**State of Tennessee**

**Department of Finance and Administration**

**Sample Risk List**

This is a list of risk descriptions classified into various areas and subareas. There may be some overlapping between some of these areas. Some of the risks classified under these areas are classified based on the area they impact and others are classified based on the root cause of the risk.

This list is primarily to serve as a tool to help ensure that you do not overlook important risks. It is not meant to be construed as all-inclusive or mandatory. Organizations should establish an inventory of risks of their own and then in subsequent identification processes, confirm existing risks as being still applicable and relevant.

Management should identify other risks, not included in this list, which may impact their organization’s objectives. Risks should be described in precise terms to articulate between the difference of the actual risk and the causes and impacts of the risks. When identifying these risks, management should use phrases such as the metalanguage below:

*As a result of <definite cause>, <uncertain event> may occur, which would lead to <effect on objective>.*

*Or*

*The possibility of <describe potential occurrence or circumstance> and the associated impacts on <describe specific business objectives set by the organization>.*

| *\* Indicates examples are provided below for those subareas.**\*\* There are no subareas for the fraud, waste and abuse area since all areas of an entity are vulnerable to these types of risks. However, there are examples below.*  | Governance | Human Resources | Information Technology | Other |
| --- | --- | --- | --- | --- |
| Compliance and Privacy | Development and Relations | Facilities and Administration | Federal, State, Local & Community Relations | Finance | Fraud, Waste and Abuse\*\* |
| Accounting-GASB/GAAP\* | Compliance with donor intent\* | Accessibility | City relations | Budget challenges, allocations, carryovers\* |  | Board member independence\* | Background checks-operational | Communication systems | Alternative Workplace Solution/Telecommuting\* |
| Affirmative action | Endowment-Loss of income/investment | Auto/Fleet-replacement of vehicles, gas cards, insurance | Federal relations\* | Cash management\* |  | Governance policies\* | Benefits\* | Cyber liability\* | Communications/public relations, marketing\* |
| Alcohol and drug | Gift acceptance policy\* | Business continuity\* | Neighborhood relations\* | Collection Monitoring\* |  |  | Code of conduct | End-user training | Competition for grants |
| Background checks\* | Health and safety of employees/visitors-operational\* | Capital planning and projects\* | Professional organizations relations | Contracting/purchasing\* |  |  | Diversity-Skills, knowledge\* | ERP reliability\* | Copyright and fair use |
| Bond compliance | Special events risk | Emergency planning and response | Supplier relations | Contractual relationships-dependencies\* |  |  | Employee handbook | Incident response-continuity and security\* | Depletion of endowment principle |
| Code of ethics\* |  | Facilities maintenance |  | Cost management\* |  |  | Employee retention | Network integrity | Endowment-loss if income/investment |
| Conflicts of interest\* |  | Facilities quality |  | Financial reporting\* |  |  | Employee succession planning\* | Outsourcing | Energy |
| Credit card privacy regulations\* |  | Inventory\* |  | Insurance/risk management\* |  |  | Grievance procedures | Project management | Environmental and laboratory safety |
| Eligibility determinations\* |  | Outsourcing\* |  | Internal controls\* |  |  | Health and safety of staff\* | System capacity | Financial aid-operational |
| Environmental health and safety |  | Planning and Prioritization |  | Payment Cards/PCards\* |  |  | Nondiscrimination-Title VI | System maintenance and upgrades\* | Food services |
| Federal/State statutes and regulations |  | Pollution/erosion |  | Reserve funds\* |  |  | Outsourcing |  | Goods and services\* |
| Foreign nationals-SEVIS |  | Safety-operational |  | Revenue risks-federal revenue\* |  |  | Performance evaluation\* |  | Hazardous materials |
| Gramm-Leach-Bliley |  | Security operations\* |  |  |  |  | Reorganizations, promotion and tenure\* |  | High risk investments |
| Government grants-grant restrictions\* |  | Transportation and parking |  |  |  |  | Staffing and support\* |  | Higher education act |
| Grant accounting-reporting and cost (UGG)\* |  | Waste disposal and recycling |  |  |  |  | Staff qualifications/training\* |  | Intellectual property rights |
| Harassment prevention |  |  |  |  |  |  | Termination procedures |  | Investment oversight\* |
| Health and safety compliance |  |  |  |  |  |  | Workplace safety-operational |  | Outsourcing\* |
| HIPPA-FERPA\* |  |  |  |  |  |  |  |  | Proper disposal |
| HR-FLSA/FMLA |  |  |  |  |  |  |  |  | Regulatory concerns\* |
| Information security breach response\* |  |  |  |  |  |  |  |  | Sexual molestation prevention |
| Lobbying |  |  |  |  |  |  |  |  |  |
| Privacy |  |  |  |  |  |  |  |  |  |
| Record retention/destruction\* |  |  |  |  |  |  |  |  |  |
| Sale of federal property |  |  |  |  |  |  |  |  |  |
| Tax compliance\* |  |  |  |  |  |  |  |  |  |
| Title IV/HEOA |  |  |  |  |  |  |  |  |  |
| Whistleblower policy |  |  |  |  |  |  |  |  |  |

**EXAMPLES**

* **Compliance and Privacy**
	+ Accounting-GASB/GAAP
		- *Because responsible staff members did not receive adequate training on a new released accounting standard, the recording of accounting transactions did not comply with GAAP and resulted in a material misstatement on the state’s financial statements.*
	+ Background checks
		- *Agency delays performing background checks on personnel that come into contact with children and elderly people and results in sexual abuse of individuals in the agency’s care.*
	+ Code of ethics
		- *In spite of the existence of an official Code of Ethics, a growing number of individuals are not held accountable for violating attendance rules creating a low productivity environment where high performers leave the organization.*
	+ Conflicts of interest
		- *As a result of management’s failure to identify an inappropriate relationship between an employee and a contractor, the state is exposed to significant public distrust which results in additional oversight and reporting that puts an additional strain on agency resources.*
		- *An undisclosed conflict of interest is revealed just before signing a contract which results in the need for repeating the procurement process causing a delay in the delivery of services.*
	+ Credit card privacy regulations
		- *The agency fails to dispose of customer credit card information properly (not shredding) and this is reported to the Federal Trade Commission and results in penalties under the Fair and Accurate Credit Transaction Act (FACTA) and thus the agency loses financial resources that could be used to carry out services.*
	+ Eligibility determinations
		- *A significant increase in special projects causes an increase in staff workloads that results in the failure of staff to fully and timely determine eligibility requirements of grant recipients and leads to payments to ineligible claimants.*
	+ Government grants-grant restrictions
		- *The risk the agency could unknowingly enter into covered transactions with entities that have been suspended or debarred by the Federal Government and results in disallowed costs.*
	+ Grant accounting-reporting and cost (UGG)
		- *Grant Management incurred expenditures after the end of the period of availability because AP did not have adequate supporting documentation to process voucher on time which resulted in lost federal revenue.*
	+ HIPPA-FERPA
		- *A system breach results in the unauthorized access to sensitive health information which leads to civil fines and lawsuits.*
		- *A virus on employee’s laptop results in the unauthorized access to sensitive health information which leads to civil fines and lawsuits.*
	+ Information security breach response
		- *The risk that the agency cannot immediately reach all of the employees that are affected by a system breach that led to the unauthorized access to employees’ private protected information which severely impedes customer satisfaction.*
	+ Record retention/destruction
		- *Records for real property and equipment acquired with Federal funds 2 years prior were destroyed by agency staff before the retention period expired and resulted in disallowed federal costs since the agency could not provide support for reimbursement.*
	+ Tax compliance
		- *The state fails to obtain a refund from the IRS for excise taxes paid due to the agency paying the tax failing to submit the necessary information to the agency submitting the refund claim form due to lack of knowledge by paying agency.*
* **Development and Relations**
	+ Compliance with donor intent
		- *Unspent donated funds are commingled with general dollars and are not tracked separately and leads to the funds being spent on purposes other than those intended by donor and results in the donor revoking their donor agreement.*
	+ Gift acceptance policy
		- *An employee with a direct role in a competitive bidding process accepts a gift from a prospective bidder, causing the State to re-start the bidding process, which would delay the contract negotiation and damage supplier relationships.*
	+ Health and safety of employees/visitors-operational
		- *A post damage inspection was not conducted after the repair of a broken water pipe, leading to the undetected presence of mold in the HVAC system, causing employee illness and gaps in provision of services to the public.*
* **Facilities and Administration**
	+ Business continuity
		- *An unexpected building power outage results in essential staff unable to perform daily tasks that are mandatory which results in significant interruption to business continuity.*
	+ Capital planning and projects
		- *As a result of the project tracking system not being aligned with the accounting and financial reporting requirements and process, non-capital project expenditures are classified and reported as capitalized resulting in significant financial reporting errors.*
		- *As a result of an agency’s failure to monitor construction progress, a contractor bills and receives final payment prior to completion of project resulting in a budget increase request for more funds in order to complete construction.*
	+ Inventory
		- *An agency’s capital assets are reported missing, because the agency failed to track the physical location of the assets, resulting in the agency losing public trust.*
		- *Due to poor oversight of real property, reliable real property data is not available to support decision making leading to operational interruptions.*
	+ Outsourcing
		- *A supplier experiences a breach in internal systems that contain protected personal identifiable information of state customers and the state is not informed timely resulting in bad press against the agency.*
		- *Due to the negotiating team’s failure to advise a supplier of specific industry or regulatory requirements, the supplier fails to comply with certain requirements and results in business interruption after the supplier is forced to cease operations by a regulator.*
		- *The agency fails to adequately define service expectations which results in a dispute between the agency and supplier that leaves the state with inadequate leverage to require the supplier to perform as needed to meet customer/agency needs.*
	+ Security operations
		- *An unauthorized person enters work area and obtains sensitive personal taxpayers’ information resulting in bad public relations after the taxpayers’ identities are stolen.*
* **Federal, State, Local & Community Relations**
	+ Federal relations
		- *The state fails to act on a legitimate pollution concern and results in federal government intervention that includes preemption of state laws and services, which compromises public trust.*
		- *A state agency fails to take prompt action when notified of non-compliance with federal regulation, which results in the loss of $20m or more in federal funding.*
	+ Neighborhood relations
		- *Social media, mobile applications and other Internet-based applications may significantly impact our brand, customer relationships, regulatory compliance processes and/or how we do business as a result of an employee misrepresenting the state.*
	+ Supplier relations
		- *An agency fails to initiate the bidding process in time to correctly solicit the required number of bids and improperly awards a sole source contract to get the product in time resulting in negatively impacting supplier relations with those not awarded the contract.*
* **Finance**
	+ Budget challenges, allocations, carryovers
		- *As a result of improperly recording invoice amounts into the accounting system, overpayments to suppliers may occur resulting in budgetary limitations.*
		- *As a result of not independently verifying totals on an invoice, an incorrect invoice total was recorded, accrued and subsequently paid which may lead to funding shortages.*
	+ Cash management
		- *As a result of management’s failure to monitor cash outflows, lack of maximization of State resources may occur, which may lead to inability to meet current obligations.*
		- *Latency in calculating federal share of expenditures verses state share, delays the drawdown of federal funds beyond a reasonable amount of time and results in the inefficient inflow of cash.*
	+ Collection Monitoring
		- *The possibility that sufficient funds are not available to liquidate liabilities because of uncollected receivable and the associated impacts on services provided.*
	+ Contracting/purchasing
		- *The possibility of paying for goods that were returned due to the lack of communication between payable staff and receiving staff and the associated impact on budget.*
	+ Contractual relationships-dependencies
		- *Lack of communication between budget personnel and program personnel results in the failure of an agency’s budget to provide adequate funding to meet the agency’s program output goals and this could lead to potential hardships on subrecipients.*
	+ Cost management
		- *Inaccurate calculation of customer billings may result in under-billing for services and insufficient cost recovery, which may lead to budgetary constraints for the agency.*
	+ Financial reporting
		- *A failure to match expenditures with the correct accounting period may result from not properly accruing all payables, gains and loss contingencies in the correct period which would lead to financial misstatement.*
		- *The possibility of understating liabilities at year end by not recording vendor invoices received prior to year-end until the following year and the associated impact on financial reporting because the invoices were not submitted to the central office by the year end cutoff date.*
	+ Insurance/risk management
		- *Our organization may face greater difficulty in obtaining affordable insurance coverages for certain risks that have been insurable in the past.*
	+ Internal controls
		- *The possibility of expenditure not being recorded against the grant contract and the associated impact on federal funding because the payable clerk did not have documentation to indicate the expenditure was related to a federal grant.*
	+ Payment Cards/PCards
		- *An employee is issued more than one PCard, resulting in the employee being able to obtain purchase limit beyond the maximum allowed per state policy.*
		- *Agency personnel split a payment card purchase in order to circumvent the approved single transaction limits.*
	+ Reserve funds
		- *A change in legislation creates a new requirement to set aside dedicated revenues for a specific purpose and the change is not communicated to the agency collecting the revenue and results in funds being spent on costs not in accordance with the law and results in an audit finding that leads to bad PR.*
	+ Revenue risks-federal revenue
		- *As a result of the failure to match expenditures with the proper accounting period, disallowed federal reimbursement may occur which may lead to delayed product and service delivery.*
		- *A federal government shutdown leads to the inability to draw federal funds and creates a significant disruption to operations.*
* **Fraud, Waste and Abuse**
	+ - *Employee purposely understates leave reported on time sheet which results in loss of funds*
		- *Personnel intentionally records expenditures to the improper budget control account/allotment code and this results in negative consequences on future budgets*.
		- *The agency includes supplier’s credit card information in an unsecure excel file which is accessed by unauthorized personnel that uses the information to commit fraud.*
		- *Failure to practice effective disposal of excess and underutilized property results in unnecessary maintenance and lost opportunity costs.*
		- *An employee is issued multiple payment cards allowing for the employee to exceed the state’s spending limit for p-cards which allows for circumventing procurement bidding requirements.*
		- *An employee, authorized to issue p-cards and approve spending, issues himself a p-card and proceeds to make significant personal purchases.*
		- *An employee sells state computer support equipment that is stockpiled for contingencies on eBay for personal gain and results in increased work stoppage due to the agency having to special order the item in an emergency.*
* **Governance**
	+ Board member independence
		- *Board members engaged in for-profit businesses that offer the type of products and services that the agency procures results in an appearance of a conflict of interest and the agency loses credibility with the public as a result of bad PR.*
	+ Governance policies
		- *The possibility of unclear lines of authority leads to the lack of prioritization of new projects and impacts the efficiency of staff’s time.*
		- *Our organization’s culture may not sufficiently encourage the timely identification and escalation of risk that have the potential to significantly affect our core.*
		- *A high ranking official uses influence to pressure an employee to approve an improper transaction resulting in the waste/abuse of state resources.*
* **Human Resources**
	+ Benefits
		- *The possibility that employees are not enrolled in the retirement plan and the employees lose credits for service and this results in lawsuits against the agency.*
		- *The unexpected increased costs of healthcare coverage for our employees may limit funding for operational program initiatives.*
	+ Diversity-Skills, knowledge
		- *Overreliance on key personnel results in a significant interruption to business continuity after an unexpected extended absence and the lack of second-line support or continuity manuals.*
	+ Employee succession planning
		- *Our organization’s succession challenges and ability to attract and retain top talent may limit our ability to achieve operational targets.*
	+ Health and safety of staff
		- *Health insurance for employees become too costly for most employees and results in an increase in employee absences due to illnesses as a result of the employee’s lack of preventative medical care and this leads to significant operational interruptions.*
	+ Performance evaluation
		- *During interim performance reviews, a rater fails to communicate and document areas of needed improvement and results in the lack of support for disciplinary action when performance continues to decline to the point that it negatively affects the agency’s key performance indicators.*
		- *Supervisor fails to include key mission relevant responsibilities in an employee’s performance plan which results in reduced performance and work quality in that specific area because the employee’s focus is on other less relevant areas identified in the performance plan.*
		- *Failure for management to address employee’s deficiencies in performance evaluations results in continuous rework by others costing the agency excess time and funds.*
		- *A high performing employee leaves due to a manager’s failure to address poor performing employees.*
	+ Reorganizations, promotion and tenure
		- *As a result of reorganizing personnel, job duties are not properly assigned and as a result current personnel fail to record an interdepartmental transfer of equipment; the ability to locate physical inventory is impaired which would lead to a possible audit finding.*
	+ Staffing and support
		- *As a result of understaffing, a lack of adequate review of journal entries occurs, which would lead to financial reporting errors.*
		- *As a result of a high pressure work environment created by unreasonable deadlines, high turnover occurs which would lead to financial reporting errors due to inadequately trained personnel.*
		- *Poor management of personnel tasks leads to improper prioritization of staff assignments and results in budget proposals being submitted late and as a result an interruption of services could occur.*
	+ Staff qualifications/training
		- *As a result of an unqualified person being appointed to an accounting position, poor accountability and funds management may occur, which may lead to a budget deficit for the agency.*
* **Information Technology**
	+ Cyber liability
		- *An employee’s downloading of a file from an unknown source and containing a virus allows for a data breach that results in the theft of citizens’ personal private information and leads to a large class action lawsuit.*
	+ ERP reliability
		- *As a result of the Edison system not functioning properly, warrants are for an amount different than vouchers and supporting invoices which would lead to negative impact on productivity due to rework.*
	+ Incident response-continuity and security
		- *The lack of an incident response plan to a Cyber-attack leads to increased recovery time that extends operational delays.*
	+ System maintenance and upgrades
		- *Scheduled system maintenance takes longer than projected and results in a significant work stoppage due to excessive down time.*
		- *After installation of upgraded software, a failure of the system to adequately communicate with external systems results in significant interruption of business continuity.*
* **Other**
	+ Alternative Workplace Solution/Telecommuting
		- *New hires are not adequately trained due to some employees, including supervisors, working from home which may lead to an increase in financial errors.*
		- *Employee’s failure to transport computer to/from work leads to loss of production and failure to meet 3 day turn around commitment for customer inquiries.*
	+ Communications/public relations, marketing
		- *Repeat significant audit findings results in high media attention that leads to increased legislative oversight which could result in reduced appropriations.*
	+ Goods and services
		- *Uncertainty surrounding the viability of key suppliers or scarcity of supply may make it difficult to deliver our products or services.*
	+ Investment oversight
		- *Anticipated volatility in global financial markets and currencies may create a significant decline in investments that could lead to an increased demand of state funds to cover required contributions for retirement related obligations.*
	+ Outsourcing
		- *Overreliance on outsourcing and strategic sourcing arrangements to achieve operational goals may prevent us from meeting organizational targets or impact our brand.*
		- *The agency is fined by the federal government after confidential information is released to unauthorized individuals due to a contractor, hired by the agency to shred documents that contain sensitive information, failing to properly secure such documents before adequate disposal.*
	+ Proper disposal
		- *Failure to communicate the proper disposal and procedures for computers to all agency staff results in an agency improperly disposing of computers containing sensitive information without being wiped clean and leads to stolen personally identifiable information.*
	+ Regulatory concerns
		- *A regulatory change noticeably affects the manner in which our services are delivered due to additional time requirements.*
		- *The impact of a regulatory change is overlooked and results in significant fines (loss of minor assets).*