EDC
Warren County, NY

2024 EDC ANNUAL INTERNAL CONTROL ASSESSMENT

POTENTIAL FINANCIAL RISKS AND EXPOSURES

1. Financial / Fraud Risk

- **Misappropriation of Funds**: Employees or volunteers may divert funds for personal use.
- **Kickbacks and Bribery**: Vendors or contractors may offer or receive bribes in exchange for contracts.
- **False Reporting**: Inflating revenue or underreporting expenses to make financial statements appear better.
- **Conflict of Interest**: Board members or staff may have financial interests that conflict with the organization's mission.
- **Data Breaches**: Loss or theft of sensitive financial data, or internal financial records due to cyberattacks or inadequate security systems.
- **Unauthorized Access**: Lack of proper access controls to financial systems and data, increasing the risk of internal fraud or external hacking.

2. Organizational Procedures

- **Lack of Segregation of Duties**: One person may have control over both the recording and authorization of transactions, leading to a higher risk of fraud.
- **Inconsistent Documentation**: Insufficient documentation for financial transactions, making it difficult to verify the accuracy and legitimacy of financial statements.
- **Weak Approval Processes**: Lack of proper authorization and oversight for expenditures, increasing the risk of mismanagement.

3. Compliance and Regulatory Risk

- **Non-compliance with Financial Reporting Standards**: Failure to comply with GAAP (Generally Accepted Accounting Principles) or other relevant standards could lead to incorrect or misleading financial statements.
- **Inaccurate Financial Statements**: The potential for errors in financial statements due to poor internal controls or lack of expertise.
- **Audit Findings**: Poor audit results, especially findings related to financial practices, could jeopardize credibility and trust.
- **Noncompliance with Contract Terms**: Breaching contracts or failing to meet contractual obligations could result in financial penalties or legal consequences.

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POTENTIAL FINANCIAL RISKS AND EXPOSURES cont'd

4. Funding and Asset Management Risk

- **Inefficient Resource Allocation**: Funds may be allocated inefficiently, with a higher proportion spent on administrative costs rather than mission-related activities. Overspending on projects or programs, causing financial strain.
- **Mismanagement of Assets**: Assets may not be properly maintained or valued, leading to inaccurate financial reporting.
- **Ineffective Fundraising Strategies**: Risk that fundraising campaigns may not meet targets, affecting the overall financial health of the organization.
- **Over-reliance on a Single Event or Funding Source**: Heavy dependency on one event or source of funding could jeopardize financial stability if that source fails.

5. External and Other Risks

- **Lack of Succession Planning**: Insufficient planning for the departure of key financial staff, leading to operational instability.
- **Economic Downturns**: A poor economy may lead to reduced donations, grants, or government funding.
- **Changes in Government Funding Policies**: Shifts in government policies or funding priorities may reduce the amount of public funds available.