

**Financial Responsibility and Accountability Act (FRAC)
Risk Assessment Questionnaire
Developed by: The Colorado Office of the State Controller**

Purpose

The Colorado State Department Financial Responsibility and Accountability Act (Act) (Section 24-17-102 to 24-17-205, C.R.S.) requires that each state agency establish accounting *and administrative* controls to ensure public funds are used efficiently, effectively, and for approved purposes.

Often controls are thought to relate only to financial operations. However, controls are just as important to program operations. Therefore, the financial and program controls *together* help provide assurance that funds are used efficiently, effectively, and for approved purposes.

To this end, each agency and program has a responsibility to know whether its controls are sufficient for meeting its own internal objectives. This often requires that agencies periodically step back and ask: “Where are our risks (i.e., what could go wrong)? What controls do we have in place to mitigate our risks? And “Are those controls sufficient?” This process is generally referred to as a risk assessment.

This questionnaire was developed by the Colorado Office of the State Controller and is intended to provide a tool to help programs determine its risk areas, whether its existing controls are sufficient to mitigate the risks, and if not, develop some suggestions for improvement. Answers to this questionnaire will help you and your program identify the risks and brainstorm ideas to help lower the risk thorough adding or modifying controls.

Definition of Terms

The following is a list of terms to help assist you with answering the questions.

Objective. An objective is what the agency intends to achieve. Objectives may be broad or specific. In general, the more specific the objective the easier it will be to analyze the risks that an agency faces in trying to meet its objectives. An example of an objective could be that nursing homes that receive state funds only use those funds for allowable purchases and activities.

Risk Assessment. A risk assessment is the identification and analysis of relevant risks to achieving the agency’s or program’s objectives. A risk assessment forms a basis for determining how the risks should be managed. Using the objective listed above, one risk could be that a nursing home would misuse state funds and as a result the patients would not receive adequate care.

Internal Control. Internal control is broadly defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

For example, using the example above, to help ensure that nursing homes comply with spending requirements, internal controls might include establishing spending policies, requiring monthly reports regarding clients served, requiring detail receipts for reimbursing expenditures, conducting regular onsite reviews, and establishing a hotline to report abuse. Typically, agencies will have several controls to help mitigate each risk.

Questions

The following is a list of questions that should be answered by the program. It is often helpful to have staff at various levels complete the questionnaire, to provide a broader understanding of the risks. The answers are intended to provide information about the program's risk areas, the controls it already has in place, and areas where the controls may still not sufficiently mitigate the risk. The next step would be to determine what changes are necessary to lower the risk and establish a plan to implement those changes.

- 1. List your program's top five objectives.**
- 2. For each objective listed, what could prevent you from meeting your objective (i.e., what are your risks)?**
- 3. For the risks identified in question 2 above, which are more likely to occur and which have the greatest effect on meeting your objectives?**
- 4. What controls (e.g., processes, communication, etc.) do you have in place to help mitigate the risks described in your answers to question 2?**
- 5. Despite the controls that are currently in place, where do you believe there is opportunity for improvement? Your answer this question will help us research and determine best practices that the program might implement to help ensure it meets its objectives.**