**QUESTIONNAIRE FOR COMPLETING THE VULNERABILITY**

 **RISK ASSESSMENT**

**The Vulnerability Risk Assessment Criteria and Score Sheet**

The Vulnerability Risk Assessment Criteria and Score Sheet is used to complete the vulnerability risk assessment process within your organization. Upon completion of the assessment the organization should be able to determine the status of the general control environment, the degree of inherent risk, and to make a preliminary evaluation of safeguards within the assessed organization. The assessor, is responsible for the accurate completion of the score sheet relating to the identified functions/programs/processes as identified.

**Choosing an Answer**

The score sheet has a number of possible scores for each question. To determine the score, read the “Considerations” for the question, review the choices, and pick the choice which most closely depicts the status of the function/program/process you are assessing. The choices are designed to that you should be able to make a determination from the examples provided. In any event, you will be able to reduce your choices to two. If in choosing, you can’t determine which of the two most closely depicts the function/program/process you are assessing choose the answer having the higher scores.

**Vulnerability and Risk Evaluation**

Analyze how the identified vulnerabilities and risks from this assessment might impact your organization. Very high levels of perceived risk are associated with the need to implement actions to reduce risks such as taking precautions, making the necessary improvements, and provide remediation planning. This involves taking measures to determine what strategies are necessary to avoid the risk altogether, reduce the possibility of loss, accept the risk and live with it, or transfer the risk to another party through the outsourcing of certain tasks. This is the first step in developing a remediation plan to address each major risk to your organization and/or expediting recovery.

As you evaluate the scores from this assessment, you will notice that the lower the score the lower the risk. In general, lower risk functions/programs/processes should be tested for quality assurance once every two to three years; medium risk function/programs/processes should be tested for quality assurance annually; and high risk functions/programs/processes should be tested for quality assurance anywhere from once a quarter to twice a year. For the purposes of the scoring for this assessment measure:

1 - 2 = low risk

3 = medium risk

4 - 5 = high risk

**Role of the Assessor**

The assessor should be a person who is independent from the functions/programs/processes that is being evaluated; and who is able to make an unbiased judgement. The assessor should match the evidence collected from interviews, focus groups, surveys, documents, IT systems, etc. to the appropriate outcome and should not be swayed by undue influences.

**Question # 1: Newness of Program**

Considerations

A program or program-type activity which has been in existence longer can be potentially less

vulnerable because procedures for administering its resources have been worked out and in place to a greater degree.

The age of the program or activity refers to the length of time that it has had the same fundamental mission, without major new responsibilities or legislative changes.

Choices and Scores

Over 10 years old Score 1

6-10 years old Score 2

3-6 years old Score 3

1-3 years old Score 4

Less than 1 year Score 5

**Question #2: Expected Appropriation for the Program in the Immediate Following Year**

Considerations

Programs or activities expending large amounts of money are susceptible to greater degrees of fraud, waste, abuse or mismanagement than programs or activities expending small amounts. Accordingly the level of funding should be considered in assessing the vulnerability of a program or activity.

In completing this item, the assessor should consider the President’s Budget Request for the immediate following year as well as the actions that the Congress has taken, particularly in regard to the Continuing Resolution. Score based on the expected appropriation.

Choices and Scores

Zero Funding Score 1

Up to $5 million Score 2

$5 - $25 million; includes programs or activities up to $25 million Score 3

$25 - $100 million; includes programs or activities up to $100 million Score 4

Over $100 million Score 5

**Question #3: Nature of the Program**

Considerations

An important factor in determining the vulnerability and risk of a particular program to waste, fraud, abuse, or mismanagement is the extent to which internal control mechanisms can effectively monitor and influence program operations at the grantee, sub-grantee, or contractor

level. The specific type of program (e.g., formula, block or discretionary grant) will dictate the extent to which those program operations may be susceptible to weaknesses in control procedures.

For example, there are more possible weaknesses which could be the responsibility of program managers in the administration of a discretionary grant program -- where program managers must develop criteria for making grant awards, convene a peer review panel for new grants, make recommendations for funding, and assist in the final negotiations with successful applicants – than would be the case of program managers of a block grant or formula grant program where the programmatic role is more limited.

Choices and Scores

Not Applicable - this would include program type activities (e.g., a data, evaluation, or information clearinghouse) which do not involve the awarding of funds – Score 0

Block Grants Score 1

Formula Grants Score 2

Loans/Grants in Aid Score 3

Contracts Score 4

Discretionary Grants/Training Grants Includes cooperative agreements Score 5

**Question #4: Recent Changes in Resource Levels**

Considerations

A program or program activity which has had a funding or staff increase in the last year could be less vulnerable because there are additional resources to carry out the internal control objectives. Conversely, a funding or staff decrease could reduce the amount of effort devoted to internal control objectives.

Choices and Scores

Program reassignment in last 18 months Score 1

Funding or staff increase 0-6% from last year Score 2

Funding or staff increase over 6% from last year Score 3

Funding or staff decrease from 0-6% from last year Score 4

Funding or staff decrease more than 6% from last year Score 5

**Question #5: Impact or Sensitivity of the Program on Persons or Organizations External to the Agency**

Considerations

Federal agency programs and functions often have considerable financial and non-financial impact on persons and organizations external to the agency. Other programs may not involve any monetary award, but can still command significant and widespread interest by the general

public and special interest groups. When a program has such impact, it is likely to be subjected to external pressures which may circumvent systems of internal control.

The existence of special interests or extraordinary oversight is also a sign of program impact or sensitivity. Therefore, consideration should be given to whether the program activity has been the focus of special attention from any of the following:

* The President, OMB, or Congress
* Legislative mandates or deadlines
* Media attention
* Litigation
* Special interest groups

Information concerning potential impacts can usually be obtained from such sources as internal planning or budget documents, Congressional hearing reports, program descriptions, and media and public interest reports.

Choices and Scores

|  |  |  |
| --- | --- | --- |
| * No Impact or Sensitivity or Not Applicable
 |  | Score 0 |
| * Low Level of Impact or Sensitivity – Total number of individuals or organizations affected are relatively small and special interest groups are nonexistent or have little political leverage.
 |  | Score 1 |
| * Moderate Level of Impact or Sensitivity – The program serves moderately sizable numbers of individuals or organizations, and, while special interests may be active, they are not a pressing concern for program managers.
 |  | Score 3 |
| * High Level of Impact or Sensitivity – Significant impact or sensitivity due to high degree of interest and potential influence of program beneficiaries or their special interest groups. This situation exists when program managers must continuously consider the impact of the program activity on outside entities or individuals
 |  | Score 5 |

**Question #6: Appreciation for Effective Internal Controls.**

Considerations

It is important that organization and personnel involved in a transaction cycle have an understanding of the roles they play in the cycle, the reasons for the rules they follow, and the necessity for considering those rules in both planning and executing operations. Where there is little appreciation for effective internal control, the likelihood of waste, fraud abuse, and mismanagement increases.

Among the things an assessor must consider are:

* Does the organizational structure have an appropriate grouping of activities and reporting relationships?
* Is top management assured of the competence and integrity of the organization’s personnel?
* Are there appropriate delegations and limitations of authority?

If any of the above questions cannot be answered in a positive manner, the existing controls are not particularly effective

Choices and Scores

|  |  |  |
| --- | --- | --- |
| Major Factor | Internal Controls operate at a high level in planning and operations at all organizational levels | Score 1 |
| Moderate Factor | Internal Controls considered in on or more of the following:* Evaluation of operations
* Performance appraisals
* External requirements
 | Score 3 |
| Minor Factor | Little to no appreciation of Internal Controls at most levels. | Score 5 |

**Question #7: Assumed Effectiveness of Existing Controls**

Considerations

The existence of Internal Controls by themselves does not guarantee protection from waste, fraud, abuse, and mismanagement. The controls must be reviewed and improved periodically. The assessor should be able to estimate the effectiveness and the need for review and improvement of internal controls.

Choices and Scores

|  |  |  |
| --- | --- | --- |
| Highly Effective | Controls not likely to require revision. | Score 1 |
| Moderately Effective | Controls require updating, but revisions not likely | Score 2 |
| Effective | Controls could benefit from minor improvements and revisions | Score 3 |
| Less than Effective | Controls in need of ore than minor revisions and improvements | Score 4 |
| No Existing Controls | Need for establishment of a system of Internal Controls | Score 5 |

**Question #8: The Interval Since the Most Recent Evaluation or Audit**

Considerations

The longer the interval between systematic operational reviews, the greater the likelihood that system or operational errors will go undetected. It is important, therefore, that all control systems undergo periodic audits/reviews/evaluations to detect errors and initiate improvements.

When was the last GAO, OIG, or other review of this operation conducted?

Choices and Scores

Within the last 6 months Score 1

Between 6 and 12 months Score 2

Between 12 and 18 months Score 3

Between 18 and 24 months Score 4

More than 2 years ago Score 5

**Question #9: Recent Instances of Error or Irregularities**

Considerations

Recent errors or irregularities are indications of either a lack of internal controls or ineffectiveness of existing ones. Further, the speed with which these errors are corrected can be an indication of management commitment to minimizing opportunities for fraud, waste, abuse, and mismanagement.

In addition to formal finding by GAO, OIG, etc., recent instances of bad publicity (newspaper articles) or other criticism (Congress, consumer, or client) should also be considered in completing this item.

Choices and Scores

No instances in the last 18 months. Score 1

Minor findings or known errors, fully corrected (Non-monetary findings) Score 2

Major finding or known errors, fully corrected (Monetary or major Score 3

 system findings)

Minor findings or known errors, outstanding Score 4

Major findings or known errors, outstanding Score 5

**Question #10: Status of Authorizing Legislation**

Considerations

The status of the authorizing legislation often had an impact on program stability. Situations involving expiration, reauthorization or a sunset review can expose the program in question to risk of fraud, waste, or abuse in its operation.

Choices and Scores

Not Applicable to this Assessable Unit. Score 0

Relatively Stable Score 1

Covered by Sunset Score 3

Reauthorization within 2 years Score 4

Expiration within 2 years Score 5

**Question #11: Scope of Written Authority**

Considerations

The written authority under which a program or function operated is important from two perspectives:

* The specific authority delegated in writing controls the amount of authority vested in the program’s manager(s).
* The legislative or regulatory authority under which the program operates is a limit on agency freedom to administer the program.

Choices and Scores

Limited and Precise Score 1

Broad and Precise Score 2

Limited and Vague Score 3

Broad and Vague Score 4

No Written Authority Score 5

**Question #12: Type of Administration**

Considerations

How a program is administered often affects the types of control which the federal government can impose. Generally, the more third party involvement, the greater the risk.

Choices and Scores

Government Only Score 0

Equal Government and Third Party Score 1

Mostly Third Party Score 3

All Third Party Score 5

**Question #13: Administrative Resource – Staff**

Considerations

Are the staff resources authorized to accomplish the assigned mission sufficient to do the job? This question is not asked in order to have each manager decry the amount of staff resources assigned (compared to some ideal they would like have,) but rather to elicit how the level impacts on the operation of internal controls in the assessable unit.

Choices and Scores

Ample Score 1

Adequate Score 3

Insufficient Score 5

**Question #14: Administrative Resources – S&E Dollars**

Considerations

Often administration of a program/function depends not only on sufficient staff to do the job but on non-program dollars used to administer the program. This is often in the form of travel money, money for contracts, etc., which are allocated separate from either appropriated progress dollars or staffing levels.

Choices and Scores

Ample Score 1

Adequate Score 3

Insufficient Score 5

**Question #15: Operational Coverage by Written Procedures**

Considerations

To the degree that operational procedures are written, distributed to employees and enforced, the possibilities of mismanagement are reduced. Are routine operations covered by written procedures which are monitored and enforced?

Choices and Scores

Extensive and Detailed Score 0

Essentials Only Score 1

Partial Coverage Score 3

No Written Procedures Score 5

**Question #16: Potential for Conflicts of Interest**

Considerations

This is an area which has received significant attention in recent years. The potential for conflicts of interest on the part of program administrators is one which must be carefully monitored, or program participants and/or the public may lose faith in the fair and impartial administration of government programs/functions.

Choices and Scores

Negligible Score 0

Limited Score 1

Moderate Score 3

Substantial Score 5

**Question #17: Adequacy of Checks and Balances**

Considerations

Checks and balances are utilized so that authority for certain functions is diffused to minimize the potential for waste, fraud, abuse or mismanagement. The assessor, in answering this question, should try to determine, first if checks and balances are appropriate, and if so, are they adequate to protect the resource from manipulation, etc.

Choices and Scores

Not Appropriate Score 0

Adequate Score 1

Insufficient Score 3

Required but Totally Lacking Score 5

**Question #18: Personnel Considerations**

Considerations

One of the most important factors in the successful operation of a system of internal/management control is personnel. If the operating personnel are not qualified and properly trained for the functions they are to execute, the best-designed system of internal/management control may not function in the manner intended. The question speaks only to the qualifications and training of the personnel assigned, not the numbers of personnel assigned.

Choices and Scores

Fully Trained and Qualified Score 1

Qualified but require Training Score 3

Unqualified Score 5

**Question #19: Adequacy of Reports (Particularly Financial Reports)**

Considerations

The accuracy and timeliness of normal recurring reports (particularly financial reports) are good indicators of a well-run operation.

Choices and Scores

Accurate & Timely Score 0

Accurate but Usually Late Score 1

Less Than Accurate and/or Incomplete Score 3

Usually Inadequate & Late Score 5

**Question #20: Information Technology (IT) Considerations**

Considerations

Many activities are highly dependent on IT for either operations or providing data or information on which management decisions are made. While use of IT can save time there are issues of reliability and security which are particularly important when the use of automated equipment is involved.

Choices and Scores

IT is not a significant factor in this function Score 0

IT used for up to 10% of reporting or operational data Score 1

IT used for 10% to 50% of reporting or operational data Score 3

IT used for more than 50% of reporting or operational data Score 5

**Question #21: Employee Standards**

Considerations

Both performance and conduct standards are extremely important as control systems themselves. These systems establish rules of performance or conduct expected of employees. If employees are not aware of or do not adhere to these standards, organizational performance may deteriorate and/or conduct expected in certain circumstances cannot be assured.

Choices and Scores

Standards are disseminated and followed. Score 0

Standards are disseminated but adherence is not reviewed. Score 1

Standards are disseminated but adherence is spotty. Score 3

Standards are not disseminated in a manner designed to assure adherence. Score 5

**Question #22: Budgetary and Organization Goals**

Considerations

The establishment of both budgetary and organization goals provide employees with benchmarks by which they can measure accomplishment and also set individual goals for personal accomplishment. Where these goals are not established, reviewed periodically, updated and disseminated to employees, successful achievement is less likely.

Choices and Scores

Budgetary and Organization Goals are established, reviewed Score 1

periodically, updated and disseminated to employees.

Goals are established and disseminated but not reviewed and Score 3

updated periodically.

Goals have not been established. Score 5

**Question #23: Time Constraints**

Considerations

In many activities the requirement to produce under deadline imposes severe time constraints. These can reduce the ability to produce work of consistent quality and also generates a powerful inducement to end run systems of internal control because of time constraints.

Choices and Scores

Time constraints are not a significant factor in operations. Score 1

Time constraints are a factor but only moderately so. Score 3

Time constraints are a significant daily fact of life. Score 5

**Question #24: Classified Material**

Considerations

The handling of classified material imposes special controls on an operation. The safeguarding of such material requires more than ordinary precautions on the part of element employees.

Choices and Scores

|  |  |  |
| --- | --- | --- |
| The activity generally does not handle classified material. |  | Score 1 |
| The activity handles classified material and there have been no security violations in the past year. |  | Score 2 |
| There have been minor security violations in the past year. |  | Score 3 |
| There have been more than minor violations, but practices have been instituted to prevent recurrences. |  | Score 4 |
| There have been more than minor violations and practices to prevent recurrences have not been instituted. |  | Score 5 |

**Question #25: Costs Versus Benefits of Existing Control System**

Considerations

In some cases there is question as to whether the cost of a control exceeds the benefit. An example would be the potentially high cost of 100% audit of travel vouchers which result in significantly less saving per voucher than the cost of audit. The assessor should determine if the cost of an existing control system is worth the benefits obtained.

Choices and Scores

The costs of the system are well worth the benefits. Score 1

There is a question as to whether the costs outweigh the benefits. Score 3

The costs do outweigh the benefits and the system should be reviewed. Score 5

**Answer Sheet for Vulnerability Risk Assessment**

# Title of Unit:

**Assessor:** **Organization:**

**Date:**

|  |  |  |
| --- | --- | --- |
| **No.** | **Subject** | **Score** |
|  | **Answer these questions for program or program-type activities:** | **n/a** | **1** | **2** | **3** | **4** | **5** |
| 1. | Newness of Program |[ ] [ ] [ ] [ ] [ ] [ ]
| 2. | Expected appropriation for the program in immediate year following |[ ] [ ] [ ] [ ] [ ] [ ]
| 3. | Nature of the program |[ ] [ ] [ ] [ ] [ ] [ ]
| 4. | Recent changes in resource levels |[ ] [ ] [ ] [ ] [ ] [ ]
| 5. | Impact or sensitivity of the program on persons or organizations external to the agency |[ ] [ ]   |[ ]   |[ ]
|  |  |  |  |  |  |  |  |
|  | **Answer these questions for administrative-type activities** | **0** | **1** | **2** | **3** | **4** | **5** |
| 6. | Appreciation for effective internal controls |  |[ ]   |[ ]   |[ ]
| 7. | Assumed effectiveness of existing internal controls |  |[ ] [ ] [ ] [ ] [ ]
| 8. | The interval since most recent evaluation or audit |  |[ ] [ ] [ ] [ ] [ ]
| 9. | Recent instances of errors or irregularities |  |[ ] [ ] [ ] [ ] [ ]
| 10. | Status of authorizing legislation |[ ] [ ] [ ] [ ] [ ] [ ]
| 11. | Scope of written authority |  |[ ] [ ] [ ] [ ] [ ]
| 12. | Type of administration |[ ] [ ]   |[ ]   |[ ]
| 13. | Administrative resources – Staff |  |[ ]   |[ ]   |[ ]
| 14. | Administrative resources – S & E Dollars |  |[ ]   |[ ]   |[ ]
| 15. | Operational coverage by written procedures |[ ] [ ]   |[ ]   |[ ]
| 16. | Potential for conflicts of interest |[ ] [ ]   |[ ]   |[ ]
| 17. | Adequacy of checks and balance |[ ] [ ]   |[ ]   |[ ]
| 18. | Personal consideration |  |[ ]   |[ ]   |[ ]
| 19. | Adequacy of reports (financial reports) |[ ] [ ]   |[ ]   |[ ]
| 20. | IT consideration |[ ] [ ]   |[ ]   |[ ]
| 21. | Employee standards |[ ] [ ]   |[ ]   |[ ]
| 22. | Budgetary and organization goals |  |[ ]   |[ ]   |[ ]
| 23. | Time constraints |  |[ ]   |[ ]   |[ ]
| 24. | Classified materials |[ ] [ ] [ ] [ ] [ ] [ ]
| 25. | Costs vs. Benefits of existing control systems |  |[ ]   |[ ]   |[ ]