

Process	Sub-Process	What (Objective)	Why (Risk or Exposure)	RETURN TO MENU	How (Applicable Controls)	Control Number
H Financial Management	H2 Financial Risk Management	The use of Financial Derivatives is approved and is in compliance with the County's derivative policy.	Agreements may not be compliant with the derivative policy and unauthorized hedging activities may take place, resulting in stand alone derivatives and unanticipated impact on earnings.		All currency and commodity risk management programs (including hedge strategies, derivative tools, accounting treatment) are approved by the Corporate Risk Management Committee and reviewed by Corporate Accounting prior to implementation.	H2-1.1.1
			Agreements may not be compliant with the derivative policy and unauthorized hedging activities may take place, resulting in stand alone derivatives and unanticipated impact on earnings.		Management is made aware of what Embedded Financial Derivatives, Leases, Guarantees and Variable Interest Entities (VIEs) are and how to identify them prior to execution. Relevant information is communicated appropriately.	H2-1.1.2
			Derivative authorizations may not be updated and financial institutions may not be notified of changes. This may result in the misappropriation of County funds.		Derivatives are approved by authorized individuals within the legal entity.	H2-1.2.1
			Derivative authorizations may not be updated and financial institutions may not be notified of changes. This may result in the misappropriation of County funds.		Derivative authorizations/official signatures are updated when personnel change and the list is reviewed and communicated to the financial institutions in a timely manner.	H2-1.2.2
			Derivative authorizations may not be updated and financial institutions may not be notified of changes. This may result in the misappropriation of County funds.		Derivatives are promptly entered into the Treasury management systems and input is verified with a term sheet.	H2-1.2.3
			Penalties may be assessed for failure to settle contractual arrangements.		There is a mechanism to monitor pending settlement dates.	H2-1.3.1
		Foreign Exchange or Commodity derivative and exposure is effective, correctly valued, and properly disclosed / presented.	Hedge accounting documentation may not be in accordance with accounting standards (e.g., FAS No.133) and/or the relationship between financial derivative and exposure becomes ineffective, resulting in loss.		Written policies/procedures identify required hedge accounting procedures and documentation, including contemporaneous hedge documentation, effectiveness testing, and assignment of specific hedge asset/liability to exposures.	H2-2.1.1
			Derivative instruments' valuation and hedge effectiveness may be incorrectly calculated, resulting in inaccurate financial reporting.		Configuration, interfaces, models, spreadsheets, formulas and market data for any applicable systems and/or programs used to transact and value derivative activity is designed, implemented, maintained and reviewed for accuracy.	H2-2.3.1
		Highly complex accounting related to derivatives and hedging instruments is properly performed, recorded and reported.	Financial statements and/or disclosures may be materially misstated if this accounting work is not performed correctly.		Sufficient Derivatives accounting expertise is in place or available to those responsible for managing / implementing derivative and hedging programs in the form of 1) up-front technical implementation guidance and 2) ongoing execution monitoring.	H2-3.1.1
		Derivatives and hedging instruments are recorded properly in the financial statements; disclosures for external financial reporting are accurate and complete.	Derivative valuation may be incorrectly calculated.		Derivative valuations are accurate and agree to supporting documentation.	H2-4.1.1
					Any modification to derivative contracts are appropriately authorized by management.	H2-4.1.2
					Derivative and hedging instruments are reviewed to ensure postings to general ledger accounts are correct and appropriate.	H2-4.2.1
		Hedging systems, broker accounts and records are properly safeguarded.	Unauthorized trades or changes to systems and records may result in material financial exposure.		Access to hedge execution systems, broker accounts and records is appropriately restricted and is reviewed by Management, at least annually, and communicated to counterparties.	H2-5.1.1
		Adequate segregation of duties exist among the authorization, custody of assets, recording of transactions, and reconciliation.	Lack of segregation of duties may result in misappropriation of assets, inaccurate financial reporting, errors or irregularities, and/or improper and undetected use of funds or modification of data.		Adequate segregation of duties is maintained as documented in the <u>SOD matrix section</u> .	H2-6.1.1
		Financial guarantee transactions and related costs are properly documented, recorded, updated and reconciled in a timely manner to ensure accurate financial reporting.	Incorrect guarantee documentation, processing, and execution may result in inaccurate financial reporting.		Approved financing and other supporting documentation are on file for each Guarantee or Guarantee program.	H2-7.1.1
			Lack of knowledge of beneficiary's default on guaranteed loans may result in unaccounted debt / liability and related interest expense.		Guarantees are reconciled quarterly with bank confirmations for limits, amounts utilized and default status, either from lending institutions or beneficiaries, to ensure the record accuracy.	H2-7.3.1
					There is a mechanism in place to ensure that all guarantees are identified and then entered into the database.	H2-7.3.2
			Guarantees may not be accurately valued in accordance with accounting guidelines (e.g., FIN 45).		All financial guarantees are valued and reviewed quarterly in accordance with accounting guidelines.	H2-7.4.1
				There is a documented process to ensure that banks provide notification in the event of a default.	H2-7.4.2	
				There is a feedback mechanism to limit guarantees issuances in the event of a default.	H2-7.4.3	
		Financial guarantee systems and records are appropriately safeguarded.	Loss or unauthorized changes may not be detected.		Access to guarantee systems and records is appropriately restricted and is reviewed by management at least annually.	H2-8.1.1
		Adequate segregation of duties exist among the authorization, custody of assets, recording of transactions, and reconciliation.	Lack of segregation of duties may result in misappropriation of assets, inaccurate financial reporting, errors or irregularities, and/or improper and undetected use of funds or modification of data.		Adequate segregation of duties is maintained as documented in the <u>SOD matrix section</u> .	H2-13.1.1