sources if current service levels are desired.• Should additional funding sources not be pursued, scale down the scope of City's operations, focusing on mission critical functions; downsize the scope of government services to align with a "pay as you go" fiscal approach.
RESIDUAL RISK:	Moderate

RISK SURVEY

Risk Area	Average Rating (scale 1 to 5, 1 = low risk)	Total Responses	Number of “Moderate- High” Ratings	Number of “High” Ratings
Governance	Low-to-Moderate (2.50)	50	8	3
Economic	Moderate-to-High (3.66)	46	8	16
Operations	Moderate (2.90)	48	5	9
Human Resources	Moderate (3.05)	46	10	5
Asset Management	Moderate (2.81)	49	7	8
Internal Control	Low-to-Moderate (2.35)	51	6	4
Management	Low-to-Moderate (2.22)	46	6	1
Technology	Moderate (2.65)	46	8	4
Compliance	Low-to-Moderate (2.49)	50	10	4
Procurement and Supply Chain	Low-to-Moderate (2.20)	47	3	3

PROJECT AREAS OF FOCUS

- 12 potential opportunities for revenue enhancements and expenditure reductions
- 16 potential opportunities for efficiency and effectiveness improvements

PRIORITY AUDIT PROJECTS

Tier 1: Short-Term Projects

1. Public Defender Cost and Utilization Study
2. Fleet Management Efficiency Study
3. Community Facility Cost Recovery Analysis
4. Shared Services Group Feasibility Analysis

Tier 2: Longer-Term Projects

5. Question 18 Revenue Apportionment Analysis
6. Ambulance Cost Recovery Analysis
7. Water and Sewer Capital Project Cost Analysis

PRIORITY AUDIT PROJECTS

Tier 1: Short-Term Projects

1. Public defender cost and utilization study: Determine the most cost efficient method for delivering public defender services (6-8 weeks, \$20,000, plus expenses)
2. Fleet Management Efficiency Study: Determine whether the fleet management group could operate more efficiently (10-12 weeks, \$25,000, plus expenses)
3. Community Facility Cost Recovery Analysis: Identify opportunities to reduce General Fund subsidies to facilities (8-10 weeks, \$25,000, plus expenses)
4. Shared Services Group Feasibility Analysis: Evaluate the cost savings potential of a shared services group (8-12 weeks, \$25,000, plus expenses)