

Internal Audit Risk Assessment Program Whatcom County Treasurer's Office Risk Identification

July 1, 2010



Whatcom County Auditor's Office

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Prepared by Fred Williams, Internal Auditor

About the Risk Assessment

Objective

The objective of this risk assessment is to identify significant areas of risk to County operations within the Whatcom County Treasurer's Office for later comparison to other County-wide risks for the purpose of considering where to best use audit resources.

Scope

The assessment will identify all major operations of the Whatcom County Treasurer's Office and significant inherent risks to those operations.

This should not be construed to be a comprehensive assessment since Internal Audit Division resources are limited. This assessment does not evaluate established management controls used to mitigate these inherent risks.

Methodology

This assessment was performed as follows:

- By meeting with management in a series of short interviews to discuss the operations and perceived inherent risks.
- Reviewing the Whatcom County Treasurer's Office's website.
- Reviewing applicable sections of the Whatcom County 2009-2010 Final Budget report.

Results of the Assessment

Tax Assessment Administration and Collection

- Real and Personal Property
- Sales Tax/Miscellaneous Revenue
- Special Assessments
- Foreclosures/Auctions

Real and Personal Property – The Treasurer’s Office bills and collects for real and personal property taxes and excise taxes on the sale or transfer of real property and mobile homes. The real property taxes are based on assessed values established by the Whatcom County Assessor’s Office and come due April 30 and October 31 of each year. Excise taxes are collected when property is sold or transferred.

The prior information system for real property was no longer supported and was replaced in early 2010.

The Treasurer’s Office provides online payment and payment by phone of real property taxes via a third-party vendor.

Areas of risks to this program may include, but are not limited to the following:

- Billing and collection
- Electronic transmission of transactions
- New information system implementation

Sales Tax and Miscellaneous Revenue – The State of Washington collects sales tax and remits the Counties portion to the Treasurer’s Office. A majority of the miscellaneous revenues are comprise of state allocations for items such as timber taxes, other taxes collected on behalf of local districts, partial payments for the Prosecuting Attorney’s salary, and more. Miscellaneous revenues, not coming from the state, include Point Roberts Gas tax, county gambling taxes, solid waste taxes, 911 taxes.

Areas of risks to this program may include, but are not limited to the following:

- Proper district allocation of sales taxes
- Collections

Special Assessments – The Treasurer’s Office bills and collects special assessment taxes. These are billed with the real property tax statement and accounts receivables are consolidated with tax receipting.

Areas of risks to this program may include, but are not limited to the following:

- Billing and collection
- Electronic transmission of transactions

Foreclosures/Auctions – The Treasurer’s Office forecloses on property for delinquent taxes.

Areas of risks to this program may include, but are not limited to the following:

- Foreclosure initiated in a timely manner
- Bankruptcy identification

Financial Services

- Cash Flow Reporting/Forecasting
- Investment Portfolio Management
- Depository/Cash Management
- Debt Management

Cash Flow Reporting/Forecasting – The Treasurer’s Office maintains a certain amount of cash available for immediate or near-term use, while investing unused cash. According to the elected Treasurer, the process of determining what amounts should be kept on hand come from several systems.

Areas of risks to this program may include, but are not limited to the following:

- Inaccuracy in forecasting: lack of required cash on hand
- Inaccuracy in forecasting: opportunity cost of excess cash on hand

Investment Portfolio Management – The Treasurer’s Office invests cash balances for Whatcom County and all junior and special purpose districts. Investment transactions are conducted each business day by the Investments Officer.

Areas of risks to this program may include, but are not limited to the following:

- Electronic transmission of transactions
- Segregation and authorization of financial account transaction access
- Lack of defined parameters - Investment policy
- Lack of defined direction – Investment plan
- Investment risks (ie. liquidity, risk diversification, safety of principal, composition)
- Financial accounting

Depository/Cash Handling – The Treasurer’s Office receipts money from numerous other departments, other local governments, as well as directly from businesses and citizens. Large amounts of money are transacted at the Treasurer’s tills and are secured in a vault. Secure transport is made from the Treasurer’s Office to the bank of deposit.

Areas of risks to this program may include, but are not limited to the following:

- Cash handling
- Vault security
- Transport services

- Financial accounting

Debt Management – The Treasurer’s Office administrates the debt documentation and makes the service payments.

Areas of risks to this program may include, but are not limited to the following:

- Debt policy
- Timely payment
- Required reserves
- Financial accounting

Other Services

- Passport Applications
- Needs Based Ferry Tickets

The Treasurer's Office accepts passport applications and reviews to ensure they are complete before forwarding to the U.S. Department of State. Passport applications are increasing in volume and revenue.

Areas of risks to this program may include, but are not limited to the following:

- Information privacy
- Timeliness of application submittal

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TREASURER'S OFFICE**

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STEVEN N. OLIVER
TREASURER

To: Fred Williams, Internal Auditor

From: Steve Oliver, County Treasurer

A handwritten signature in blue ink, appearing to read "Steve Oliver", is written over the name in the "From:" field.

Date: July 12, 2010

RE: Internal Audit Risk Assessment Review

I have reviewed the Internal Audit Risk Assessment report for the Treasurer's Office prepared by your office. The report summarizes the major areas of risk for operations within my office. Thank you for preparing this document.

ABOUT WHATCOM COUNTY'S INTERNAL AUDIT SYSTEM



The internal audit system was established on July 1, 1994 by a 1993 Whatcom County charter amendment. The county auditor has the authority and responsibility for the management of the internal audit system. As an independently elected official, the county auditor has the organizational status and objectivity necessary to maintain the independence required to schedule, perform, and report audit activities.

The key purpose of the internal audit function is to promote accountability. As an independent appraisal function, internal auditing provides public officials, legislators and citizens with information regarding the operation and management of county government.

The internal audit system is chartered to perform operational and financial audits of all programs, services and accounts that come under the budget authority of the county. Our audits are designed to comply with applicable professional standards. Results of the audits are published in individual audit reports, and are made available to the public.

Comments or questions about the internal audit system can be directed to:

Shirley Forslof, County Auditor	(360) 676-6740 ext. 56744
Debbie Adelstein, Chief Deputy Auditor	(360) 676-6740 ext. 50065
Fred Williams, Internal Auditor	(360) 676-6740 ext. 50049

Copies of audit reports may be obtained in the following manner:

Request a copy in writing to:
Whatcom County Auditor's Office
311 Grand Avenue, Suite 103, Bellingham, WA 98225

Request a copy by telephone (360) 676-6740, or fax (360) 738-4556.