# Continuous Assurance

# Audit Report

October 4, 2023

# Report Summary

Continuous Assurance is an approach used to assess the effectiveness of business process controls on an ongoing basis through analysis and the use of technology. This includes analyzing large volumes of data to provide control assurance on the whole population and closer to the occurrence of transactions.

The objective of the audit was to assess the effectiveness of controls related to key business areas, which included payroll, procurement & and payments, purchasing cards (P-Cards), and access to systems and identify improvement opportunities.

Based on the criteria used to assess controls, we did not find any evidence of occurrence of fraud or material inaccurate payments. However, we noted there is a need to improve processes and controls around employee timesheet submission and approval, employees' vacation balances, procurement process, segregation of incompatible duties, management of P- Cards and departed contractors' and employees access to the system.

The following is a summary of key findings and recommendations:

1. **Employee Payroll**
   - A large number of timesheets for hourly employees are not submitted and approved. Payroll should strengthen processes to ensure timesheets are timely submitted and approved.
   - There are large employee vacation balances resulting in significant financial liability. Human Resources should strengthen management and monitoring of vacation balances.

2. **Procurement and Payments**
   - There is lack of segregation between purchasing and receiving functions, resulting in the risk of fraud. Supply Chain Management should take measures to avoid segregation of duties issues.
   - Purchase Orders were created after the receipt of vendor invoice resulting in the risk of not following the competitive bid process and purchasing protocols. Corporate Supply Chain should strengthen processes to ensure that purchasing protocols are followed.
   - Vendors with only P.O. Box addresses increase the risk of fictitious vendors. Finance should obtain vendor physical addresses, where possible.

3. **Purchasing (P) Cards**
   - Processes for deactivation of P-Cards and preventing split purchases are ineffective. Corporate Supply Chain should strengthen controls over the management of P-Cards.

4. **Access to System**
   - There is a need to strengthen controls related to managing network accounts for departed contractors and employees.

# Detailed Report

## Background

The Independent Office of the City Auditor (Office) provides assurance to City Council on the City's governance, risk management and control processes. As part of the approved Audit Plan, the Office conducted a Continuous Assurance audit. Through analysis of data and use of technology, the Office assessed controls for key business processes to detect any errors, overpayments, non-compliance, or fraud risks. Continuous assurance provides greater assurance on the whole population and closer attention to the occurrence of transactions. Thus, errors and frauds are detected earlier.

Data analytics also provides a powerful fraud prevention and detection tool. According to the Association of Certified Fraud Examination's 2022 Report to the Nations, organizations using anti-fraud controls, such as proactive data analytics, reported that the duration of fraud and fraud losses were reduced by up to 33%.

This is the first time the Office has undertaken a Continuous Assurance audit. The implementation of Fusion has greatly helped in making the data available for analysis. There were a few control tests which were not conducted due to lack of availability to data at this time. However, as the Fusion system matures, we understand that more data and reporting will be available in the future to help us conduct more data analytics.

## Audit Objective

The objective of the audit was to assess the effectiveness of existing controls for key business areas such as employee payroll, procurement, vendor payments, P-Cards, and access to systems through continuous auditing and identify opportunities for improvement.

## Audit Scope and Approach

The areas covered within this audit included payroll, procurement, vendor payments, P-Cards, and access to system. The scope period was from January 2021 to December 2022. Where required, the period was extended to provide the full context. The City's operations prior to the Fusion implementation were excluded from this review.

The following approach was used in the conduct of the audit:
- The Office identified criteria for continuous assurance and collaborated with Information Technology, Fusion team and respective business areas to understand the data.
- Data analytic scripts were developed and run by the Fusion team for developed criteria. Where required, data was obtained directly from the departments.
- Outliers or red flags identified as the result of running data analytics were investigated in coordination with the respective business areas, and root cause analysis was conducted.
- The Office met with respective business areas, reviewed, and discussed preliminary findings and recommendations and obtained Administrative responses for implementation of the recommendations.

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# Continuous Audit Dashboard

The table below shows details of control tests that were completed and the test results for which required data was obtained from Administration.

| # | Control Tests | Risk Rating | Risk Description | Test Results |
|---|---|---|---|---|
| **Payroll** | | | | |
| 1. | Employees with same date of birth, last name, SIN, address or bank account | | Duplicate/fictitious employees, errors, non-compliance with regulations, or other irregularities | No significant exceptions noted. |
| 2. | Employees with missing or invalid Social Insurance Number, bank account or address | | | |
| 3. | Employees who received pay but had zero EI, CPP, pension contributions or income tax deducted | | | |
| 4. | Employees with an unusual length of service (less than 3 months or greater than 35 years) | | | |
| 5. | Payroll payments made prior to employment commencement date | | Inaccurate employee payments | |
| 6. | Unapproved time off requests | | | |
| 7. | Payroll changes made by Payroll staff to their own account | | Fictitious activities, errors, or other irregularities which may lead to financial loss | |
| 8. | Employees with large vacation balances | Medium | Significant financial liability, impact on employees' productivity, mental and physical health | Significant Exceptions noted. |
| 9. | Non-submission and / or non-approval of timesheets for hourly employees | High | Overpayments, underpayments, non-compliance | |

| # | Control Tests | Risk Rating | Risk Description | Test Results |
|---|---|---|---|---|
| **Procurement and Payments** | | | | |
| 10. | Payments made above a specific threshold (over $5,000) without PO and/or Receiving Report | | Fraud risks, errors, overpayments, non-compliance, unauthorized purchases | No significant exceptions noted. |
| 11. | Purchase Orders of over $ 5 million | | | |
| 12. | Purchase Orders over $1 million for which no goods or services have been received for over a year | | | |
| 13. | Multiple Purchase Orders to one vendor in the same amount | | | |
| 14. | Invoices with same or similar numbers | | | |
| 15. | Non-PO purchases that fall Just under review/authorization thresholds | | | |
| 16. | Purchase Orders of over $100k were created without approval | | | |
| 17. | Purchase Orders over $25,000 created on or after receipt of invoice | High | | Significant Exceptions noted. |
| 18. | Same staff created Purchase Orders over $50k and received the same goods or services | High | | |
| 19. | Active vendors with P.O. Box address | Medium | | |
| **Purchasing Cards (P-Cards)** | | | | |
| 20. | Purchases made after the last date of employment | | Fraud risk, unauthorized purchases, misuse, duplicate transactions, increased financial exposure, non-compliance etc. | No significant exceptions noted. |
| 21. | Cardholders with unusually high numbers of credits or returns | | | |
| 22. | Employees with multiple P-Cards | | | |
| 23. | P-Cards with no activity for a long period of time | | | |
| 24. | Single or monthly transaction limits exceeded | | | |
| 25. | Terminated employees or employees on extended leave with active P-Cards | Medium | | Significant Exceptions noted. |
| 26. | Delay in cancelling P-Cards for terminated employees | | | |
| 27. | Total payment exceeds the per transaction limit into two or more charges (split transactions) | | | |

| # | Control Tests | Risk Rating | Risk Description | Test Results |
|---|---------------|-------------|------------------|--------------|
| 28. | Delay in revoking network accounts for terminated employees | | Unauthorized access and changes, fraud risks, reputational impact. | No significant exceptions noted. |
| 29. | Unrestricted (superuser) access to Fusion system | | | |
| 30. | Active network accounts for departed contractors and employees. | High | | Significant Exception noted. |

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# Detailed Findings and Recommendations

## 1. Segregation of Incompatible Duties

**High Risk**

We found that there is lack of segregation between purchasing and receiving functions. Due to fraud risks, detailed findings and recommendations will be shared in-camera.

## 2. Network accounts for Departed Contractors and Employees

**High Risk**

We found that controls related to network accounts for departed contractors and employees need strengthening. Due to cybersecurity risks, detailed findings and recommendations will be shared in-camera.

## 3. Non-submission and Non-approval of Employee Timesheets

**High Risk**

*A large number of timesheets for hourly employees are not submitted and approved.*

**Recommendation 3**: We recommend that Payroll, in coordination with division / department heads and IT, should strengthen processes to ensure timesheets are timely submitted and approved. These include:

- Develop, implement, and communicate clear policies and procedures on employees' and approvers' obligations to submit and approve timesheets in accordance with established payroll deadlines.
- Explore the possibility of implementing an escalation process which notifies the approver's supervisor about the timesheets which have not been approved within a set timeline and require approver's supervisor to ensure timesheets are approved.
- Regularly monitor the extent of compliance with the submission and approval of timesheets.

**Administrative Response and Action Plan**

Administration agrees with the recommendations and will develop and implement a CQMS procedure setting out the requirements for managers and employees in relation to the submission and approval of time sheets for implementation in 2023. The implementation will be supported by a communication and change management plan.

Administration will also conduct a review of options for improving compliance in relation to the submission and approval of timesheets including escalation processes, reporting and monitoring. Options will be presented to the Executive Leadership Team (ELT) in the 1st quarter of 2024.

It is important to note that prior to SAP, there was no standard time sheet approval process across the organization, and limited ability for monitoring and control. With the new system, management has both visibility and reporting capabilities to monitor and follow up on time sheet submission and approval exceptions. Although Administration had hoped for a lower exception rates, it was not unexpected as the majority of 2021 and 2022 were focused on system stabilization and ensuring payroll was delivered accurately and on time. As the system continues to stabilize, efforts will be refocused on improving the time sheet submission and approval rates through communication, ongoing training, procedure development and reporting as noted in the response plan.

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**Findings:**

We found that from January 2021 to May 2023, 81% of the timesheets were not submitted by hourly employees, and 37% of the timesheets were not approved by managers. Further breakdown by year is as follows:

| Period | % of Timesheets not Submitted | % of Timesheet not Approved |
|---|---|---|
| January 2021 to April 2022 | 84 | 47 |
| May 2022 to May 2023 | 77 | 36 |

Organizations need an effective time-tracking tool to monitor employees' work hours. The City's payroll practice requires employees to submit semi-monthly timesheets in the Fusion system, and managers are required to approve these timesheets before payroll is processed. Managers can also edit and approve the timesheets for their employees even if the timesheets are not submitted. Non-submission or approval of timesheets may result in overpayments / underpayments to employees.

We found the following issues with respect to timesheet submission and approval for hourly employees:

- Out of the total 78,783, semi-monthly timesheets required to be submitted for the 29-month period (January 1, 2021 to May 31, 2023) for hourly employees, we found that 63,847 (81%) timesheets were not submitted for approval.
- Out of the 63,847 timesheets that were not submitted for approval, 34,613 timesheets were approved by managers resulting in 29,234 timesheets which were not approved.
- There were 1,248 timesheets which were submitted by hourly employees but were not approved by managers.

The summary of submission and approval of timesheets from January 2021 to May 2023 is shown in the table below:

| | No. of Timesheets | % |
|---|---|---|
| Timesheets not submitted and not approved - Exception | 29,234 | 37 |
| Timesheets not submitted but approved - Exception | 34,613 | 44 |
| Timesheets submitted but not approved - Exception | 1,248 | 2 |
| Timesheets submitted and approved - No exception | 13,688 | 17 |
| **Total Timesheets required to be submitted and approved** | **78,783** | **100** |

Our further analysis showed that out of the 3,327 hourly employees who were required to submit semi-monthly timesheets, more than 53% of the employees had a non-compliance rate of between 91% and 100%. We noted only nine employees had a 100% compliance rate, i.e., they never missed their timesheet submission within the review period.

The submission and approval of employees' timesheets are not a requirement to receive payroll payments. Only amended timesheets must be submitted and approved to have the changes transmitted to Payroll. Hourly employees who do not submit their timesheets or timesheets that are not approved are paid based on their regular schedule.

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In the last few months, Payroll has implemented a process where automated system notifications are sent to staff and managers, which reminds them to submit and approve their timesheets. However, we noted in situations where the timesheets are not approved, there is no escalation process to notify the approver's supervisor about the pending timesheets. In addition, there is no monitoring to assess the extent of compliance with the submission and approval of timesheets.

## 4. Purchase Orders Created After Receipt of Vendor Invoice


High Risk

*Purchased Orders were created after receipt of vendor invoice resulting in the risk of not following the competitive bid process and purchasing protocols.*

**Recommendations 4**: We recommend that Supply Chain Management in-coordination with Finance should create awareness among staff the requirement and importance of following a competitive bid process. In situations where there are non-compliances, detail investigation should be conducted, and employees should be held accountable for not following the purchasing protocols.

**Administrative Response and Action Plan**

Administration agrees with the recommendation but would like to highlight that efforts are ongoing to improve the procure-to-pay (P2P) process (requisition, purchase order, and receiving); including the development of a P2P Protocol to clarify roles and responsibilities.

It is important to note that prior to SAP there was no reasonable or efficient way to monitor and track potential deficiencies based on the manual and paper-based process. With the introduction of SAP in 2021 and the fundamental P2P processes (requisition, purchase order, and receiving), Administration has improved its internal reporting and controls to identify, address, and control any gaps. The goal continues to be zero control deficiencies in this area; however, the Administration is encouraged by the very low deficiency rate (0.14%) in the audit tests which confirms the approach and control improvements that are happening throughout the organization.

To continue to reduce the number of deficiencies in the organizations, detailed procedures are under development to improve the overall efficiency and awareness of the P2P process. They include specific direction on non-compliance monitoring and resolution. Investigations of non-compliance are common practice, though the depth of investigation is commensurate with severity of non-compliance impact.

Estimated Implementation Date: Quarter 4, 2024.

**Findings:**
The procurement process typically includes identifying a need for a product or service, submitting, and approving a purchase requisition, evaluating, and selecting a vendor and issuance of a purchase order. The City has implemented an ERP system (SAP) for the procurement of goods and services and vendor payments.

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The procurement policy requires that goods or services between $25,000 and $75,000 be procured through an invitational or open competition and procurements over $ 75,000 must go through open competition or publicly posted process.

The data analytics results showed eight (0.14%) out of 5,736 purchase orders over $ 25,000, were created on or after the receipt of the vendor invoice and for which the purchase requisition was not submitted and approved beforehand, and there was insufficient evidence to support that a competitive bid process was followed. This is non-compliance with the City's procurement policy and best practice. These purchase orders were related to the purchase of vehicles, learning programs and various materials.

Competitive bidding between vendors drives lower prices, higher quality and increased innovation. It also ensures residents get the highest value for their tax dollars, allowing the City to reduce costs and improve the quality of goods and services procured.

## 5.  Management of P-Cards

**Medium Risk**

*Processes for deactivation of P-Cards and preventing split purchases are ineffective.*

**Recommendation 5**: We recommend that Supply Chain Management (SCM) in coordination with Finance and Human Resources (HR) should strengthen controls over management of P-Cards by:

- Creating awareness among managers, the importance of timely notification to P-Card Administrators for de-activating P-Cards of departed and transferred employees, employees on extended leave and seasonal employees.

- Updating the employee offboarding checklist to include a reminder to managers to return the P-Card of departed employees and inform the P-Card administrators to de-activate the card.

- Periodically comparing the list of P-Card holders with the list of active employees with HR to detect and deactivate P-Cards of employees no longer working with the City.

- Updating the P-Cards procedure to include a requirement for immediate deactivation of P Cards of departed and transferred employees, employees on extended leave and seasonal employees when they no longer work at the City and the roles and responsibilities in the P-Cards de-activation process. Creating awareness among P-Card holders to comply with the P-Cards policy by avoiding split transactions and managers to strengthen the review of P-Cards transactions to detect any split purchases.

**Administrative Response and Action Plan**
De-activation of P-Cards
Agreed with the recommendation. SCM will update the P-Card Policy to include direction on P-Card deactivation for Managers and P-Card administrators. The Policy update will be accompanied by Procedures and Work Instruction as needed for implementation. The update will be available for implementation in Q2, 2024.

P-Card Transactions Splitting
Agreed with the recommendation. While the target remains zero deficiencies, the Administration is encouraged by the relatively low number of deficiencies identified (0.79%) in the audit that the current approach, training and communication strategy is being successful. Finance and SCM will work together to improve communication to cardholders and their managers regarding the splitting of transactions. Estimated Implementation Date: Quarter 4, 2023.

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**Findings:**

As of December 2022, there were 238 active P-Card holders at the City. Effective management of P-Cards is important to avoid the risk of unauthorized and fraudulent transactions. During our audit, we found the following control issues:

De-activation of P-Cards
- We compared the list of active P-Card holders with the HR list of active employees and found five (17%) out of twenty-nine employees with P-cards departed the City, but their P-Cards were not de activated. Upon bringing the issue to the Administration, the P Cards for these five departed employees have now been deactivated.

- P-Cards were not deactivated for an employee who was on an extended leave and a seasonal employee who was no longer employed with the City. Currently, the P-Card policy and practice do not require de-activating P-Cards in these circumstances.

- In five (21%) out of twenty-four instances, the P-Cards of departed employees were not de-activated at the time of departure and were delayed between 3 – 70 days.

- We did not find any transactions incurred on P-Cards after the departure of employees or after the employee left on extended leave.

- Currently, the managers are required to timely inform the P-Card administrator in SCM to deactivate P-Cards of departed employees. However, we noted in the above instances, the managers either failed to notify the P-Card Administrator or delayed providing notification. We also noted the off-boarding checklist does not remind managers to retrieve P-Cards from departed employees and to notify the P-Card administrator to de-activate the P-Cards.

- There is lack of effective monitoring to ensure that P-Cards are timely removed for departed employees.

P-Card Transactions Splitting
A split transaction is a form of P-Card misuse which involves breaking up a high-dollar purchase into small transactions to bypass the daily or monthly transaction or card limit. The City's P-Card policy prohibits cardholders from splitting transactions to deter P-Card abuse.

Our investigation revealed ten (0.79%) out of 1,260 transactions, amounting to $92,231, where it appears that P-Card purchases were split into two or more transactions by cardholders to circumvent the assigned single purchase transaction limit. The total purchase amounts for each of the ten instances exceeded the single purchase limits of the cardholders, which range between $1,000 and $25,000.

The above instances resulted in non-compliance with the P-Card policy. We also noted the supervisors failed to detect the split purchases during the review of P-Card statements. We contacted the supervisors and confirmed that these purchases were made for business use.

# 6. Employees' Large Vacation Balances

*There are large employee vacation balances resulting in significant financial liability. Management and monitoring of vacation balances need strengthening.*

Medium Risk

**Recommendation 6**: We recommend that Human Resources should:

6.1 Develop and implement a Vacation Policy which aligns with bargaining agreement and includes the maximum number of days employees are allowed to carry over vacations over time. The policy should require employees to approve their vacation carry forward balances over a threshold and a plan to use vacations in a specified timeframe. Employees with large vacation balances should be placed on a vacation plan.

6.2 Create awareness among employees on the importance to keep the vacation balances within the limit set in the Policy and department heads closely monitor their staff vacation balances on a regular basis. HR should schedule periodic vacation balance reminders to employees and require managers to have regular vacation conversations with their employees.

**Administrative Response and Action Plan**

6.1 Administration agrees with the recommendations and will develop and implement a vacation policy/procedure in 2023 that will include permitted vacation balances and approval processes. The implementation will be supported by a communication and change management plan. Estimated Implementation Date: Q4, 2023.

It is important to note that prior to the SAP implementation in 2021 there was a vacation carry-over policy in place with a formal paper-based approval process. During the implementation, many bargaining groups and exempt staff were moved onto an "earn and burn" vacation model, which no longer aligned with the pre-existing vacation carry-over policy, and therefore the policy and approval process were no longer enforced. As efforts during 2021 and 2022 were primarily focused system stabilization and ensuring payroll was delivered on time for employees, the policy was not revised accordingly. The transition to an earn and burn vacation model also involves changes to several collective agreements. While some of the changes have been negotiated there are collective agreements that still require negotiated changes which results in added complexities and longer timelines for policy changes and system implementation.

6.2 Administration will develop and implement a guideline for managers and employees to assist with ongoing vacation management and creating a vacation plan for employee who have "large" vacation balances in the first quarter of 2024.

**Findings:**

Employees accumulate vacation based on the vacation hours earned every pay period and have access to view their vacation balances in the Fusion system. Effective management of employees' vacation balances is necessary for improving employees' productivity, mental and physical health and reducing the financial liability of the City. Large employee vacation balances create significant financial liability resulting in the risk of large cash outflow when employees leave the City and negatively impact the operating budget.

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The City's payable vacation liability for the last six years have been shown in the below graph:

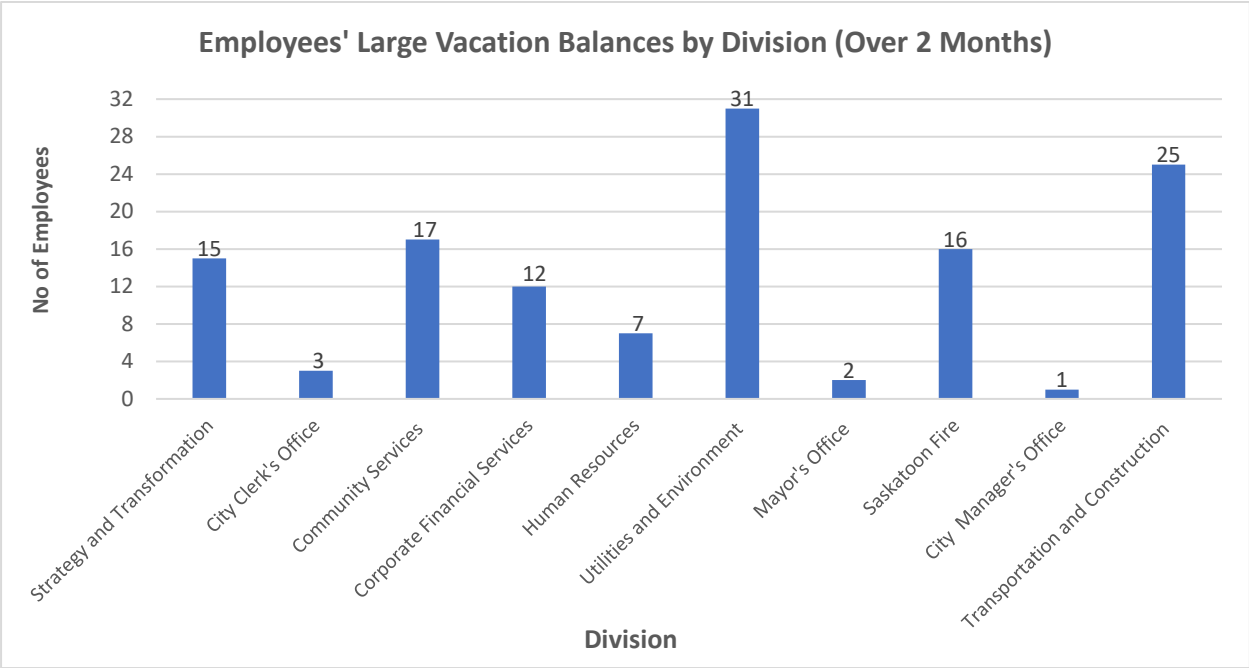**City of Saskatoon Vacation Liability (6-Year Trend)**
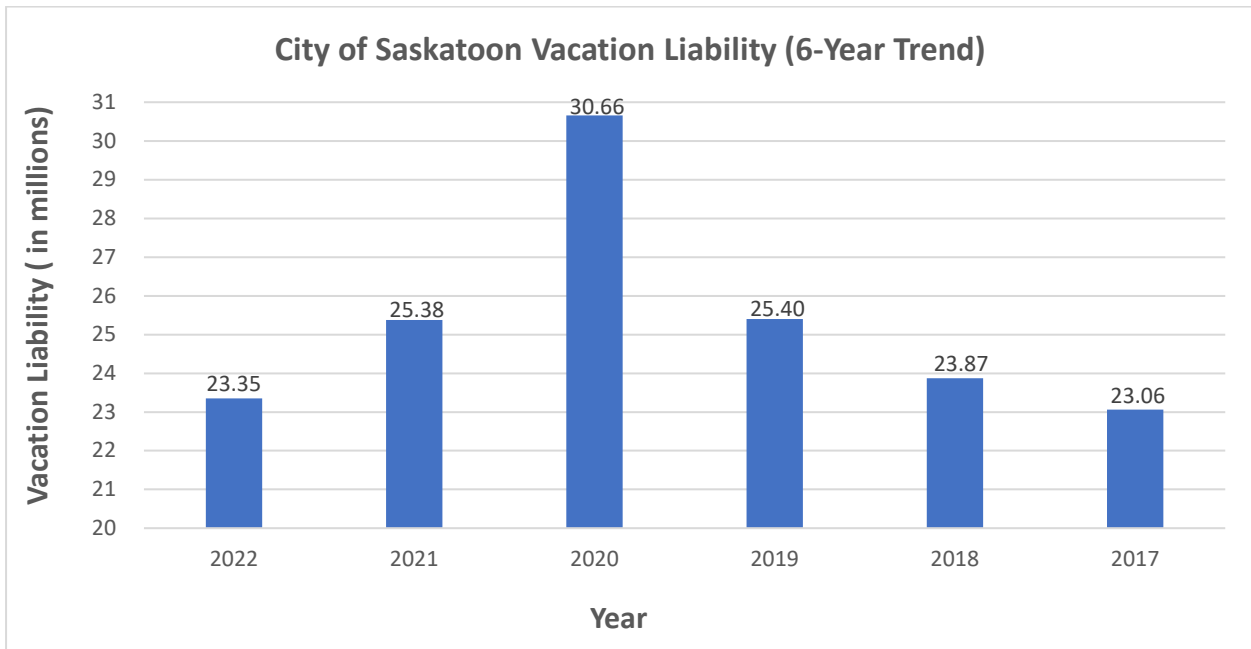


As shown in the graph above, the City's payable vacation liability trended upwards between 2017 and 2021 and has slightly reduced in 2022. The year 2020 was an unusual year as the payable vacation liability reached $ 30.66 million, primarily due to the pandemic, as employees were unable to use their vacations due to travel restrictions.

We also compared the City's payable vacation liability per employee with other municipalities for 2022. The results show that the City's vacation liability per employee is in the mid-range when compared to other municipalities. See the graph below for details.

**Average Vacation Liability in Dollars per Employee by Muncipality**
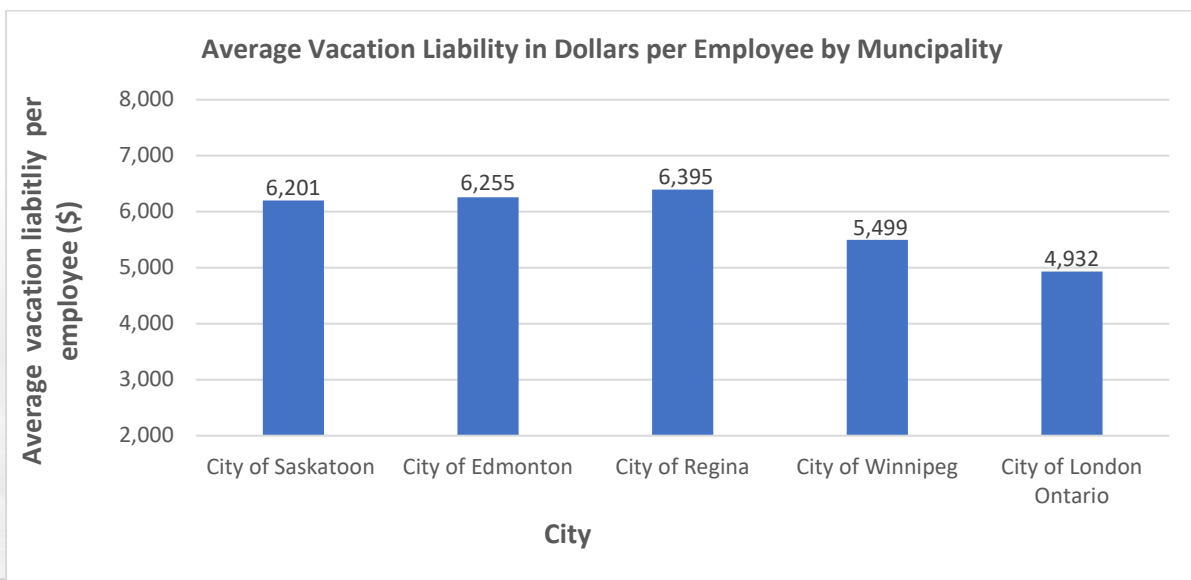
We also reviewed the City's employees with large vacation balances. For the purpose of audit reporting, we considered vacation balances over two months as large vacation balances. Our results showed that out of 3,733 City employees, 129 (3.5%) employees have large vacation balances (over two months) as of March 31, 2023. Further analysis showed that out of the 129 employees with large vacation balances, 121 employees had vacation balances between two months and four months, and eight employees had vacation balances between four months and eight months. The majority of the managers cited the inability to travel due to COVID-19 as the main reason for their employees' large vacation balances. Other reasons include workload and staffing complement for positions away on maternity leave, sick leave, or staff turnover.

The graph below shows the breakdown of employees with large vacation balances by division.

**Employees' Large Vacation Balances by Division (Over 2 Months)**

| Division | No of Employees |
|---|---|
| Strategy and Transformation | 15 |
| City Clerk's Office | 3 |
| Community Services | 17 |
| Corporate Financial Services | 12 |
| Human Resources | 7 |
| Utilities and Environment | 31 |
| Mayor's Office | 2 |
| Saskatoon Fire | 16 |
| City Manager's Office | 1 |
| Transportation and Construction | 25 |

We noted that the City does not have a Vacation Policy that clearly sets out rules regarding management and carry-over of vacation balances. In addition, there is a lack of effective monitoring of employees' vacation balances by respective managers. We also noted there is no formal approval required from a higher authority for vacation balances carried forward beyond a defined threshold.

# 7. Vendors with Postal Box Addresses

*Vendors with only Postal Box addresses increase the risk of fictitious vendors.*

**Recommendations 7**: We recommend that Finance should:

7.1 Investigate the vendors with only Postal Box addresses and confirm that these are valid vendors. The verification procedures include contacting vendors to obtain their physical addresses and other business documentation and conducting vendor validation searches using public databases.

7.2 Establish and implement a process which mandates obtaining vendors' physical addresses during the vendor account setup. In circumstances where vendors' physical addresses cannot be obtained, reasons should be documented.

**Administrative Response and Action Plan**

Administration agreed with the recommendation. Finance is currently undergoing a review of all vendors, and this will include removing inactive vendors, as identified 21 of which have PO boxes without addresses. Finance will reach out to the remaining vendors with PO Box only to obtain a physical address or document reason one cannot be obtained. This will include investigating within the SAP system where this information can be entered without affecting proper delivery of cheques. New vendor setup will also include mandatory physical addresses or reasons why they cannot be obtained. Estimated Implementation date: Quarter 4, 2023.

**Findings:**

Vendor management best practice requires both physical and postal addresses to be captured for all active vendors as part of vendors' due diligence requirements. Vendors with only P.O. Box addresses raise red flags and increase the risk of fictitious vendors.

Our review of vendors' accounts showed 30 active vendors (approx. 0.15% of total vendor accounts) with only post box addresses and no physical address in the system. 21 out of 30 vendors have not received any payment from the City since the deployment of Fusion in January 2021, while the remaining nine vendors received payments in the last two years. Currently, the City does not mandate vendors to provide a physical address during the vendor account setup.

# Appendix: Risk Rating Guide

The Independent Office of the City Auditor has introduced a risk rating guide for the prioritization of audit recommendations. The benefits of risk rating include:

- Helps Administration and the City Council to assess results quickly.
- Helps Administration prioritize implementation of audit recommendations.
- Provides a basis for prioritizing audit follow-up.
- Makes cross-organizational comparison much easier.

| Criteria | Risk Rating |
|---|---|
| Corporate level loss, material reporting misstatement, critical reputation, or financial impact; critical impact on operational performance, the occurrence of fraudulent activities, critical unethical conduct, or a critical breach of laws, regulations, policies, and procedures. Remediation of the finding should be immediately prioritized. | **Critical** |
| Significant impact on the achievement of objectives. Significant risk of service disruption, a threat to timely and effective service delivery affecting clients or a high possibility of occurrence of fraud. High-risk impact on reputation, financial, or operations. A significant breach of laws, regulations, policies, and procedures. | **High** |
| Moderate impact on the achievement of objectives. Moderate risk of service disruption, a threat to timely and effective service delivery affecting clients or occurrence of fraud. Moderate risk impact on reputation, financial, or operations. A moderate breach of laws, regulations, policies, and procedures. Requiring process change/improvement to reduce the likelihood or impact of the risk in the future. | **Medium** |