

# Department of Energy

*Office of the Chief Financial Officer*



**Implementing OMB A-123, Appendix A**

## **A-123 Quick Start Guides**

**Version 5**

November 2007

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# Department of Energy

*Office of the Chief Financial Officer*



## Implementing OMB A-123, Appendix A **DOE A-123 at a Glance**

**Version 5**

September 2007

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# DOE A-123 at a Glance

## BACKGROUND

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In December 2004, the Office of Management and Budget (OMB) released a revised Circular A-123. While changes were made throughout the document, the most critical changes were concentrated in the newly added Appendix A, Internal Control over Financial Reporting. The primary changes were strengthened documentation, monitoring and testing requirements. The documentation requirements not only became more detailed, but were also expanded to include both documentation of internal controls and documentation of the methodology and process used to make the attestations. Testing was strengthened by requiring tests of the operating effectiveness of controls. Monitoring was strengthened by requiring a continuous cycle of evaluation, testing and, where necessary, remediation of those controls that are not designed or operating effectively.

The ultimate intent of the revised Circular was to "strengthen the process management used to assess internal DOE control over financial reporting." The Department of Energy (Department or DOE) understands that it is management's fundamental responsibility to develop and maintain effective internal controls. As such, it has established a corporate program to effectively implement and manage the requirements of OMB A-123, Appendix A.

## IMPLEMENTATION APPROACH

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### Initial Ramp-up

The Department has elected to pursue a three-year implementation strategy due to the complexities and interdependencies of implementing A-123. This strategy provides for a "complete" (qualified or unqualified) assurance in FY 2008. A summary of the three-year implementation approach is identified below.

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Federal Sites</b>	Complete documenting, evaluating and testing of high-risk activities that are most critical to financial statement remediation efforts.	Complete documenting, evaluating and testing of remaining high-risk activities and all medium-risk activities.	Complete documenting, evaluating and testing of all low-risk activities. Baseline for Federal activities is established.
<b>Non-Federal Site Contractors</b>	Complete documenting, evaluating and testing of all high-risk activities	Complete documenting, evaluating and testing of all medium-risk and low-risk activities. Baseline for contractor activities is established.	Document, evaluate and testing all activities under an Annual Risk-based Controls Assessment methodology.
<b>Year-end Assurance</b>	Provide a qualified assurance on November 15, 2006, due to limited scope.	Provide a qualified assurance on November 15, 2007, due to limited scope.	Provide assurance on November 15, 2008 (qualified or unqualified)

*The same kind of start up strategy may be used for new A-123 Implementations.*



# DOE A-123 at a Glance

## **ANNUAL RISK-BASED CONTROL ASSESSMENT (ARCA)**

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Once Departmental elements have completed their baseline assessments, they will implement an **A**nnual **R**isk-based **C**ontrols **A**ssessment (ARCA). This methodology allows Local Implementation Teams to easily identify, plan for, implement and monitor their current year and out-year assessment scope. The ARCA methodology is based on the OMB requirement that all controls be tested at least every three years. Key design principles of ARCA include,

- Managing the assessment at the sub-process/sub-category levels
- Monitoring corporate risk criteria that define potential impacts to the operational environment and assessment scope
- Enabling 3-year planning by providing the visibility of all activities and allowing adjustments across the 3-year cycle
- Providing Local Management the flexibility to manage local assessments based on local criteria, including Local Risk Criteria and defining cyclical reviews based on Risk Assessment Ratings.

### Managing the Assessment

The ARCA methodology manages the scope at the sub-process and sub-category levels in order to simplify and more effectively perform the annual controls assessment. This approach is supported by the ARCA tool through an automated aggregation of the associated risk activities to the sub-process/sub-category level.

### Monitoring Corporate Risk Criteria

The ARCA methodology applies a series of risk criteria that, if triggered, cause the sub-process / sub-category to be assessed during the current year. In the absence of any risk criteria the assessment would be truly cyclical (i.e., based on the oldest test date and a three year cycle). The effect of the triggering of the risk criteria is to drive the proactive monitoring of new areas of risk and is intended to mitigate the Department's overall risk.

### Enabling 3-year Planning

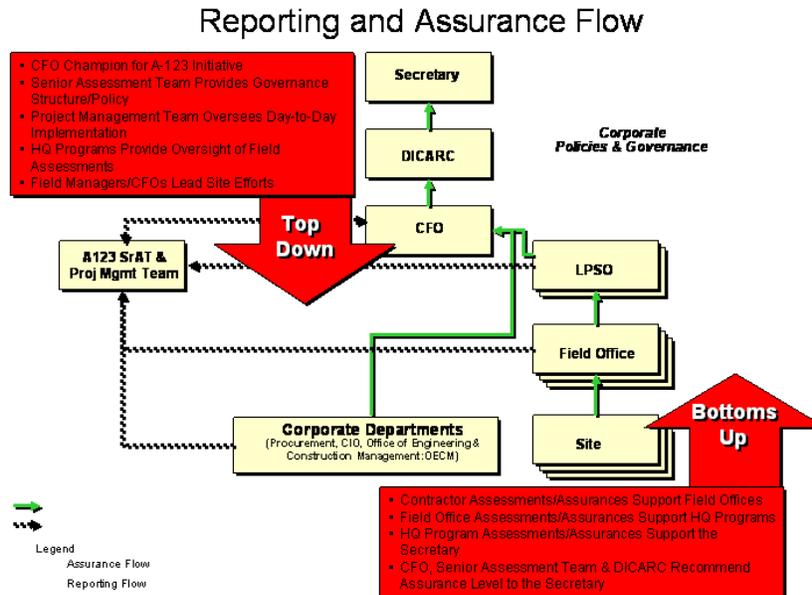
The ARCA methodology identifies the annual assessment scope after allowing Local Implementation Teams to delay (for valid reasons) or pull forward assessment scope, over a 3-year planning horizon. This flexibility provides for better local planning of the assessment, as well as better management of local implementation resources.



# DOE A-123 at a Glance

## GOVERNANCE STRUCTURE / RESPONSIBILITIES

The Department manages its A-123 program through a defined governance structure and by means of a top-down implementation approach. This governance structure, and the associated reporting and assurance flow, is depicted below.



### A. Responsibilities

This governance structure and the responsibilities of the respective Departmental Elements are as follows:

- Secretary of Energy** – signs the annual assurance statement on the Department's effectiveness of internal control over financial reporting as of June 30 for the fiscal year being reported. The annual assurance statement is included in the Department's annual Performance and Accountability Report, issued November 15 of each year.



## DOE A-123 at a Glance

- **Departmental Internal Control and Audit Review Council (DICARC)** – provides senior management oversight of the Department's internal control program. DICARC reviews and approves material weaknesses in internal control over financial reporting as identified by the annual Appendix A, assessment process and determines the level of Secretarial assurance the Department should provide on its internal control over financial reporting. (DICARC also reviews and approves material weaknesses in internal controls, and the level of Secretarial assurance provided, for annual assessments of internal control required by the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act.)
- **Departmental Chief Financial Officer (CFO)** – established a Senior Assessment Team and an A-123 Project Management Team to oversee the Department's efforts to implement the requirements of Appendix A.
- **Senior Assessment Team (SrAT)** – recommends to the DICARC the level of Secretarial assurance the Department should provide on its internal control over financial reporting. The SrAT also:
  - identifies the material accounts from the Department's quarterly and annual financial statements upon which the annual assessment of internal control over financial reporting will be based;
  - identifies key financial and business processes that impact the material accounts and the;
  - identifies the Departmental elements, Corporate Departments, and major site and facilities management contractors that will be included in the assessment;
  - evaluates, on an overall basis, the design and operation of internal control over financial reporting based in large part on the quarterly and annual assessments from Heads of Headquarters and Field Elements; and,
  - develops a process for identifying changes in the internal control environment from June 30 to fiscal year-end that could potentially impact the effectiveness of internal control over financial reporting.

The membership of the SrAT includes the following:

- Director, Office of Internal Review (serves as Chairperson)
- Director, Office of Financial Management
- Director, Energy Finance and Accounting Service Center
- NNSA Field Chief Financial Officer/Director, Office of Field Financial Management
- Chief Financial Officer, Oak Ridge Operations Office
- Chief Financial Officer, Savannah River Operations Office
- Ex Officio representatives (e.g., Office of Inspector General staff) (non-voting technical advisors)



## DOE A-123 at a Glance

- **Headquarters A-123 Project Management Team (PMT)** – provides operational oversight of, and support for, evaluations of internal control over financial reporting being conducted by Departmental elements, Corporate Departments, and major site and facilities management contractors. The A-123 PMT also supports the corporate governance and policy-making responsibilities of the SrAT by developing and maintaining policy, guidance, tools, templates, and other items necessary for the Department's implementation of Appendix A.
- **Heads of Headquarters and Field Elements** – develops and maintains effective systems of internal control; conducts assessments of internal control over financial reporting; and reports results (quarterly status reports and annual assurance statements) on the financial-reporting related internal controls under their cognizance. Heads of Headquarters Elements, in this context, refers to Lead Program Secretarial Offices and Corporate Departments (e.g., the Office of Headquarters Procurement Services, the Office of the Chief Information Officer and the Office of Engineering and Construction Management). Heads of Field Elements, in this context, refers to Field Office Managers. Heads of Headquarters and Field Elements may delegate these responsibilities (with the exception of the signing of the annual assurance statement) to others, such as the resident A-123 Assessment Teams; any such delegation shall be documented in writing.
- **Field Chief Financial Officers** – supports the Head of Field Elements' assessments and provides liaison with the major site and facilities management contractors under its cognizance. Field CFOs may delegate these responsibilities to others, such as the resident A-123 Assessment Teams; this delegation does not need to be documented in writing.
- **A-123 Assessment Teams** (Local Assessment Teams) – established by Heads of Headquarters and Field Elements, with major site and facilities management contractor involvement as appropriate, to conduct evaluations of the effectiveness of internal control over financial reporting. A-123 Assessment Teams also:
  - conduct an evaluation based on material accounts and key financial and business processes identified by the SrAT;
  - develop test plans;
  - prepare quarterly status reports on progress in assessing systems of internal controls; and,
  - prepare annual assertions on internal control over financial reporting.
- **Major Site and Facilities Management Contractors** – implements, under the direction and oversight of the cognizant Field Element, the requirements of Appendix A, as applicable.



# DOE A-123 at a Glance

## **Scope / Materiality / Process Identification**

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The Department has clearly defined the scope of reporting to be considered, materiality levels and key processes as detailed below. Material accounts have been developed at the corporate level and are driven down to programs and sites as applicable. To ensure consistent evaluation, testing and reporting, the PMT has also defined standard process cycles and related processes that have been deployed across the complex. This approach will provide the needed consistency and structure to ensure an effective implementation.

### ***B. SCOPE OF FINANCIAL REPORTS***

The Department's SrAT established a scope of financial reports that covers the Department's six principle financial statements. These statements include:

1. **Consolidated Balance Sheet:** Captures assets, liabilities and net position components of the Department.
2. **Consolidated Statements of Net Cost:** Summarizes the Department's operating costs by the seven long-term goals identified in the Department's Strategic Plan. Also includes "Net Cost of Transferred Operations."
3. **Consolidated Statements of Changes in Net Position:** Presents accounting events that caused changes in the net position section of the Consolidated Balance Sheets from the beginning to the end of the reporting period.
4. **Combined Statement of Budgetary Resources:** Provides information on budgetary resources available to the Department during the year and the status of those resources at the end of the year.
5. **Consolidated Statements of Financing:** Reconciles the obligations incurred to finance operations with the net cost of operations.
6. **Consolidated Statements of Custodial Activities:** Identifies revenues collected by the Department on behalf of others.



## DOE A-123 at a Glance

The decision was made to limit the Department's baseline assessment to the six principal financial statements due to the implementation of a new, Oracle-based accounting system in FY 2005. Transition issues and other factors associated with the implementation of this new financial system resulted in a disclaimer of opinion on the Department's FY 2005 financial statements. The SrAT decided that the most critical financial reporting areas that could benefit from the rigors of an A-123 assessment were the principal financial statements. As such, the current assessment work will not only satisfy the requirements of A-123, but also support the Department's efforts to regain an opinion on its statements. As the Department moves forward with its A-123 implementation, the SrAT will consider expanding the assessment scope to include other types of financial reports.

### C. MATERIALITY

#### Department of Energy Methodology

Materiality determination is a complex analysis that requires professional judgment and consideration of various quantitative and qualitative measures. The SrAT defined two quantitative materiality levels in accordance with Office of Management and Budget (OMB) Circular A-123, Appendix A:

Reporting Materiality is the overall materiality that serves as the threshold for reporting weaknesses in internal controls that could result in a material misstatement of a financial report. The SrAT set Reporting Materiality at 1% of Total Assets, consistent with the President's Council on Integrity and Efficiency Financial Audit Manual (FAM) approach.

Planning Materiality, which is generally a percentage of reporting or overall materiality, is used to determine significant accounts, elements or disclosures in a financial report. Planning Materiality is calculated at two levels – Departmental and site. An account is considered to be material at the Departmental Level if the account balance is  $\geq$  .75% of Total Assets (\$895 million). An account that is material at the Departmental level is considered to be material at the site level if the site's account balance is  $\geq$  .75% of the total account balance. For example, if the total accounts payable balance for the Department is \$1 billion, accounts payable will be material at any site that has an accounts payable balance  $\geq$  \$7.5 million (.75% of \$1 billion).

In addition, the SrAT considered a number of qualitative factors when assessing the significance of an account, such as susceptibility to loss due to fraud, volume of activity, complexity, nature of the account, etc. The Department also considered the accounts and cycles identified by the independent financial statement auditor.



## DOE A-123 at a Glance

Additionally, the Department will identify the financial report assertions associated with each material account for documentation purposes and to assist in testing. Financial reporting assertions are defined as representations by management that are embodied in the financial statements and are classified in the following broad categories:

**Presentation and Disclosure** – Financial statement account is properly classified, described and disclosed.

**Existence or Occurrence** – Assets or liabilities exist at a given date and whether recorded transactions occurred during a given period.

**Rights and Obligations** – Assets are the rights of the entity and liabilities are obligations of the entity at a given date.

**Completeness and Accuracy** – All transactions and accounts that should be presented are included.

**Valuation and Allocation** – Assets, liabilities, equities, revenues and expenses have been included at appropriate amounts.

### **Material Accounts**

The Department's three-year implementation approach requires that material accounts remain fairly constant so that processes and status against the Department's commitments to OMB can be adequately tracked. Although material accounts at the Departmental level are not expected to change during the three-year baseline assessment period, Federal sites will determine whether significant changes have occurred at their location or at contractor locations over which they have cognizance, which would necessitate a change to their local material accounts.



## DOE A-123 at a Glance

### ***D. KEY PROCESS CYCLES AND PROCESSES***

To support the consistent assessment of internal control over financial reporting, the Department has established 5 standard process cycles and 19 standard processes around which A-123 assessments will be performed. The process cycles and related key processes are listed below:

**Procure to Pay (P2P)** cycle comprises the Purchasing and Payment Processes including: *Acquisition; Inventory Management; Payable Management; and Travel*. Some examples of specific areas that may contain risks are approving requisitions, issuing RFP's, maintaining and selecting vendors, awarding contracts, maintaining obligations, receiving and managing goods or services, approving and paying invoices, tracking funds, monitoring continuing resolutions, managing travel and purchase cards.

**Budget to Close (B2C)** basically encompasses Financial and/or Accounting Processes such as: *General Ledger Management; Funds Management; Funds Balance with Treasury; Cost Management; Insurance; Grants; and Loans*. Sub-processes include such activities as budgeting, journal entries, costing reconciliations, financial reporting and include closing activities at month, quarter, and year-end.

**Projects to Assets (P2A)** involves *Project Cost Management; Property Management; and Seized Property Management* processes. Selected sub-processes that fall within this process cycle are managing large projects including capturing all costs and managing to budget; capturing costs for reimbursable expenses; creating and monitoring assets; monitoring depreciation; and controlling property.

**Quote to Cash (Q2C)** consists of *Revenue Management; and Receivable Management*. The Sub-Processes attached to this process cycle include invoicing for reimbursable expenses, as well as any other expected revenues through to managing accounts receivable and receiving cash.

**Enterprise Resource Management (ERM)** incorporates all aspects of *Human Resources; Payroll; and Benefits*. The sub-processes include the full gamut of activities from hiring and managing employees to executing benefits for all employees and retirees. This includes calculating liabilities, as well as creating accruals.



# DOE A-123 at a Glance

In the context of A-123, Appendix A, a:

*Process Cycle* is an-end-to end sequence of events consisting of the methods and records used to establish, identify, assemble, analyze, classify and record transactions. The process cycles were developed based on Enterprise Resource Planning best practices.

*Process* is the highest-level categorization of activities within a process cycle. This level aggregates various sub-processes against which A-123 assessments are performed. The processes were developed based on analysis of Joint Financial Management Improvement Program manuals and the Council of Sponsoring Organizations (COSO) Internal Control Framework. These processes have been tailored to "fit" DOE financial management operations.

*Sub-process* is the lowest level categorization of activities within a process cycle or process. Sub-processes define the specific grouping of activities against which controls are directly assessed (e.g. controls and related risks are identified at this level and evaluation and testing are performed at this level).

## **FUNCTIONAL ACTIVITIES**

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To further support a consistent assessment of internal control over financial reporting, the Department has also established 7 functional activities which will be performed during the execution of the A-123 assessment scope. The 7 functional activities are listed below:

### ***E. PLANNING***

All key decisions that drive the A-123 assessment are made during the Planning phase, and as such planning is one of the most critical steps in the assessment process. The Planning phase of the A-123 program requires the Headquarter and Field Elements to establish A-123 Assessment Teams, determine their contractor management strategy, select relevant material accounts and complete an A-123 Implementation Plan.



## DOE A-123 at a Glance

### ***F. DOCUMENTING***

The A-123 Assessment Teams will document its understanding of the entity's internal control over financial reporting. The form and extent of documentation depends in part on the nature and complexity of the controls; the more extensive and complex the controls, the more extensive the documentation.

The A-123 Assessment Teams will also document the assessment process of internal control over financial reporting including:

- (1) Establishing respective teams, their authority and members;
- (2) Identifying contracting actions if contractors are used to perform or assist in the assessment;
- (3) Communicating with site management and employees regarding the assessment;
- (4) Identifying key decisions;
- (5) Assessing methodology and guidance;
- (6) Assessing internal controls at the entity, process, transaction and application levels;
- (7) Testing controls and related results;
- (8) Identifying deficiencies and suggestions for improvement; and
- (9) Implementing and monitoring corrective actions.

The Department has developed an automated A-123 Assessment and Reporting Tool (AART) Suite in which to capture summary-level implementation information. However, completing the AART Tool Suite throughout the A-123 phases does not represent sufficient documentation, although it is a critical part. Source Documentation and A-123 Detailed Documentation supporting the information in the AART Tool Suite will be maintained locally and will be readily available in the event of an audit or other review.



## DOE A-123 at a Glance

### **G. EVALUATING**

The assessment of internal controls must include evaluation at the entity level and the process, transaction or application level. The SrAT will make an overall evaluation of the design and operation of the internal control over financial reporting based in large part on the quarterly and annual assessments from Heads of Departmental Headquarters and Field Elements.

#### **Assessing Internal Controls at the Entity Level (Headquarters and Field)**

Assessments of internal controls will include an evaluation of the five components (or standards) of internal controls. These components represent the minimum level of quality acceptable for internal controls and provide the basis against which internal controls are to be evaluated.

- a. Control Environment. The assessment of internal controls should include obtaining a sufficient knowledge of the control environment to understand management's attitude, awareness and actions concerning the control environment.
- b. Risk Assessment. The assessment of internal controls should include obtaining sufficient knowledge of the entity's process on how management considers risks relevant to financial reporting objectives and decides on actions to address those risks.
- c. Control Activities. Control activities are the policies and procedures that help ensure that management directives are carried out and that management's assertions in its financial reporting are valid. The assessment should include obtaining an understanding of the control activities applicable at the entity level.
- d. Information and Communications. The assessment should include obtaining an understanding of the information system(s) relevant to financial reporting.
- e. Monitoring. The assessment should include obtaining an understanding of the major types of activities the entity uses to monitor internal control over financial reporting, including the source of the information related to those activities and how those activities are used to initiate corrective actions.



## DOE A-123 at a Glance

Entity level controls can have a pervasive effect on an organization. In order to maintain the consistency of entity control evaluations throughout the Department, the five entity level internal control components mentioned above—as well as 31 related entity sub-categories—are pre-defined in the AART Tool Suite. All 31 entity control sub-categories are documented, evaluated and tested as part of A-123 implementation.

All Departmental Elements implementing A-123 are required to document, evaluate and test entity level controls. These Departmental Elements include major site and facilities management contractors, Field Offices, Lead Program Secretarial Offices and Corporate Departments.

### **Assessing Internal Controls at the Process, Transaction, or Application Level (Headquarters and Field)**

The SrAT will annually identify each financial report, significant account or group of accounts and major classes of transactions to be covered in the assessment based on risk assessments and materiality determinations. The A-123 Assessment Teams will perform the following as part of their assessments at the process, transaction, or application level:

- a. Evaluate, Based on Annual Guidance, the Major Accounts and Processes. The assessment will include obtaining an understanding of the specific processes and documented workflow involved in each class of transactions.
- b. Understand the Financial Reporting Process. The assessment will include obtaining an understanding of the process and workflow that links the accounting system to the financial report(s). Often times, financial information is not directly transferable from the accounting system to the financial report, but requires intervening calculations, summarizations, etc.
- c. Gain an Understanding of Control Design. The assessment will include preparing control evaluation(s) for each significant account or group of accounts that aligns specific controls with management's assertions for each account or group of accounts. An individual assessment of the potential effectiveness of the design of the in place controls for each account or group of accounts will be made considering the risk of error and the ability of the controls to prevent or detect such errors.
- d. Identify Controls Not Adequately Designed. The assessment will include determining whether controls established by management are designed effectively. Controls determined to be not designed effectively go straight into remediation.



# DOE A-123 at a Glance

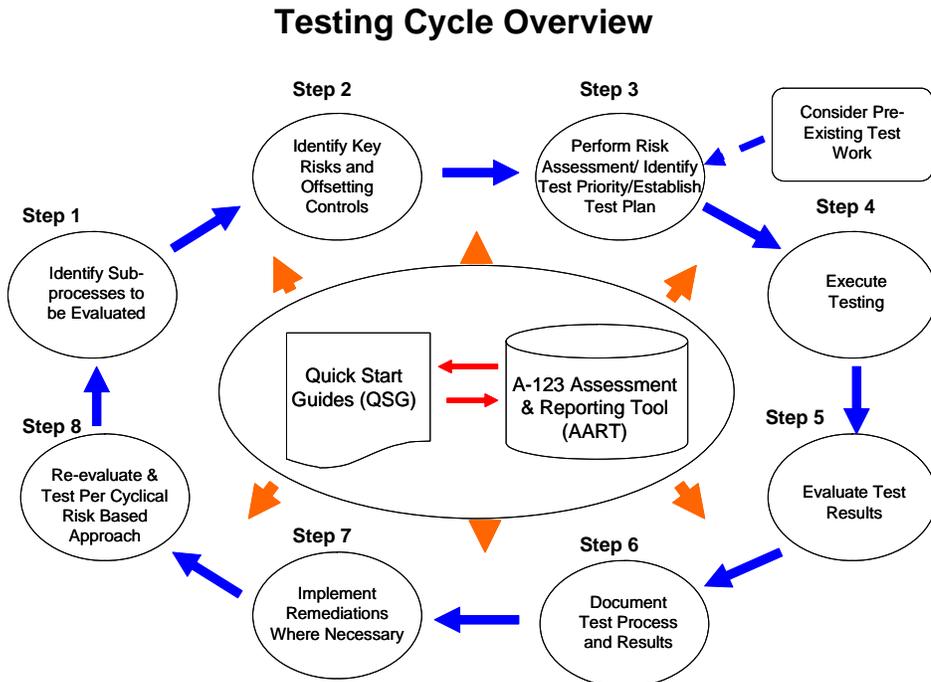
- e. Test Controls and Assess Compliance. The assessment will include testing those controls determined to be designed effectively.

Process-level controls are assessed by major site and facilities management contractors, Field Offices, and certain LPSOs whose mission functions impact material accounts. All Departmental Elements implementing A-123 are not required to document, evaluate and test these "process level" controls.

LPSO	Process-Level Control Assessment
Office of Environmental Management	Environmental Liability
Office of Civilian Radioactive Waste Management	Environmental Liability, Contingencies and Commitments (Spent Nuclear Fuel Litigation Liability)
Office of Legacy Management	Environmental Liability, Pensions and Other Actuarial Liabilities

## H. TESTING

The Department has developed a standard testing protocol that includes consideration of the results of control design effectiveness, relative risk and the overall impact of individual controls on financial reporting. The following chart provides a high-level overview of the Department's testing cycle.





# DOE A-123 at a Glance

## ***I. REMEDIATION***

As part of the Department's process for implementing A-123, reporting tools have been developed that track processes and controls requiring remediation. This will ensure that any systemic issues that result in qualification of the Department's A-123 assurance are adequately tracked until corrective actions have been taken and the related controls have been re-documented and tested. The SrAT will work with the responsible officials and personnel to determine which deficiencies are cost beneficial to correct. Corrective action plans, including targeted milestones and completion dates, will be obtained and progress will be monitored. The SrAT may, at its discretion, track findings considered to be less than a reportable condition.

## ***J. REPORTING AND ASSURANCE***

OMB A-123, Appendix A, requires the Secretary of Energy to make an annual assurance statement on the effectiveness of internal controls over financial reporting. In support of this requirement and to ensure there is a sound basis for the assurance statement, the SrAT requires quarterly reporting, annual assurances, and the identification of deficiencies. Based on this information, the SrAT will recommend to the CFO which reportable conditions, when aggregated, may be deemed material weaknesses to the Department as a whole. The SrAT will also consider these deficiencies when recommending to the CFO the level of Secretarial assurance the Department should provide on its internal control over financial reporting. The CFO, along with other senior management members of the DICARC, will make the final determination on which, if any, material weaknesses will be identified for the Department and the level of Secretarial assurance to be included in the PAR. To ensure accurate assessment and reporting of control effectiveness in the PAR, the SrAT will identify changes in the internal control environment from June 30<sup>th</sup> to fiscal year-end that could potentially impact the effectiveness of internal control over financial reporting.



## DOE A-123 at a Glance

### ***K. Oversight***

The Department conducts oversight activities throughout all phases of A-123 implementation. Key oversight activities include: ensuring timely completion of A-123 milestones to meet Departmental commitments to OMB; ensuring that professional judgment decisions are reasonable; and ensuring the consistency, completeness and accuracy of data resulting from implementation efforts. Completion and documentation of these oversight activities allows the Department to identify and share best practices, as well as identify and resolve common problems, challenges and barriers to implementation.

The Department also monitors its A-123 implementation efforts on a routine and ongoing basis to help ensure compliance with OMB requirements and Departmental guidelines; and also ensure timely completion of A-123 milestones to meet Departmental commitments to OMB.

### **DOE IMPLEMENTATION RESOURCES**

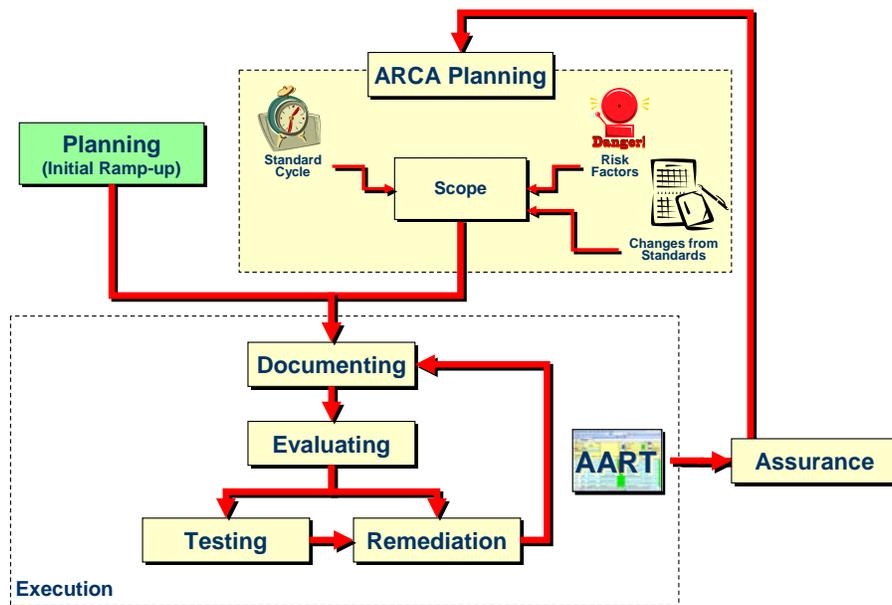
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To facilitate Department-wide A-123 implementation, the PMT has developed Quick Start Guides based on the functional activities involved in implementing an A-123 assessment. In addition to the guides, various tools such as the AART Tool Suite and related materials have also been created. These guides, tools, and related materials assist in organizing, tracking, reporting and overseeing all A-123 activities and can be found on the DOE A-123 Website.

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## A-123 Quick Start Guide – Planning



Purpose	<ul style="list-style-type: none"> <li>Define a plan for the local implementation of A-123 within DOE's methodology framework by defining scope and responsibilities.</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>Establish Local Assessment Team</li> <li>Determine oversight and management strategy</li> <li>Identify Material Accounts and Processes</li> <li>Complete implementation plan</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>Implementation Plan (Form &amp; Content)</li> <li>AART Tool Suite</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide – Planning

Document Legend					
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.		Detailed A-123 Documentation
	Requirements: Contains very important requirement information			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]	

## INTRO

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### **OBJECTIVE**

Develop and update the A-123 Local Implementation Plan, schedule and identify resources using the guidelines provided by DOE. Identify local Processes that impact the relevant Material Accounts to understand the scope, schedule and resources required to complete the A-123 assessment.

### **AART TOOL SUITE**

The AART Tool Suite is intended to be used to capture, track, monitor and report key data about the A-123 implementation. The tool also facilitates the oversight activities of Field Offices and Lead Program Secretarial Officers (LPSOs) over the elements under their cognizance, facilitating the aggregation of the findings and providing support for the development of the local and Agency annual assurance statements.

Prior to initiating the new annual A-123 cycle, the AART tool must be either set up<sup>1</sup> for new users, or an upgrade of the tool must be performed. The upgrade will migrate any existing data into the new fiscal year version (see AART Upgrade instructions on the DOE A-123 Website).





# A-123 Quick Start Guide – Planning

## B. Define the Scope of the Assessment

1. Validate the reporting structure for the elements under your cognizance, as identified in the DOE Annual Guidance, to ensure accuracy of oversight responsibilities. Ensure that the related codes are reflected in the AART.

If any inaccuracies are identified, or changes are required during the year, inform the A-123 Helpdesk immediately.

2. All elements will be required to complete the Entity Control Assessment. Be sure to include this requirement in your scope of work.
3. Review the Material Accounts listing provided by DOE to understand which DOE Corporate Material Accounts are relevant to your location. In addition, determine whether changes are required to the material accounts assigned to your location based on the A-123 Annual Guidance<sup>2</sup>.



*Note: Additional accounts and or sub-processes for evaluation may be identified by Headquarters as part of the corporate high-risk listing to be provided at a later date.*



4. Record the Attester in the Attester Field of the Local AART.



5. Record your relevant Material Accounts in the Material Account Definition (MAD) column in the Local AART tab by placing a "Y" in the appropriate row of the MAD column. If a material account is no longer applicable, delete the "Y" from the corresponding MAD column.



*The material accounts can either be manually entered in the AART or recorded by copying and pasting (paste special<sup>3</sup>) from the A-123 Operational Guidance - Material Accounts reference spreadsheet.*

AART: Local		SELECT VIEW		HELP													
FO Chicago		AART Type FO		FO Codes CH													
Attester Ard Geller		FO Codes CH															
Process Cycle	MAD	B2C				P2P				Q2C		P2A		ERM			
		Strategic	Operational	Regulatory	Other	Acquisition	Inventory	Payable	Travel	Revenue	Receivable	Project	Property	Special	Human	Payroll	Benefits
Balance Sheet																	
Intragovernmental Fund																	
Balance with Treasury																	
Intragovernmental Investment																	
Intragovernmental Regulatory Assets																	
Accounts Receivable, Net																	
Nuclear Materials																	
Strategic Petroleum and Northeast Home Heating Oil Reserve																	
General Property, Plant and Equipment																	
Regulatory Assets																	
Other non-intragovernmental assets																	
Intragovernmental debt																	
Intragovernmental appropriated capital owned																	
Accounts Payable																	
Debt																	
Deferred Revenue and other credits																	



# A-123 Quick Start Guide – Planning



- If you are an LPSO<sup>4</sup> or Corporate Department and the PMT has not identified any material accounts and process activities for your evaluation, enter a “Y” in the MAD column corresponding to the “No Processes Identified, only Entity Controls” row of the Local AART tab.

**AART: Local** VERSION 4.0

Select View:

FO Chicago		AART Type		FO	
Attester: Ard Geller		FO Codes		CH	

Rowsp/MAD	Acct Status	MAD	Process Cycle							B2C					P2P				Q2C		
			EC	B2C	P2P	Q2C	P2A	ERM	General Ledger Management	Funds Management	FBWT	Cost Management	Insurance	Grants	Loans	Acquisition	Inventory Management	Payable Management	Travel	Revenue	Receivable Management
			<b>Balance Sheet</b>																		
Intragovernmental Fund Balance with Treasury																					
Intragovernmental Investment																					
<b>Statement of Financing</b>																					
Budgetary resources, obligated, obligations incurred																					
Less: Spending authority from offsetting collections and recoveries																					
Obligations net of offsetting collections and recoveries																					
Other resources, Imputed financing from costs absorbed by others																					
Nuclear waste fund, Offsetting receipts, deferred																					
Components not requiring or generating resources: Depreciation and amortization																					
<b>Statement of Custodial Activities</b>																					
No material accounts identified																					
<b>Other</b>																					
No processes identified, only entity controls																					

- Identify all standard DOE processes<sup>5</sup> performed at your location that impact the respective material accounts.

It is often easier to see the Process Account allocation by considering which GL-Accounts aggregate into the Material Account and then determining which sub-processes impact those GL-Accounts.



# A-123 Quick Start Guide – Planning



8. Record the Material Account and Process allocation by entering a “Y” in the corresponding column (process) and row (material account) of the Local AART tab. Typically, multiple processes will need to be identified for each Material Account. If a material account and process allocation is no longer applicable, delete the “Y” from the corresponding column and row.

AART: Local																												
Select View: <input type="text"/> <input type="button" value="HELP"/>										Version 4.0																		
FO Chicago Attester: Ard Geller										AART Type: FO FO Codes: CH																		
Material Account	Acct Status	MAD	Process Cycle					B2C				P2P			Q2C		P2A			ERM								
			EC	BFC	P2P	Q2C	P2A	ERM	Material Management	Funds Management	FBWT	Cost Management	Insurance	Grants	Loans	Acquisition	Inventory Management	Payable Management	Travel	Revenue	Receivable Management	Project Cost Management	Property Management	Stores Management	Property Management	Human Resources	Payroll	Benefits
Intragovernmental Fund																												
Balance with Treasury																												
Intragovernmental Investment																												
Intragovernmental Regulatory Assets																												
Accounts Receivable, Net																												
Nuclear Materials																												
Strategic Petroleum and Northeast Home Heating Oil Reserve																												
General Property, Plant and Equipment	0	y	0	0	0	0	0																					
Regulatory Assets																												
Other non-intragovernmental assets																												
Intragovernmental debt																												
Intragovernmental appropriated capital owned																												
Accounts Payable	0	y	0	0	0	0																						

## C. Determine level of effort required, identify required resources and develop timelines

1. Determine the level of effort required for the implementation and include it in the implementation plan. Some considerations may include;
  - a. Defined Scope for your location
  - b. Source Documentation<sup>6</sup> requirements
  - c. Detailed A-123 Documentation<sup>7</sup> requirements
  - d. Planning and Execution of Testing
    - i) Availability of existing testing results that can be leveraged
    - ii) Need for new tests
  - e. Accomplishing required reporting
  - f. Management and monitoring remediation activities
  - g. Development of Assurance statement
  - h. Updates to AART Tool Suite
  - i. Oversight Responsibilities



## A-123 Quick Start Guide – Planning

2. Determine the different types and levels of resources (human capital and financial) required throughout your A-123 Implementation. Types of resources may include:
  - a. Fully Dedicated Resources: likely to be the Local Assessment Team
  - b. Support Resources: resources within the organization required to assist in specific areas of the implementation (i.e. Accounts Payable clerks to help define an undocumented process).
  - c. A-123 Contractor Support Resources: contractors specifically engaged to assist with the A-123 Implementation.
3. Define your implementation and assessment project plan which must comply with DOE Milestones provided in the Annual Guidance. Some considerations may include:
  - a. Availability of resources
  - b. Scope of implementation
  - c. Oversight activities and guidance from oversight teams
  - d. Local reporting/completion dates versus corporate dates

### ***D. Complete or Update Implementation Plan***



1. Complete the Implementation Plan using the Implementation Plan Form & Content provided on the DOE A-123 Website.
2. The submission of the Implementation Plan is discussed as part of the standard reporting in the QSG Reporting and Assurance Prep Guide.



# A-123 Quick Start Guide – Planning

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

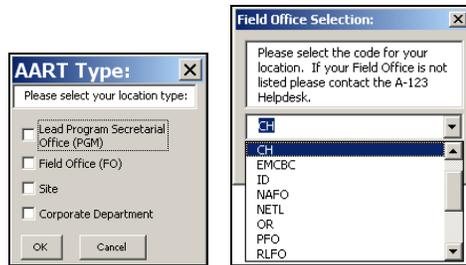
### <sup>1</sup> New Tool Setup:

**Step1** – Obtain the AART Tool Suite from PMT.

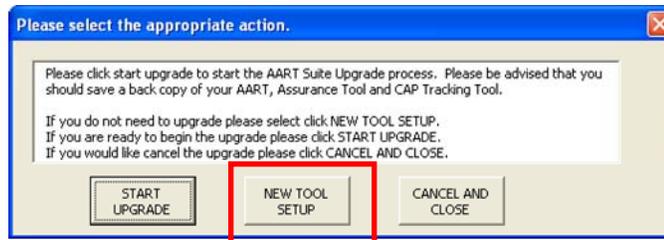
**Step2** – When opening the tool always Click “Enable Macros”.



**Step3** – Select Location Type and Location Code.



**Step4** – Click “New Tool Setup” to setup the new tool.



**Step5** – After a successful upgrade notification, you will be prompted to save and close the file.

<sup>2</sup> Federal sites will need to determine whether significant changes have occurred in the operating environment at their location—and at contractor locations over which they have cognizance—which might change their material accounts. Operational changes that might drive a change in material accounts include, but are not necessarily limited to, the following:

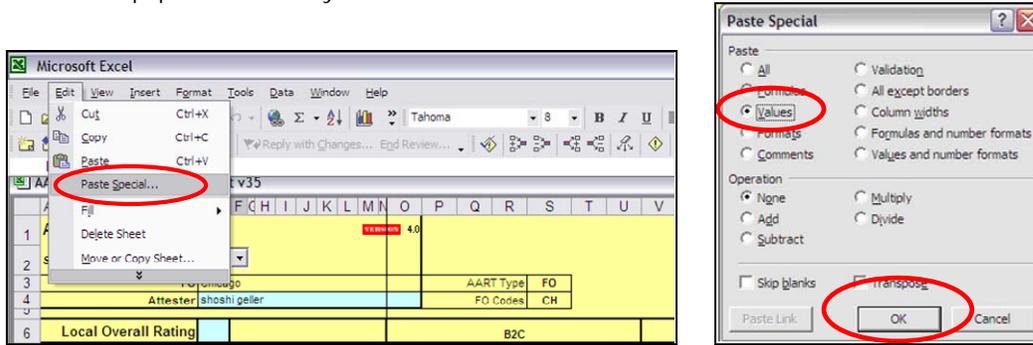
- Changes in allottee
- Changes in organizational cognizance
- Changes resulting from reorganizations
- Changes resulting from a contractor merger or split
- Changes resulting from a new contract award

Any proposed change to material accounts must be approved by the A-123 PMT. Once approved, sites will immediately flag the account(s) in the A-123 Assessment and Reporting Tool (AART) as being applicable and update its Appendix A documents accordingly (e.g., Implementation Plan, process documentation, etc.).



# A-123 Quick Start Guide – Planning

<sup>3</sup> **PASTE SPECIAL:** Go to Edit -> Paste Special and select the “Values” radio button. Click OK and ensure the column populates correctly.



<sup>4</sup> The following table identifies LPSOs and Corporate Departments that are required to report:

LPSO	A-123 Scope
Environmental Management (EM)	- Environmental Liability
Civilian Radioactive Waste Management (RW)	- Environmental Liability - Contingencies and Commitments (Spent Nuclear Fuel Litigation Liability)
Legacy Management (LM)	- Environmental Liability - Pensions and Other Actuarial Liabilities
National Nuclear Security Administration (NNSA)	- Entity only
Science (SC)	- Entity only
Fossil Energy (FE)	- Entity only
Nuclear Energy (NE)	- Entity only
Energy Efficiency and Renewable Energy (EE)	- Entity only

<sup>5</sup> DOE Standard Process cycle to process allocation:

Process Cycle	Process
Budget to Close (B2C)	General Ledger Management
	Funds Management
	Funds Balance with Treasury (FBWT)
	Cost Management
	Insurance
	Grants
	Loans
Procure to Pay (P2P)	Acquisition
	Inventory Management
	Payable Management
	Travel
Quote to Cash (Q2C)	Revenue
	Receivable Management
Project to Asset (P2A)	Project Cost Management
	Property Management
	Seized Property Management
Enterprise Resource Management (ERM)	Human Resources
	Payroll
	Benefits



## A-123 Quick Start Guide – Planning

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<sup>6</sup> Source documentation consists of (among other things):

**Process** – Process maps, desk procedures, detailed process narratives and other materials that outline the specific processes and related process controls to be evaluated.

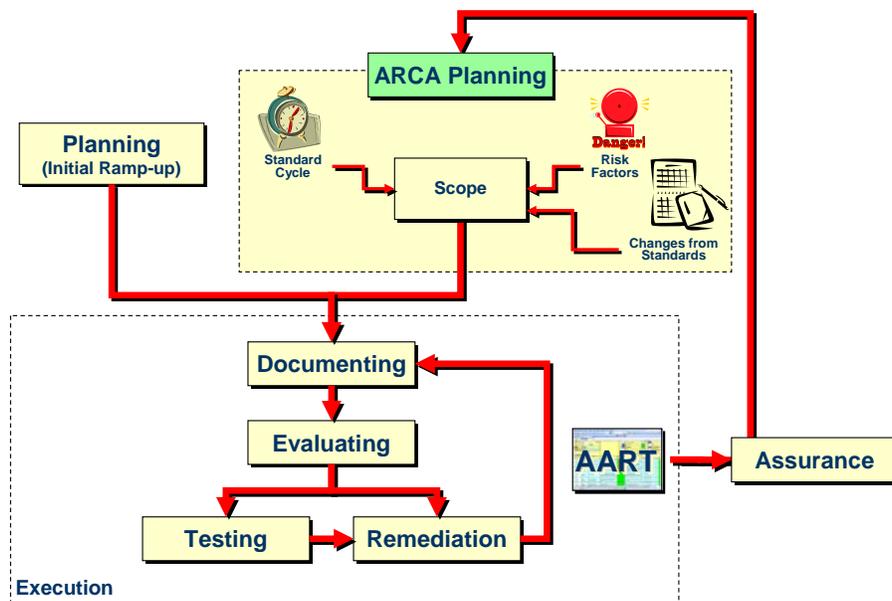
**Entity** – Corporate policies, Code of ethics, policies and procedures, etc. that identify or support/represent the specific entity controls to be evaluated.

<sup>7</sup> A-123 Detailed Documentation consists of (among other things):

Implementation plans, test plans, corrective action plans, documentation of professional judgment decisions, etc., required to be developed and maintained throughout the A-123 process.



## A-123 Quick Start Guide – Annual Risk-based Controls Assessment



Purpose	<ul style="list-style-type: none"> <li>To enable the ongoing assessment and monitoring of the effectiveness of controls considering a 3-year cycle and any risk factors that may impact the effectiveness of the controls.</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>Identify Risk Criteria</li> <li>Identify Assessment Scope</li> <li>Execute assessment of identified scope</li> <li>Monitor progress and completion of the assessment scope</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>AART Tool Suite</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide Annual Risk-based Control Assessment

Document Legend			
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.
	Requirements: Contains very important requirement information		Detailed A-123 Documentation
			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]

## INTRO

### Basic principles

The Annual Risk-Based Control Assessment (ARCA) methodology was designed to allow Local Assessment Teams to easily identify, plan for, implement and monitor their current year and out-year assessment scope. ARCA defines the assessment cycle as the time period between July 1 and June 30. The ARCA methodology is based on the OMB requirement that all controls be tested every three years. Key principles to this approach include:

- Managing the assessment at the sub-process/sub-category levels
- Monitoring corporate risk criteria that define impacts to the operational environment and assessment scope
- Enabling 3-year planning by providing the visibility of all activities and allowing adjustments across the 3-year cycle
- Providing Local Management the flexibility to manage local assessments based on local criteria, including Local Risk Criteria and defining cyclical reviews based on Risk Assessment Ratings.

### Managing the Assessment

The ARCA methodology manages the scope at the sub-process and sub-category levels in order to simplify and more effectively perform the annual controls assessment. This approach is supported by the ARCA tool through an automated aggregation of the identified risk activities to the sub-process/sub-category level.

### Monitoring Corporate Risk Criteria

The ARCA methodology applies a series of risk criteria that, if triggered, causes the sub-process / sub-category to require an assessment during the current year. In the absence of any risk criteria the assessment would be truly cyclical (i.e., based on the oldest test date). The effect of the triggering of the risk criteria is to drive an earlier assessment of controls and is intended to mitigate the Department's overall risk through the proactive monitoring of new areas of risk.

### Enabling 3-year Planning

The ARCA methodology identifies the annual assessment scope after allowing Local Assessment Teams to delay (for valid reasons) or pull forward assessment scope, over a 3-year planning horizon. This flexibility provides for better local planning of the assessment, as well as better management of local implementation resources.



This Guide is focused on providing the steps required to plan and execute the ARCA methodology and assumes the reader is proficient in the DOE A-123 methodology and the AART Tool Suite.



# ARCA TAB FIELD DESCRIPTIONS

1 Scope			Process Information			Risk Assessment
6/30/2008	6/30/2009	6/30/2010	Process Cycle	Process	Sub-Process	
X			P2P	Payable Management	Payee Information Maintenance	H
X		X	P2P	Payable Management	Invoicing	H

2 Process Catalog Reference		Control Attributes				Scope Detail	
Sub-Process	Sub Process Risk Assess	Adjusted Sub-Process Risk Assess	Lowest Test Result	No of Control Sets	No of Control Sets In Rem or UnTested	Corporate Scope	Local Scope
	H		7	2		1	1
	H		7	1		3	1

**Scope 1:** Current cycle scope (date for completion of assessment, i.e. Year 1).

**Scope 2:** Date of completion for year 2 scope.

**Scope 3:** Date of completion for year 3 scope.

**Process Cycle:** Process Cycle extracted from PCS/ECS Test.

**Process/Area:** Extracted from PCS/ECS Test.

**Sub-Process/Sub-Category:** Unique itemized list PCS/ECS Test.

**Risk Assessment:** Either the highest risk assessment from PCS/ECS Test or the adjusted risk assessment entered in ARCA PCS/ECS

**Process Catalog Reference [ARCA-PCS only]: For Future Use** -Name of reference sub-process from DOE Process Catalog aligned with specific process list..

**Sub-Process Risk Assessment:** Highest Risk Assessment for the Sub-Process/ Sub-Category extracted from PCS/ECS-Assess.

**Adjusted Risk Assessment [Optional]:** Manual entry into ARCA PCS/ECS based on professional judgment to override calculated Risk Assessment.

**Lowest Test Result Rating:** Extracted from sub-process/sub-category in PCS/ECS-Test.

**No. Control Sets:** Total number of control sets in PCS/ECS for the sub-process/sub-category

**No. Control Set Failures:** Total number of control sets for the sub-process/sub-category with Invalid, expired or remediation ratings

**Corporate Scope:** Cycle year for completion of corporate required assessment (e.g. Year 1 = current year, Year 2 = Next Year)

**Local Scope:** Cycle year when local required assessment is due

3		Local RA Cycle	
Corporate Criteria	Local Criteria	H	M
Max Test Cycle	Local Cycle		
Mgmt Req	FO Mgmt Req		
Process Changes	FO Audit Findings		
Org Changes	Site Mgmt Req		
System Changes	Site Audit Findings		
Policy Changes	Local Cycle		
Corporate Cycle			
1			
3			

**Local RA Cycle [Optional]:** Local cycles based on Risk Assessment ratings as defined

**Max Test Cycle:** 3-year test cycle required by OMB

**Mgmt Req:** Management Request issued by corporate for specified assessments

**Process Change:** Business process changes

**Org Change:** Organizational changes

**System Change:** Computer system and/or infrastructure changes

**Policy Change:** Legislative, federal/DOE policy and/or procedure changes

**Corporate Cycle:** ARCA computed cycle for corporate required assessment

**FO Mgmt [Optional]:** Management Request issues by Field Office for specified assessments

**FO Audit Findings [Optional]:** Sub-processes/sub-categories that are/have been root causes for field office audit findings

**Site Mgmt [Optional]:** Site Management request for specified assessments

**Site Audit Findings [Optional]:** Sub-processes/sub-categories that are/have been root causes for site audit findings

**Local Cycle [Optional]:** ARCA computed cycle for Local required assessments

4		Changes from Standards		Test Dates		
Changes from Standards	Rationale for Change	Revised Test Date	Oldest Test Date	Corp. Required Test Date	Local Required Test Date	
y	Corporate identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	STD	08/31/06	06/30/08	06/30/08	
			08/31/06	06/30/10	06/30/08	

**Changes from Standards:** Identification if the sub-process/sub-category standard computed ARCA assessment due date needs to be changed..

**Rationale for Change:** Reason why standard dates are changed including approvals obtained.

**Revised Test Date:** Planned assessment completion date for changed reassessments.

**Oldest Test Date:** Oldest test date of control set within the sub-process/sub-category from PCS/ECS Test.

**Corp. Required Test Date:** ARCA computed due date for completion of corporate required Assessment, considering corporate risk factors and changes from standards..

**Local Required Test Date:** ARCA computed due date for completion of local required assessment considering standard cycles, corporate/local risk factors, local risk assessment cycles and changes from standards



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### ARCA Planning: Identifying and Managing the Assessment Scope

#### A. Confirm the A-123 Scope

1. Validate the DOE Field Office and LPSO reporting structure in the Organizational Hierarchy Tab. If contractor changes occur for the current year or the reporting line from a Site to a Field Office changes, alert the PMT.
2. [Field Office only] Review the Rollup AART to ensure that the reporting structure is accurately reflected.
3. Validate material account selections and the process to material account allocations in the Local AART tab. Consider, among other things,
  - a) New Material account additions
  - b) New Process additions including updates for the process to material account allocations
  - c) Material account obsolescence
  - d) Process removal
4. Validate the contacts and roles in the Assessment Team tab.



For information and detailed instructions regarding these activities see the A-123 Planning Quick Start Guide

5. Validate the following information in the ARCA-PCS and ARCA-ECS tabs<sup>1</sup>.
  - a) **Risk Assessment:** The highest level risk assessment from the detailed risks is assigned to the sub-process / sub-category level.
  - b) **Test Rating:** The lowest test rating from the control sets is assigned to the sub-process / sub-category.
  - c) **Oldest Test Date:** The oldest test date from the control sets is assigned to the sub-process / sub-category level.
  - d) **No. Count of Control Sets:** Counts the total number of control sets associated with the sub-process / sub-category.
  - e) **No. of Controls Sets in Rem or Untested:** Counts the total number of failed, untested or expired control sets within the sub-process / sub-category.



The ARCA functionality is designed to automatically update the latest sub-processes / sub-categories listing with key attributes from the PCS/ECS-Test tabs upon saving the AART Tool Suite. Once open, if you subsequently make changes to the PCS/ECS test data, you will need to execute the "ARCA Update" button to refresh the data in ARCA.



**IMPORTANT:** ARCA does not remove renamed or obsolete sub-processes. If any name changes or removal of sub-processes has occurred then the obsolete sub-process must be manually deleted<sup>2</sup> from the ARCA-PCS tab using the "Delete Row" button. This does not apply to the standard list of entity control sub-categories.



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### B. *Identify Corporate Risk Criteria*

1. Review any Corporate Management Requests, issued by the PMT, and identify the affected sub-processes/sub-categories. Corporate Management Requests are alerts issued by the PMT making local assessment teams aware of specific areas of concern. These areas of concern could represent common audit findings, high risk areas, etc.
2. Complete the Disposition of Corporate Management Requests template. Enter a "Yes" response on the template to indicate the Corporate Management Request areas that you will be picking up as part of ARCA Planning. The "Yes" responses will be used to complete Step 3.



3. Enter a "Y" for each sub-process / sub-category impacted by the Corporate Management Request.
4. Identify whether any of the following Corporate Change Criteria have occurred locally and identify the affected sub-processes/sub-categories.
  - a) **Process Change**: Any local changes, or corporate changes directly affecting local operations, in the procedural execution of the business processes, such as; the transfer of specific activities to another site; streamlining, eliminating, and/or modifying the series of steps needed to perform the business process; changes in the controls.
  - b) **Organizational Change**: Any local organizational changes, or corporate changes directly affecting local operations, such as; transfer of responsibilities for specific business activities; organizational restructuring through the creation or elimination of specific units.
  - c) **System Change**: Any local system changes, or corporate changes directly affecting local operations, in the computer system and/or infrastructure supporting business functions, such as; implementation of new computer applications to automate business functions; significant changes to existing computer systems and/or infrastructure; automation of manual controls.
  - d) **Policy Change**: Any local changes, or corporate changes directly affecting local operations, in management directives, federal government directives and laws, such as; Change to federal financial reporting guidelines; new or changes to laws and/or regulations; New or changes to DOE internal policies and/or directives.







# A-123 Quick Start Guide Annual Risk-based Control Assessment

## D. Identify Impact to Standard Assessment Dates

1. Determine if any sub-processes / sub-categories require a delay from the Standard Assessment Date<sup>3</sup>.
  - a) A reasonable rationale is required to delay the assessment dates within the 3-year cycle. (Field Office's may, at their discretion, require approval before site contractors delay assessments within the 3-year cycle.) Examples of reasons for delays could include,
    - i) Planned organizational changes for the current/next cycle that will change the accountabilities for the controls;
    - ii) Planned system changes for the current/next cycle that will significantly impact the operational environment;
    - iii) Ongoing remediation activities impacting a scheduled assessment
  - b) PMT approval is required to delay any assessments beyond the 3-year required cycle.
2. Enter a "y" in the Changes from Standards column for the specific sub-process/sub-category determined to require a change in the assessment date.



3. Enter the date for the rescheduled assessment in the Revised Test Date column. If any Risk Criteria were determined to have no impact on the identified sub-process, enter "STD" in the Revised Test Date column. This sets the Standard Assessment Date by factoring out any date impacts associated with the identified risk criteria (e.g. it resets the 3-year assessment cycle based on the oldest test date).

Changes from Standards		Revised Test Date	Test Dates			
Changes from Standards	Rationale for Change	Revised Test Date	Oldest Test Date	Corp. Required Test Date	Local Required Test Date	
y	Corporate identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	STD	08/31/06	06/30/08	06/30/08	
			08/31/06	06/30/10	06/30/10	
			04/13/07	06/30/08	06/30/08	
y	This sub-process is in remediation and remediation is not scheduled to be complete in this cycle.	06/30/09	03/20/07	06/30/09	06/30/09	
			03/22/07	06/30/10	06/30/10	
			08/31/06	06/30/10	06/30/10	
			08/31/06	06/30/10	06/30/10	
			08/31/06	06/30/10	06/30/10	
				Overdue	Overdue	
				Overdue	Overdue	

**IMPORTANT:** The date entered in the Revised Test Date column may not exceed the 3-year cycle for testing without PMT approval.



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment



4. Record a summary rationale describing the reason for the delayed assessment. If applicable, also record any required approvals that were obtained.

**A well formulated rationale (within the 3-year required cycle):** After a detailed review was completed by the business process team, the Payable Management – Accounts Payable up process was found to not have been impacted by the systems changes. This is a manual process and will continue to operate in the same way even after the AP system modifications. This sub-process will therefore be tested based on the standard 3-year assessment cycle.

**A well formulated rationale (beyond the 3-year required cycle):** The delay in assessing the Payable Management – Accounts Payable process is the result of ongoing remediation activity that will not have been implemented and in operation long enough to perform acceptable testing during the standard 3 year assessment cycle. The major system modification is targeted on automating the current manual process and is scheduled to be completed in 9/12/2009. Testing is planned for 6 months after implementation, or 3/6/2010. During and post implementation, this sub-process will be closely monitored by the Supervisor of Accounts Payable to minimize risk. Approval for this delay has been obtained from the PMT and the Approval has been stored as specified in the document location.

### **Determining the Scope of Testing**



**ARCA Assessment Triggered by Risk Criteria or Cyclical Schedule:** Any sub-process/sub-category that has been identified as being in the assessment scope as a result of applying the risk criteria, or as a result of the normal cyclical schedule, will require testing of all control sets within that sub-process/sub-category. Although all control sets will need to be tested, it is up to management's discretion to determine the extent to which testing will be performed. In making a determination on extent of testing, management should use the flexibilities inherent to the Department's implementation of A-123 where reasonable and appropriate.

These flexibilities include consideration of the following:

- a) The risk rating for each risk activity in determining the extent of testing (e.g., higher risk may drive a larger sample size, lower risk may drive a smaller sample size)
- b) Whether or not changes to processes, controls, etc., have occurred which may require new tests and/or larger/smaller sample sizes
- c) How recently specific control sets were tested in determining sample size. For example, 8 out of 10 control sets in a sub-process/sub-category may have been tested within the last 12 months (due to the Department's initial multi-year implementation). Therefore, the level of testing for selected control sets may be modified accordingly.

**ARCA Assessment Triggered by Remediation Activities:** It is up to management's discretion to determine whether all (and to what extent) control sets within the sub-process/sub-category require re-testing, or whether only the subset of control sets which are impacted by the remediation activity (e.g., changed or added controls) will be re-tested. In those cases where management decides to test (directly or indirectly) only the impacted subset of the control sets, it must be able to rely on the previous results for those controls not being tested. (Requirements for reliance on previous testing are described in the Testing Quick Start Guide.) Test Plans will need to fully describe how testing was handled for these remediation activities, and should clearly identify which controls/control sets were tested and those where reliance was placed on previous results. In addition, the AART will need to have test dates entered for those controls/control sets where management is relying on previous test results (i.e., enter into the AART the date when the previous test was completed).



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

- Review the resulting assessment scope after making any changes to the Standard Assessment Dates and determine if any additional sub-process / sub-category date changes are required. An example could include accelerating scheduled assessments to optimize the workload across the 3-year assessment. (Summary rationales are not required for accelerating the assessment scope.)

ARCA: PCS <span style="color:red">1.0</span> <span style="color:red">NEXT CYCLE</span>				Select view			
FOEM Consolidated Business Center				Attester: Lance Schlag			
Cycle End: 6/30/2008				NEXT CYCLE			
Scope		Process Information		Date		Local Cycle	
6/30/2008	6/30/2009	6/30/2010	Process	Sub-Process	Criteria	Changes from Standards	Test Dates
x			P2P Payable Management	Payee Information Maintenance	Org Changes	Rationale for Change	Revised Test Date
					System Changes	Corporate Identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	08/31/06
x			P2P Payable Management	Invoicing	Policy Changes		04/13/07
					Corporate Cycle		06/30/08
			P2P Payable Management	Accounts Payable	FO Mgmt Req		06/30/09
					FO Audit Findings		03/20/07
			P2P Payable Management	Accounts Payable	Site Mgmt Req		06/30/09
					Site Audit Findings		03/22/07
			P2P Payable Management	Payment Follow-up	Local Cycle		06/30/10
					Changes from Standards		06/30/10
			P2P Payable Management	Purchasing			03/22/07
							06/30/10
			P2P Payable Management	Disbursing			08/31/06
							06/30/10
			P2P Acquisition	Closeout			08/31/06
							06/30/10
			P2P Acquisition	De-Obligations			08/31/06
							06/30/10
			P2P Acquisition	Funds Certification			Overdue
							Overdue
			P2P Acquisition	Obligations			Overdue
							Overdue



# A-123 Quick Start Guide Annual Risk-based Control Assessment

## E. [OPTIONAL] Managing the Local Assessment Cycles *[Reserved for LPSO / CD / Field Office / Site use, at their discretion]*



ARCA provides the flexibility to further refine the local assessment scope by enabling management the ability to factor inherent risk into their local assessment cycles.



1. Enter the Local Assessment Cycles for the desired risk assessment ratings in the Local RA Cycle Header to set unique cyclical reviews based on Risk. Local cycles can be defined as a 1, 2, or 3 year cycle and do not have to be defined for all risk ratings.

ARCA: PCS <span style="color:red">VERSION 1.0</span> <span>Select view</span> <span>HELP</span>				ARCA Update <span>AART Update</span>																			
FO/EM Consolidated Business Center				<div style="border: 1px solid red; padding: 2px; display: inline-block;"> <b>Local Cycle</b>  <span style="color:red">H</span> 1  <span style="color:yellow">M</span> 2  <span style="color:green">L</span> 3         </div>																			
Attester Lance Schlag				<div style="border: 1px solid gray; padding: 2px; display: inline-block;"> <b>Local RA Cycle</b>  <span style="color:red">H</span> 1  <span style="color:yellow">M</span> 2  <span style="color:green">L</span> 3         </div>																			
Cycle End 6/30/2008 <span style="color:red">NEXT CYCLE</span> <span>Detail View</span>				<div style="border: 1px solid gray; padding: 2px; display: inline-block;"> <b>Local RA Cycle</b>  <span style="color:red">H</span> 1  <span style="color:yellow">M</span> 2  <span style="color:green">L</span> 3         </div>																			
Scope		Process Information		Corporate Criteria										Rationale for Change		Test Dates							
6/30/2008	6/30/2009	6/30/2010	Process	Sub-Process	Risk Assessment	Max Test Cycle	Mgmt Req	Process Changes	Org Changes	System Changes	Policy Changes	Corporate Cycle	FO Mgmt Req	FO Audit Findings	Site Mgmt Req	Site Audit Findings	Local Cycle	Changes from Standards	Rationale for Change	Revised Test Date	Oldest Test Date	Corp. Required Test Date	Local Required Test Date
x			P2P	Payable Management	Payee Information Maintenance	H	3	y									1	y	Corporate identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	STD	08/31/06	06/30/08	06/30/08
x		x	P2P	Payable Management	Invoicing	H	3					3					1				08/31/06	06/30/10	06/30/08
x			P2P	Payable Management	Accounts Payable	L	3	y		y		1					1				04/13/07	06/30/08	06/30/08
	x		P2P	Payable Management	Accounts Payable/Cost Management Reports	L	3			y		1					1	y	This sub-process is in remediation and remediation is not scheduled to be complete in this cycle.	06/30/09	03/20/07	06/30/09	06/30/09
		x	P2P	Payable Management	Payment Follow-up	L	3					3					3				03/22/07	06/30/10	06/30/10
		x	P2P	Payable Management	Purchasing	L	3					3					3				03/22/07	06/30/10	06/30/10
x		x	P2P	Payable Management	Disbursing	H	3					3					1				08/31/06	06/30/10	06/30/08
x		x	P2P	Acquisition	Closeout	H	3					3					1				08/31/06	06/30/10	06/30/08
x		x	P2P	Acquisition	De-Obligations	H	3					3					1				08/31/06	06/30/10	06/30/08
O			P2P	Acquisition	Funds Certification	H	3					3					1					Overdue	Overdue
O			P2P	Acquisition	Obligations	H	3					3					1					Overdue	Overdue



ARCA automatically determines the sub-process / sub-category Risk Assessment by assigning the highest Risk Assessment Rating of any risk within the sub-process / sub-category. If in your professional judgment, this Risk Assessment does not accurately reflect the aggregate risk assessment for the sub-process / sub-category, ARCA allows you to "adjust" the Risk Assessment for the sub-process / sub-category using the Adjusted Risk Assessment column in the ARCA Detail View<sup>4</sup>. This does not override the Risk Assessment Ratings in the PCS/ECS-Assess tabs.



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### F. *Execute "Update AART" Button*



1. When ARCA planning is complete, click the "Update AART" button to update the PCS/ECS-Assess and –Test tabs. This function "expires" overdue Control Design Effectiveness and Test ratings in the PCS/ECS-Assess and –Test tabs.



**CAUTION:** This action is irreversible. Expiration occurs for all sub-processes / sub-categories with successfully tested control sets that are overdue for the corporate schedule. The Expiration is set by replacing the Control Design Effectiveness and Test Results ratings with an "E". The previously assigned ratings are saved to the expired data columns in the PCS/ECS-Assess and –Test tabs.

2. Update the Implementation Plan.



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### ARCA Execution: Performing the Assessment for the Identified Scope



Selected ARCA Cycle information is visible in the PCS-Test and ECS-Test tabs at the risk activity/control set level. This is to allow the Local Assessment Team visibility over cyclical requirements without having to switch between the PCS/ECS-Test and ARCA tabs.

The screenshot shows a spreadsheet with columns for Control Set, Risk, Title, Test, and Test Results. The 'Test' column contains dates and assessment status. The 'Test Results' column contains 'E' (Effective) or 'N' (Not Effective) ratings. The background color of the cells indicates the assessment schedule: Red (overdue), Yellow (due in 2nd cycle), Green (due in 3rd cycle), and White (no assessment due).

The Color formatting of the sub-processes/sub-categories in the PCS/ECS-Test tabs indicate the assessment schedule.

- a) Red – assessment is overdue (requiring immediate action) or due in the current cycle year
- b) Yellow – assessment is due in 2<sup>nd</sup> cycle
- c) Green – assessment is due in 3<sup>rd</sup> cycle
- d) White – no assessment is due within the 3-year cycles (this occurs if a current year assessment has already been completed).

Control Design Effectiveness rating and Test Ratings may have been assigned an “E” rating. This indicates that testing has been conducted in prior years, but the results are considered to be no longer valid (i.e. the sub-process/sub-category is “overdue” or the assessment and testing).

The screenshot shows a spreadsheet with columns for Control Set, Risk, Title, Test, and Test Results. The 'Test Results' column contains 'E' (Effective) or 'N' (Not Effective) ratings. The background color of the cells indicates the assessment schedule. A red box highlights a cell with 'E' in the 'Test Results' column, and a grey box highlights a cell with 'E' in the 'Control Design Effectiveness' column.



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### **G. Documenting**

1. Validate all source documentation to ensure it is current and complete and meets the minimum A-123 documentation requirements.
2. Where necessary, update or create new source and detail documentation.
-  3. Validate the data recorded in the ECS/PCS-Assess tabs in the AART to ensure it is accurate and current.

*\* For additional information and details regarding these activities see the **A-123 Documenting Quick Start Guide***

### **H. Evaluating**

-  1. Validate, and if necessary update, the Control Design Effectiveness rating for the Control Set and rationale in the PCS/ECS-Assess tab.
-  2. Using professional judgment, update the Process/Area Summary Rating and rationale.
-  3. [ECS Only] Using professional judgment, update the Overall Entity Control Summary Rating.

*\* For additional information and details regarding these activities see the **A-123 Evaluating Quick Start Guide***

### **I. Testing**

1. Develop test plans for the current scope.
-  2. Execute Testing and enter the Test Results rating and new Test Dates for the Control Set in the PCS/ECS-Test tab.
-  3. Using professional judgment, update the Process/Area Summary Rating and rationale.
-  4. [ECS Only] Using professional judgment, update the Overall Entity Control Summary Rating.

*\* For additional information and details regarding these activities see the **A-123 Testing Quick Start Guide***



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### J. Assessment Management and Monitoring



- When testing for the sub-process / sub-category is complete, confirm that all Risk Criteria are accounted for in the tests performed by selecting "yes" in the "All Factors Accounted for in Completed Tests" column (e.g. test was completed on the changed process and testing was modified to accommodate changes).

This validates that new testing has satisfied all identified Risk Criteria. The tool will automatically reset the criteria selection and applicable data at the beginning of a new A-123 assessment cycle.

ARCA: PCS		1.0		Select view	HELP	ARCA Update		ARCA Updates	Local Cycle							
FC EM Consolidated Business Center																
Attester: Lance Schlag																
Cycle End: 6/30/2008 <span style="color: red;">NEXT CYCLE</span> <span>Detail View</span>																
Scope		Process Information			Corporate Criteria			Local Criteria		Changes from Standards						
Process Cycle	Process	Sub-Process	Risk Assessment	Max. Test Cycle	Adm't Req	Process Changes	System Changes	Process Changes	System Changes	Local Cycle	Changes from Standards	Rationale for Change	Revised Test Date	Criteria Selection Rationale	Documentation Location	All Factors Accounted for in Completed Tests
x	P2P	Payable Management	Payee Information Maintenance	3	y					1	y	Corporate identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	STD	08		yes
x	P2P	Payable Management	Invoicing	3	y					3			08			yes
x	P2P	Payable Management	Accounts Payable	3	y					1			08			yes
x	P2P	Payable Management	Accounts Payable-Cost Management Reports	3	y					1		This sub-process is in remediation and remediation is not scheduled to be complete in this cycle.	06/30/08			yes
x	P2P	Payable Management	Payment Follow-up	3						3			08			
x	P2P	Payable Management	Outsourcing	3						3			08			
x	P2P	Payable Management	Disbursing	3						3			08			
x	P2P	Acquisition	Closeout	3						3			08			
x	P2P	Acquisition	De-Obligations	3						3			08			
x	P2P	Acquisition	Funds Certification	3						3			08			
x	P2P	Acquisition	Obligations	3						3			08			

Risk Management is a continuous process and it is highly recommended that you update ARCA as new risk criteria are identified.



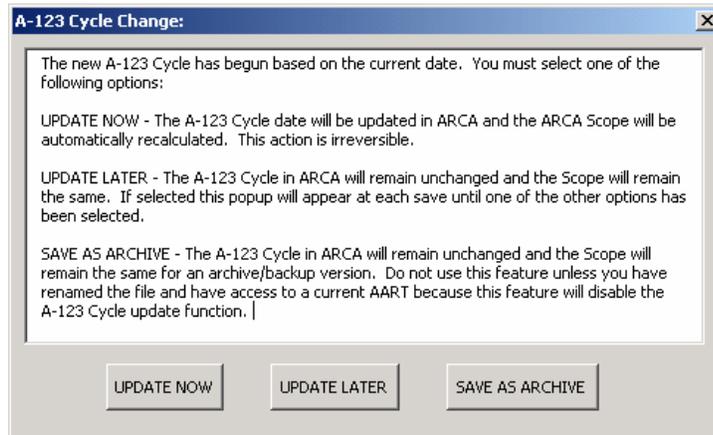
# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

### K. Automated Cycle Changes



1. Annually on June 30<sup>th</sup> the AART tool suite will automatically recognize the new ARCA cycle. Upon saving the AART tool you will be prompted.



2. Click  to update the ARCA Cycle date and automatically force the recalculation of the Scope fields into the new cycle.

3. Click  to continue working in ARCA until all previous cycle activities have been completed and you are ready to migrate to the current cycle. All scope and data remains the same. The AART will continue to prompt you for the A-123 Cycle Change at each save.

4. Click  to save a backup or archive file. This is intended allow users to save the file with the existing ARCA cycle and to stop all future prompts. **DO NOT USE THIS OPTION ON THE ACTIVE AART** because the ARCA Cycle will no longer be able to be updated.



# A-123 Quick Start Guide Annual Risk-based Control Assessment

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

<sup>1</sup> Detail / Summary Views: ARCA has been designed to provide both a Summary View of critical data as well as a Detail View. The Detail view shows additional information regarding sub-process / sub-category attributes including: [PCS Only] reference sub-process selection, adjusted risk assessment, the lowest test rating for a control within the sub-process / sub-category, number of control sets in the sub-process or sub-category, number of those control sets that are in remediation or are still untested, corporate scope cycle and the local scope cycle.

To enable the detail view, click the **Detail View** button in the header of the ARCA tab. The sub-process / sub-category attributes become visible

Process Catalog Reference	Control Attributes					Scope Detail	
Sub-Process	Sub Process Risk Assess	Adjusted Sub-Process Risk Assess	m Lowest Test Result	No of Control Sets	No of Control Sets in Rem or UnTested	Corporate Scope	Local Scope
	H		7	2	2	O	O
	H		7	1		3	3
	L		7	1		1	1
	L		7	2		3	3
	L		7	1		3	3

The Detail Button will change from **Detail View** to **Summary View**. To enable the summary view click the Summary View Button

<sup>2</sup> **ARCA "CLEAR ALL" BUTTON:** The clear all function is beneficial for sites that have made extensive adjustments in processes and sub-processes within PCS-Assess and do not wish to manually update the ARCA-PCS tab. The ARCA Update function does not remove obsolete sub-processes. Manual removal of these items is required.

**CAUTION:** This action is irreversible and will remove all the sub-process rows, including the associated data.

Once the "Clear All" function has been run, execute the "ARCA Update" function to manually initiate the ARCA update process.

<sup>3</sup> Standard dates are based on the following logic:

Scope	Conditions for Setting Scope Value
Overdue	A control set within the sub-process/sub-category has not been tested.
	A control set is in remediation, due to CDE rating or failed test ratings, and no Revised Test Date has been identified in ARCA.
	A risk criteria assigned to the sub-process/sub-category in the previous cycle has not been fully assessed (i.e. the All Factors Accounted for in Testing indicator has not been set to "yes").



# A-123 Quick Start Guide Annual Risk-based Control Assessment

	The Revised Test Date is older than the current cycle date.
Current Cycle	A risk factor has been assigned to the sub-process/sub-category in the current cycle.
	The oldest test date, for sub-processes/sub-categories with all operationally effective control sets, was 3 years ago.
	The Revised Test Date is defined for the current cycle.
Cycle 2	The oldest test date, for sub-processes/sub-categories with all operationally effective control sets, was 2 years ago.
	The Revised Test Date is defined for the specified cycle year.
Cycle 3	The oldest test date, for sub-processes/sub-categories with all operationally effective control sets, was 1 year ago.
	The Revised Test Date is defined for the specified cycle year.
No Scope Set	Testing was completed in current year and all activities were operationally effective.

Utilizing Local Risk Criteria and Local Risk Assessment Cycles, a sub-process / sub-category may be allocated to two different Cycle Years. This only results if the local assessment is required prior to the corporate assessment.

The screenshot displays the ARCA software interface. A 'Scope' dialog box is open, showing a grid for selecting assessment cycles (6/30/2008, 6/30/2009, 6/30/2010) for various processes. The main table below details the assessment for 'Payable Management' processes. The table includes columns for Catalog Name, Control Attributes, Scope Detail, Corporate Criteria, Local Criteria, Changes from Standards, and Test Dates.

Catalog Name	Control Attributes	Scope Detail	Corporate Criteria	Local Criteria	Changes from Standards	Test Dates
2P Payable Management	Sub-Process Risk: High	Local Scope: 6/30/2008	Corporate Criteria: 1	Local Criteria: 1	Corporate identified the Payable Management process as high risk for P-Cards, the Payee Information Maintenance sub-process does not impact the risk area identified by Corporate.	Revised Test Date: 06/30/09, Oldest Test Date: 06/30/08, Corp. Required Test Date: 06/30/09, Local Required Test Date: 06/30/08
2P Payable Management	Sub-Process Risk: High	Local Scope: 6/30/2009	Corporate Criteria: 1	Local Criteria: 1	This sub-process is in remediation and remediation is not scheduled to be complete in this cycle.	Revised Test Date: 03/20/07, Oldest Test Date: 06/30/10, Corp. Required Test Date: 06/30/10, Local Required Test Date: 06/30/10
2P Payable Management	Sub-Process Risk: High	Local Scope: 6/30/2010	Corporate Criteria: 1	Local Criteria: 1		Revised Test Date: 06/31/08, Oldest Test Date: 06/30/10, Corp. Required Test Date: 06/30/08, Local Required Test Date: 06/30/08



# A-123 Quick Start Guide

## Annual Risk-based Control Assessment

4 To adjust the risk assessment of a sub-process/sub-category you must be in the ARCA Detail View. If the Detail View button is displayed click the Detail View button to enable the detailed view. However, if the Summary View button is displayed the Detail View is already displayed. Select from the drop down menu, in the Adjusted Risk Assessment column, the desired adjusted risk assessment rating for the sub-process / sub-category.

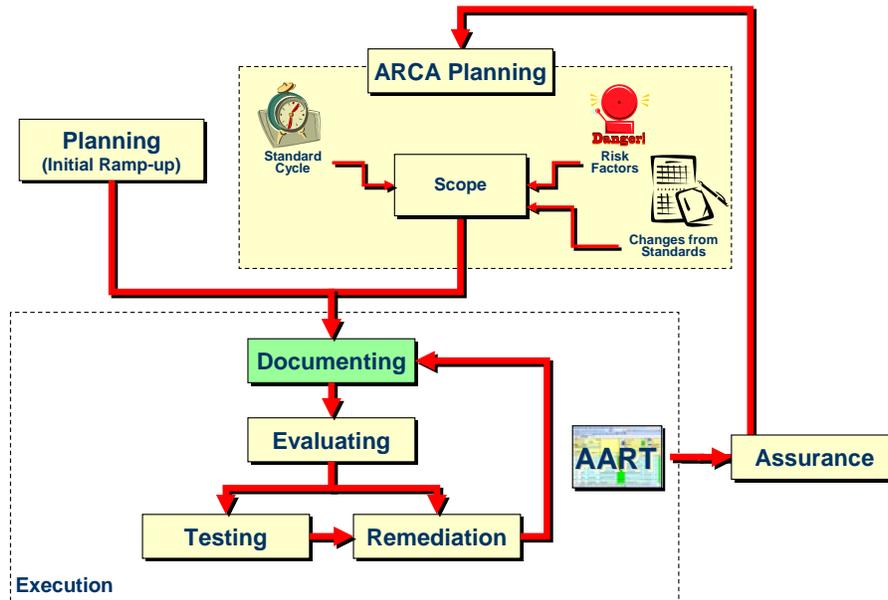
ARCA: PCS Version 1.0 Select view HELP																
FJEM Consolidated Business Center																
Attester Lance Schlag																
Cycle End 6/30/2008 NEXT CYCLE Summary View																
Scope		Process Information				Process Catalog Reference		Process Risk			Adjusted Sub-Process Risk Assess			Criteria		
Process Cycle	Process	Sub-Process	Sub-Process	Sub-Process	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	Sub-Process Risk	
P2P	Payable Management	Payee Information Maintenance														
P2P	Payable Management	Invoicing														
P2P	Payable Management	Accounts Payable														
P2P	Payable Management	Accounts Payable/Cost Management Reports														
P2P	Payable Management	Payment Follow-up														
P2P	Payable Management	Purchasing														
P2P	Payable Management	Debussing														
P2P	Acquisition	Contract														
P2P	Acquisition	Doc-Obligations														
P2P	Acquisition	Funds Certification														
P2P	Acquisition	Obligations														

The adjusted risk assessment must be based on an inherent risk assessment within the General Environment and must reflect the aggregate likelihood and impact of all risks associated with that sub-process / sub-category. Detailed guidance for Risk Assessment can be found in the Documenting Quick Start Guide.

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## A-123 Quick Start Guide - Documenting



Purpose	<ul style="list-style-type: none"> <li>Manage/develop documentation required for evaluating internal controls over financial reporting that will withstand the rigors of audit and record documentation attributes into the AART.</li> </ul>
Key Activities	Identify and Record <ul style="list-style-type: none"> <li>Entity Level Risks and Controls</li> <li>Processes and Sub-Processes</li> <li>Sub-Process Risks and Controls</li> <li>Financial Statement Assertions</li> <li>Location of Source and Detailed Documentation</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>AART Tool Suite</li> <li>Implementation Plan</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide – Documenting

Document Legend			
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.
	Requirements: Contains very important requirement information		Detailed A-123 Documentation
			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]

## INTRO

### ENTITY CONTROLS

Entity Controls relate to the **organization as a whole and are not specific to processes**. Good Entity Controls ensure the integrity and effectiveness of the organization and its leadership. Entity Control evaluations focus on 5 key management objectives<sup>1</sup>: control environment, control activities, monitoring, risk assessment, and information and communication.



Entity controls cross cut all program activities (financial and non-financial). However, the A-123 evaluation focuses only on Entity Controls relevant to financial management areas that directly or indirectly impact financial reporting. As such, all of the Entity Controls (financial and operational) will need to be considered as they relate to and impact the following Financial Management Areas:

- Purchase card program management
- CO/COR roles and responsibilities
- Budget execution (carryover balances, prior year deobs., expired approps. mgmt, etc.)
- Financial management performance metrics
- Procurement (requisitions, purchase orders, etc.)
- Field/Site CFO liaison/operational awareness
- Proprietary/cuff systems
- Audit resolution and follow-up (financial related)
- Funds distribution
- Travel management/oversight
- Cost management (including accruals)
- Funds control

NOTE: This is not an exhaustive list of the financial management areas that could be impacted. Locations should independently evaluate what other financial management areas should be considered.

### PROCESS CONTROLS

Good Process Controls ensure the **integrity and accuracy of the business transactions** as they impact the financial statements from a Presentation and disclosure; Existence and occurrence; Rights and obligations; Completeness and accuracy and Valuation or allocation (PERCV<sup>2</sup>) perspective.

In some cases, Process Controls may supplement Entity Controls to mitigate the same type of risk. An example of this is Segregation of Duties where proper procedures and policies are put in place and are supplemented by automated system controls at the process level.



# A-123 Quick Start Guide – Documenting

 *Completing the AART Tool Suite is a requirement; however the data in the AART is summarized data and does not fulfill the complete A-123 Documentation requirements. Detailed A-123 Documentation and Source documentation<sup>3</sup> should be maintained locally and be readily available in the event of an audit or other review.*

## Entity Control Summary (ECS)

### A. Identify and Record Entity Inherent Risk Statement<sup>4</sup>

- Review the standard ECS sub-categories and determine the inherent risk statements associated with each of these sub-categories. There may be multiple risk statements associated with each sub-category, at least one inherent risk statement must be entered for each sub-category. Consider among other things the following,

- What could go wrong?  
[Behavior]
- What effect would it have  
[Result]

[Example 1- Integrity and Ethical Values](#)  
Area: Control Environment  
Sub-Category: Integrity and Ethical Values  
**Risk Statement:** Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.

[Example 2 – Segregation of Duties<sup>5</sup>](#)

 A well formulated risk statement would include a clear definition of **behavior** and/or action and the **negative result** if this behavior and/or action should occur.

-  Record your risk statements in the ECS-Assess tab of the AART Tool Suite in the row associated with the appropriate Area and Sub-Category:

AART: ECS Assess <span style="float: right;">VERSION 4.0</span>				
<b>Select View:</b>				
FO	CH			
Attester	Ard Geller			
Implementer	Shelley Hart			
Date Updated	October 31, 2006			
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>				
Ref Col	Cycle	Area	Sub-Category	Risks
	EC	Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.
	EC	Control Activities	Segregation of Duties	An employee who creates a requisition also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of

*If you have more than one inherent risk statement per sub-category, select the sub-category then insert additional rows by clicking the "insert row" button. If you need to delete an additional row click the "delete row" button on the ECS-Assess tab.*



# A-123 Quick Start Guide – Documenting

3. Repeat these steps for all 31 sub-categories.

## B. Assign the Inherent Risk Rating<sup>6</sup> (Likelihood and Impact)



Inherent Risk considers the General Environment in which you operate; it **does not** consider any mitigating controls. General Environment would include things such as:

- Number of transactions
- Organizational structure
- Liquidity of assets
- Skill/knowledge of staff
- Value of transactions
- Span of control
- Political sensitivities
- Susceptibility to fraud and irregularity

1. **LIKELIHOOD** - Determine the likelihood of the inherent risk specified by the risk statement occurring. Likelihood is a measure of the relative potential that the inherent risk might occur given the general environment<sup>7</sup>. In determining Likelihood, consider among other things the following,

- a. Organizational Culture
  - i) Stability and focus of leadership
  - ii) Vision imparted by leadership to the organization
  - iii) Variety of backgrounds/knowledge of personnel
  - iv) Stability of workforce
  - v) Skill level and technical competence of workforce
- b. Type of organization
  - i) Co-location
  - ii) Size of distributed offices
  - iii) Size of business units
- c. Technological maturity
  - i) Level of integration

### Example 1 – Integrity and Ethical Values

Area: Control Environment

Sub-Category: Integrity and Ethical Values

Risk Statement: Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.

**Risk Likelihood:** LOW - An organization of 20 people co-located in a war room type of environment with strong, visible leadership.

### Example 2 – Segregation of Duties<sup>8</sup>

2. **IMPACT** - Determine the relative magnitude of the impact if the inherent risk specified by the risk statement occurs. Impact is a measure of the magnitude/severity of the effect the risk's occurrence might cause given the general environment, considering both the nature and extent of the effect of the risk's occurrence. In determining Impact, consider among other things the following:

- a. Span of Control (breadth of organizations impacted)
- b. Potential Liability due to type of business

### Example 1 – Integrity and Ethical Values

Area: Control Environment

Sub-Category: Integrity and Ethical Values

Risk Statement: Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.

**Risk Likelihood:** LOW - An organization of 20 people co-located in a war room type of environment with strong, visible leadership.

**Risk Impact:** HIGH - Business units responsible for the management of the nuclear material stockpile (high financial liabilities).

### Example 2 – Segregation of Duties<sup>9</sup>



# A-123 Quick Start Guide – Documenting

- Record the Likelihood and Impact Ratings for the associated inherent risk specified by the risk statements in the ECS-Assess tab of your AART Tool Suite:

AART: ECS Assess <span style="float: right;">VERSION 4.0</span>							
Select View:							
FO	CH						
Attester	Ard Geller						
Implementer	Shelley Hart						
Date Updated	October 31, 2006						
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>							
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment
	EC	Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices	L	H	H
	EC	Control Activities	Segregation of Duties	An employee who creates a requisition also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.	L	H	H

The overall Inherent Risk Assessment Rating will be automatically calculated for each risk statement based on the following rules:

Likelihood	+	Impact	=	Inherent Risk Assessment
Low		Low		Low
Low		Moderate		Low
Low		High		High
Moderate		Low		Low
Moderate		Moderate		Moderate
Moderate		High		High
High		Low		Moderate
High		Moderate		High
High		High		High

- It is highly recommended to document the general approach to performing your inherent risk assessment, including general environment considerations, likelihood and impact considerations, etc.



# A-123 Quick Start Guide – Documenting

## C. Identify and Record Key Entity Controls<sup>10</sup>

1. Collect all existing documentation related to the specified Entity risk statements and standard Sub-Categories, for example:
  - a. Code of Ethics
  - b. Policies & Procedures (Conflict of Interest Policies)
  - c. Organizational Structure Diagrams
  - d. HR Handbooks
  - e. IT controls (e.g. Security Profiles, Disaster Recovery Procedures)
2. Using source documentation, identify the existing controls that mitigate each inherent risk specified by the risk statement. To further identify the key controls, consider among other things the following:

- a. Priority and criticality of the control in mitigating the risk (key controls)
- b. Control Mode: Preventive[P] and Detective[D]<sup>11</sup>
- c. Level of Automation (i.e. Manual, Partially Automated or Automated)
- d. Single Control or Multiple Controls (Control Set) can mitigate a specific risk

### Example 1 – Integrity and Ethical Values

Area: Control Environment

Sub-Category: Integrity and Ethical Values

Risk Statement: Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.

Risk Likelihood: LOW - An organization of 20 people co-located in a war room type of environment with strong, visible leadership.

Risk Impact: HIGH - Business units responsible for the management of the nuclear material stockpile (high financial liabilities).

Control Objective: To promote and enforce ethical behavior:

Control Set: (1) Management has posted their integrity and ethical ideals in a guidance document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees. [P] (2) All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct". [P] (3) Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P] (4) Annual employee appraisals include a section to discuss employees' behavior. [D] (5) Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D] (6) Management encourages anonymous e-mails to report unethical behavior. [D] (7) Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D] (8) Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D]

### Example 2 – Segregation of Duties<sup>12</sup>



# A-123 Quick Start Guide – Documenting

- Record the key controls in the AART as a control set in the AART ECS-Assess tab in a single cell in the row associated with the related risk statement. Together, these controls represent the control set.

AART: ECS Assess <span style="float: right;">VERSION 4.0</span>							Overall Entity Control Ratings	
Select View:								
FO	CH							
Attester	Ard Geller						y Control Environment	
Implementer	Shelley Hart						y Control Activities	
Date Updated	October 31, 2006						y Information and Communication	
							y Risk Assessment	
							y Monitoring	
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>								
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	R Assessment	
	EC	Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.	L	H		To promote and enforce ethical behavior: <ul style="list-style-type: none"> <li>• Management has posted their integrity and ethical ideals in a guidance document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees. [P]</li> <li>• All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct". [P]</li> <li>• Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P]</li> <li>• Annual employee appraisals include a section to discuss employees' behavior. [D]</li> <li>• Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D]</li> <li>• Management encourages anonymous e-mails to report unethical behavior. [D]</li> <li>• Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D]</li> <li>• Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D]</li> </ul>

**All key controls to offset a specific risk statement (i.e. the control set) MUST be recorded only in a single cell in the row corresponding to the risk statement.**

## D. Identify and Record Control Set Attributes

- Determine the Control Set Mode of the key controls contained in each control Set: Preventive (P), Detective (D), or Both (P&D)<sup>13</sup>.
- Determine if the Control Set is Entirely Automated (Aut), Entirely Manual (Man), or Partially Automated (Pau).
- Determine the Control Set Frequency at which each control set is executed. In the case where controls within the control set are executed at different intervals (some monthly, some daily, etc), the frequency of the most critical key control should be indicated.

**Control Set Frequency Options:**

**A** = Annually      **M** = Monthly      **W** = Weekly      **R** = Recurring\*  
**Q** = Quarterly      **B** = Biweekly      **D** = Daily

*\*Recurring frequency is a control that executes every time an activity or transaction is run. This may be numerous times in one day.*



# A-123 Quick Start Guide – Documenting



- Using the drop down boxes, record the appropriate values for the attributes of the specified control sets.

AART: ECS Assess										Overall Entity Control Ratings		
Select View:										Control Environment		
FO: CH										Control Activities		
Attester: Ard Geller										Information and Communication		
Implementer: Shelley Hart										Risk Assessment		
Date Updated: October 31, 2006										Monitoring		
Insert Row										Delete Row		
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev/Det	Ctrl Type	Ctrl Freq	
EC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.	L	H	H	To promote and enforce ethical behavior: <ul style="list-style-type: none"> <li>Management has posted their integrity and ethical ideals in a guidance document entitled "Code of Conduct" on their website and in hard copies, and distributed to all employees. [P]</li> <li>All employees on every level must read, accept and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct". [P]</li> <li>Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P]</li> <li>Annual employee appraisals include a section to discuss employees' behavior. [D]</li> <li>Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D]</li> <li>Management encourages anonymous e-mails to report unethical behavior. [D]</li> <li>Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D]</li> <li>Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal infractions. [P]</li> </ul>	P&D	Man	M	
EC		Control Environment	Management's Commitment to Competence									
EC		Control Activities	Segregation of Duties	An employee who creates a requisition also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and/or abuse of government funds.	L	H	H	To prevent fraud, waste and/or abuse: <ul style="list-style-type: none"> <li>Security rules are set up such that no single user can be assigned the roles of creating a requisition approving that requisition, approving a requisition creating the corresponding Obligation, and creating the obligation and paying the invoice. [P]</li> <li>Workflow technology is implemented to automate work flow message distribution to monitor expenditures and approvals. [P]</li> <li>Workflow technology is implemented to enforce limits of authority management. [P]</li> <li>Only 3 Administrators have the authorization to create and/or change security profiles and world rules. [P]</li> </ul>	P&D	Aut	R	

## E. [Highly Recommended] Record Location of Source and Detailed A-123 Documentation<sup>14</sup>

- In accordance with local documentation management policies, identify the location where the Source Documentation and the Detailed A-123 Documentation are maintained. Consider the following examples,

- Reference to available corporate policy
- Hardcopy version stored in a specific location
- Softcopy version stored on a shared drive
- Softcopy version stored on a website

**Documentation Location Examples:**  
 Corporate Code of Ethics [Available on organization website]  
 HR Recruiting Policy in HR Dept  
 H:\DOE\HQ\Policies [Shared Local Drive]  
 IT Department/System Security Handbook  
 H:\DOE\HQ\A-123 Detail Docs\Risk Assessment Rationale [Shared Local Drive]





# A-123 Quick Start Guide – Documenting

3. If source documentation does not exist or is incomplete, ensure the development of required documentation.

## G. Identify and Record Sub-Processes

1. In the PCS Assess tab the processes annotated with a “Y” represent those that are related to your material accounts and require further evaluation.
2. For those relevant processes, use your existing source documentation to identify the sub-processes, and associate them with the standard DOE processes identified in the AART.



3. Using the drop down list, select the standard processes and enter your relevant sub-processes into the PCS-Assess tab (you must repeat the process selection for each sub-process entered).

AART: PCS Assess											
Select View:								BPC			
FO	CH							General Ledger Management			
Attester	Ard Geller							Funds Management			
Implementer	Shelley Hart							FBWT			
Date Updated	October 31, 2006							Cost Management			
								Insurance			
								Grants			
								Loans			
								P2P			
								y Acquisition			
								y Inventory Management			
								y Payable Management			
Insert Row		Delete Row									
Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls			
	P2P	Acquisition	Create Requisition								
	P2P	Inventory Management	Receive Goods & Services								
	P2P	Payable Management	Payee Information Maintenance								
	P2P	Payable Management	Disbursing								
	P2P	Payable Management	Invoice								



# A-123 Quick Start Guide – Documenting

## H. Identify and Record Inherent Risk Statements

1. Using the source documentation, identify all inherent risks at the activity<sup>15</sup> level related to the sub-process. Consider key financial statement assertions (PERCV<sup>16</sup>) to validate the completeness of the identified risk statement.
  - a. What could go wrong in the Presentation and disclosure of financial information in the financial statements? [Behavior] and How significant could it be? [Impact]
  - b. What could go wrong in the Existence or occurrence of financial information in the financial statements? [Behavior] How significant could it be? [Impact]
  - c. What could go wrong in the Rights and obligations of financial information in the financial statements? [Behavior] How significant could it be? [Impact]
  - d. What could go wrong in the Completeness and accuracy of financial information in the financial statements? [Behavior] How significant could it be? [Impact]
  - e. What could go wrong in the Valuation or allocation of financial information in the financial statements? [Behavior] How significant could it be? [Impact]

[P] "Is it recorded in the right place?"

[E] "Did it happen and when?"

[R] "Do we own or owe what we think we do?"

[C] "Is anything missing?"

[V] "Are the numbers right?"

### Example 1 – Disbursing

Process: Payable Management

Sub-Process: Disbursing

**Risk Statement 1:** Payments may be made in excess of approved contract amounts, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

**Risk Statement 2:** Duplicate payments may be made for a single invoice, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

### Example 2 – Invoice<sup>17</sup>



A well formulated risk statement would include a clear definition of **fraudulent, wasteful and/or erroneous activities** and the **negative result** if these activities were to occur.



# A-123 Quick Start Guide – Documenting

- Record your risk statements in the AART PCS-Assess tab in the row associated with the appropriate Process and Sub-Process: **(NOTE: There must be at least one risk statement for each sub-process)**

AART: PCS Assess <span style="float: right;">VERSION 4.0</span>			
Select View:			
FO	CH		
Attester	Ard Geller		
Implementer	Shelley Hart		
Date Updated	October 31, 2006		
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>			
Ref Col	Process Cycle	Processes	Sub-Processes
	P2P	Payable Management	Disbursing
	P2P	Payable Management	Disbursing

*If you have more than one inherent risk statement per sub-process, select the sub-process then insert additional rows by clicking the "insert row" button. If you need to delete an additional row click the "delete row" button on the PCS-Assess tab.*

- Record all of the financial statement assertions that are applicable to the inherent risk statement. Insert a "y" in the appropriate P,E,R,C, or V column.

AART: PCS Assess <span style="float: right;">VERSION 4.0</span>														
Select View:														
FO	CH													
Attester	Ard Geller													
Implementer	Shelley Hart													
Date Updated	October 31, 2006													
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>														
Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	P	E	R	C	V	
	P2P	Payable Management	Disbursing	Invoice amount exceeds obligation and approved funding, resulting in non-compliance with the Anti-Deficiency Act.						Y	Y	Y	Y	
	P2P	Payable Management	Disbursing	Duplicate payments may be made, resulting in extraordinary burden to the government due to potential loss of unrecoverable funds.						Y	Y	Y	Y	
	P2P	Payable Management	Invoice	Invoice is approved for payment without receipt of goods and / or services, resulting in loss of funds to government and potential non-compliance with the Anti-Deficiency Act.						Y	Y	Y	Y	



# A-123 Quick Start Guide – Documenting

## I. Assign the Inherent Risk Rating (Likelihood and Impact)



Inherent Risk considers the General Environment in which you operate; it **does not** consider any mitigating controls. General Environment would include things such as:

- Number of transactions
- Organizational structure
- Liquidity of assets
- Skill/knowledge of staff
- Value of transactions
- Span of control
- Political sensitivities
- Susceptibility to fraud and irregularity

1. Determine the likelihood of the inherent risk statement occurring. Likelihood is the relative potential that the risk will occur in the General environment. In determining likelihood, consider among other things the following:

- a. Number of transactions
- b. Number of people with access
- c. Liquidity of assets or inherent susceptibility to theft or misuse

### Example 1 – Disbursing

Process: Payable Management

Sub-Process: Disbursing

Risk Statement 1: Payments may be made in excess of approved contract amounts, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

**Risk 1 Likelihood: LOW - Payments relate to a small business unit with few, non-complex contracts.**

Risk Statement 2: Duplicate payments may be made for a single invoice, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

**Risk 2 Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month.**

### Example 2 – Invoice<sup>18</sup>



# A-123 Quick Start Guide – Documenting

- Determine the relative magnitude of the risk impact if the inherent risk specified by the risk statement should occur. Impact is a measure of the magnitude/severity of the effect the risk might cause. In determining the Impact, consider among other things the following:

- Value of individual transactions
- Non-Compliance with laws and regulations
- Legal ramifications
- Public Relations impacts

### Example 1 – Disbursing

Process: Payable Management

Sub-Process: Disbursing

Risk Statement 1: Payments may be made in excess of approved contract amounts, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

Risk 1 Likelihood: LOW - Payments relate to a small business unit with few, non-complex contracts.

**Risk 1 Impact: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month.**

Risk Statement 2: Duplicate payments may be made for a single invoice, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

Risk 2 Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month.

**Risk 2 Impact: LOW - Total value of all payment transactions is less than 0.5% of total operating budget.**

### Example 2 – Invoice<sup>19</sup>



- Record the Likelihood and Impact ratings in the PCS-Assess tab of the AART Tool Suite for the occurrence of the associated inherent risk, specified by the risk statement.

AART: PCS Assess					VERSION 4.0		
Select View:					B2C		
FO	CH						
Attester	Ard Geller						
Implementer	Shelley Hart						
Date Updated	October 31, 2006						
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>					P2P	y	
						y	
						y	
Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment
	P2P	Payable Management	Disbursing	Invoice amount exceeds obligation and approved funding, resulting in non-compliance with the Anti-Deficiency Act.	L	H	H
	P2P	Payable Management	Disbursing	Duplicate payments may be made, resulting in extraordinary burden to the government due to potential loss of unrecoverable funds.	L	M	L
	P2P	Payable Management	Disbursing	Invoice is approved for payment without receipt of goods and / or services, resulting in loss of funds to government and potential non-compliance with the Anti-Deficiency Act.	L	L	L



## A-123 Quick Start Guide – Documenting

4. It is highly recommended to document the general approach to performing your inherent risk assessment, including general environment considerations, likelihood and impact considerations, etc.
5. Repeat steps from Section G for all risk statements.

### ***J. Identify and Record Key Process Controls<sup>20</sup>***

1. Using source documentation, identify the existing controls that mitigate each risk statement.

To further identify the key controls (which collectively represent a control set) consider, among other things, the following:

- a. Priority and criticality of the control in mitigating the risk (key controls)
- b. Control Mode: Preventive[P] and Detective[D]<sup>21</sup>
- c. Level of Automation (i.e. Manual, Partially Automated or Automated)
- d. Single Control or Multiple Controls (Control Set) can mitigate a specific risk

#### ***Example 1 - Disbursing***

Process: Payable Management

Sub-Process: Disbursing

Risk Statement 1: Payments may be made in excess of approved contract amounts, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

Risk 1 Likelihood: LOW - Payments relate to a small business unit with few, non-complex contracts.

Risk 1 Impact: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month.

**Control Objective: To comply with Anti-Deficiency Act**

**Control Set: (1) System automatically closes contracts when receipts and invoices have been posted and paid equal to the amount of the contract.[P/Aut] (2) Invoices in excess of contract are automatically rejected with the reason code indicating that the contract is complete. [P/Aut] (3) Rejected invoices are sent back to appropriate departments for follow-up.[D/Pau]**

Risk Statement 2: Duplicate payments may be made for a single invoice, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

Risk 2 Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month.

Risk 2 Impact: LOW - Total value of all payment transactions is less than 0.5% of total operating budget.

**Control Objective: To prevent loss of funds.**

**Control Set: (1) System rejects entry of duplicate invoice numbers.[P/Aut] (2) System issues a warning if invoice numbers are different and amounts and payee are the same.[P/Pau] (3) Monthly report of potentially duplicate invoices is generated and reviewed by AP Supervisor.[D/Pau]**

#### ***Example 2 – Invoice<sup>22</sup>***





# A-123 Quick Start Guide – Documenting



- Using the drop down boxes, record the appropriate values for the attributes of the specified control sets.

AART: PCS Assess		General Ledger Management		Travel	
Select View:		Funds Management <td colspan="2">Revenue </td>		Revenue	
FO:	Ch	FBWT <td colspan="2">Receivable Management</td>		Receivable Management	
Attester:	Ard Geller	Cost Management <td colspan="2">Project Cost Management</td>		Project Cost Management	
Implementer:	Shelley Hart	Insurance <td colspan="2">Property Management</td>		Property Management	
Date Updated:	October 31, 2006	Grants <td colspan="2">Seized Property Management</td>		Seized Property Management	
		Loans <td colspan="2">Human Resources</td>		Human Resources	
		Acquisition <td colspan="2">Payroll</td>		Payroll	
		Inventory Management <td colspan="2">Benefits</td>		Benefits	
		Payable Management <td colspan="2"></td>			

Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev Det	F	E	R	C	Y	Ctrl Type	Ctrl Freq	Ctrl Eff	Test Results	Control Efficient
P2P	Payable Management	Payee Information Maintenance		Vendor has expired CCR number and an AIP invoice is posted and paid, resulting in payment to unapproved vendor.	L	L	L	To ensure that all vendors are active: • The Vendor Numbers are matched to the CCR database on a regular basis. (P) • Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts highlighted. This report is sent to all pertinent parties. (P) • Follow up workflow notifications are sent as expiration dates approach. (P) • When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel.	P&D	Y					Aut	R			
P2P	Payable Management	Disbursing		Terms of payment negotiated in contract may be overridden when invoice is posted causing late payment that results in interest penalties.	L	H	H	To ensure that contract terms are adhered to: • When an invoice is entered in the system of record payment terms are checked against those stored in the contract / vendor record. (P) • If the payment terms are different from the contract vendor record, a message is generated instructing entry clerk to check payment terms. (P) • New payment terms are entered and stored in the vendor record for future use. (P) • A report is generated listing invoice postings that do not comply with contract terms.	P&D	Y					PAu	R			
P2P	Payable Management	Disbursing		Due date may be calculated incorrectly, resulting in loss of discounts and / or unnecessary costs (such as interest penalties) to the government placing the DOE in non-compliance with the Prompt Pay Act. May also be non-compliant with the Anti-Deficiency Act since funds committed for use, instead are used to pay.	M	H	H	To ensure compliance with Prompt Pay Act: • System will automatically calculate due date with appropriate discounts at the time invoice is posted based on the terms in the contract. (P) • A report is generated listing invoice postings that do not comply with contract terms.	P&D	Y					Aut	R			

## L. [Highly Recommended] Record Location of Source and Detail Documentation



- In accordance with your site's documentation management policies, identify the location where the Source and Detailed A-123 Documentation reside. Consider among other things the following examples,

- Hardcopy version stored in a specific location
- Softcopy version stored on a shared drive
- Softcopy version stored on a website

**Documentation Location Examples:**  
 AP Application Documentation in AP Dept  
 H:\DOE\HQ\Procedures  
 IT Department/System Security Handbook



- Record the location where the source and Detailed A-123 documentation reside in the AART in order to facilitate quick access during reviews and upon request:

Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev Det	F	E	R	C	Y	Ctrl Type	Ctrl Freq	Ctrl Eff	Test Results	Control Efficient
P2P	Payable Management	Payee Information Maintenance		Vendor has expired CCR number and an AIP invoice is posted and paid, resulting in payment to unapproved vendor.	L	L	L	To ensure that all vendors are active: • The Vendor Numbers are matched to the CCR database on a regular basis. (P) • Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts highlighted. This report is sent to all pertinent parties. (P) • Follow up workflow notifications are sent as expiration dates approach. (P) • When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel.	P&D	Y					Aut	R			
P2P	Payable Management	Disbursing		Terms of payment negotiated in contract may be overridden when invoice is posted causing late payment that results in interest penalties.	L	H	H	To ensure that contract terms are adhered to: • When an invoice is entered in the system of record payment terms are checked against those stored in the contract / vendor record. (P) • If the payment terms are different from the contract vendor record, a message is generated instructing entry clerk to check payment terms. (P) • New payment terms are entered and stored in the vendor record for future use. (P) • A report is generated listing invoice postings that do not comply with contract terms.	P&D	Y					PAu	R			



## A-123 Quick Start Guide – Documenting

### ***M. Update the Implementation Plan***

1.  Capture the status and barriers as well as any significant deviations encountered during the documenting phase.



# A-123 Quick Start Guide – Documenting

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

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<sup>1</sup> Key questions that should be considered for ECS:

- Has the management established and maintained an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management? (Control Environment)
- Has management initiated internal control activities to help ensure that their directives are carried out and are effective and efficient in accomplishing the agency's control objectives? (Control Activities)
- Has management established internal control monitoring that assesses the quality of performance over time and ensures that the findings of audits and other reviews are promptly resolved? (Monitoring)
- Has management assessed the risks the agency faces from both external and internal sources? (Risk Assessment)
- Has management communicated the importance of timely and appropriate information and communication throughout the organization to ensure that internal control and other responsibilities can be carried out effectively? (Information and Communication)

<sup>2</sup> As defined in the GAO/PCIE FAM Financial Statement assertions are Management's representations that are embodied in the account balance, transaction class, and disclosure components of the financial statements. The primary assertions are:

- Presentation and disclosure – the particular components of the financial statements are properly classified described and disclosed.
- Existence or occurrence – an entity's assets or liabilities exist at a given date and recorded transactions have occurred during a given period.
- Rights and obligations – assets are the rights of the entity and liabilities are the obligations of the entity at a given date.
- Completeness and accuracy – all transactions and accounts that should be presented in the financial statements are so included
- Valuation or allocation – asset, liability, revenue and expense components have been included in the financial statements at appropriate amounts.

<sup>3</sup> The Source Documentation refers to materials that: Process - outline the specific processes and related process controls to be evaluated, Entity - that identify or support/represent the specific entity controls to be evaluated. The Detailed A-123 Documentation includes materials required to be developed and maintained throughout the A-123 process, such as implementation plans, test plans, corrective action plans, documentation of professional judgment decisions, etc.

<sup>4</sup> Inherent risk statement – this is the statement of the perceived negative impact that could occur relative to an ECS sub-category or PCS Sub-Process activity, regardless of the presence of controls.

<sup>5</sup> Entity Example 2

**Example 2 – Segregation of Duties**

Area: Control Activity

Sub-Category: Segregation of Duties

**Risk Statement: An employee who creates a requisition and also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.**

<sup>6</sup> Inherent risk rating – this is the perceived likelihood and impact of a specified risk occurring in an environment absent of mitigating controls.

<sup>7</sup> General Environment is not the control environment. General Environment would include things such as: number of cardholders in a Purchase Card Program; liquidity of assets at risk; stability of staff, etc.



# A-123 Quick Start Guide – Documenting

<sup>8</sup> Entity Example 2

## Example 2 – Segregation of Duties

Area: Control Activity

Sub-Category: Segregation of Duties

Risk Statement: An employee who creates a requisition and also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.

Risk Likelihood: **HIGH – A decentralized organization with high turnover and a high number of requisitioning and approving officials.**

<sup>9</sup> Entity Example 2

## Example 2 – Segregation of Duties

Area: Control Activity

Sub-Category: Segregation of Duties

Risk Statement: An employee who creates a requisition and also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.

Risk Likelihood: HIGH – A decentralized organization with high turnover and a high number of requisitioning and approving officials.

Risk Impact: **LOW – Total annual requisitions are less than \$1M in a \$10B operation.**

<sup>10</sup> Key controls are controls that have the greatest and the most critical impact in mitigating risk occurrence. For A-123, key controls are recorded in the AART as members of a control set. For both process and entity activities, there are likely to be numerous other controls that mitigate a specific risk; these should be maintained in Source Documentation.

<sup>11</sup> A preventive control is a control that reduces the likelihood and impact of a risk occurring. A detective control is a control that captures preventive control failures and/or early detection of risk occurrence.

<sup>12</sup> Entity Example 2

## Example 2 – Segregation of Duties

Area: Control Activity

Sub-Category: Segregation of Duties

Risk Statement: An employee who creates a requisition and also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.

Risk Likelihood: HIGH – A decentralized organization with high turnover and a high number of requisitioning and approving officials.

Risk Impact: LOW – Total annual requisitions are less than \$1M in a \$10B operation.

Control Objective: **To prevent fraud, waste and/or abuse.**

Control Set: (1) Yearly issuance of a management statement highlighting the importance of internal controls including the segregation of duties in all business and financial activities. [P/Man] (2) Workflow technology is implemented to enforce limits of authority management. [P/Aut] (3) Security rules are set up such that no single user ID can be assigned the roles of creating a requisition and approving that requisition; approving a requisition and creating the corresponding Obligation; and creating the obligation and paying the invoice. [P/Aut] (4) Only 3 Administrators have the authorization to create and / or change security profiles and workflow rules. [P/Man] (5) Workflow technology is implemented to automate work flow message distribution to monitor expenditures and approvals. [D/Pau]

<sup>13</sup> A preventive control is a control that reduces the likelihood and impact of a risk occurring. A detective control is a control that captures preventive control failures and/or early detection of risk occurrence.

<sup>14</sup> Source Documentation includes policies, procedures, process maps, and other documentation created or maintained inside and outside of the A-123 program which supports the identified Areas / Sub-Categories, Processes / Sub-Processes, Risks and Controls. Testing plans, rating rationale details, or any other



## A-123 Quick Start Guide – Documenting

documentation used to support an A-123 related decision are included as part of the [A-123 Detailed Documentation](#).

<sup>15</sup> Activities are the lowest level of the decomposition of sub-processes and represent the actual steps and/or transactions executed. Risks typically are associated with activities.

<sup>16</sup> Key considerations that should be considered for PCS in relation to PERCV:

- Risks affecting Presentation and disclosure– the particular components of the financial statements are properly classified described and disclosed.
- Risks affecting Existence or occurrence – an entity's assets or liabilities exist at a given date and recorded transactions have occurred during a given period.
- Risks affecting Rights and obligations – assets are the rights of the entity and liabilities are the obligations of the entity at a given date.
- Risks affecting Completeness and accuracy – all transactions and accounts that should be presented in the financial statements are so included
- Risks affecting Valuation or allocation – asset, liability, revenue and expense components have been included in the financial statements at appropriate amounts.

<sup>17</sup> Process Example Invoice Risk Statement

**Example 2 - Invoice**

Process: Payable Management

Sub-Process: Invoice

**Risk Statement 3: An invoice may be paid without receipt of goods or services, resulting in loss to the Government.**

<sup>18</sup> Process Example Invoice Likelihood

**Example 2 - Invoice**

Process: Payable Management

Sub-Process: Invoice

**Risk Statement 3: An invoice may be paid without receipt of goods or services, resulting in loss to the Government.**

**Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month related to the purchase of highly liquid assets (e.g. PCs, Software, PDAs, etc.).**

<sup>19</sup> Process Example Invoice Impact

**Example 2 - Invoice**

Process: Payable Management

Sub-Process: Invoice

**Risk Statement 3: An invoice may be paid without receipt of goods or services, resulting in loss to the Government.**

**Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month related to the purchase of highly liquid assets (e.g. PCs, Software, PDAs, etc.).**

**Impact: HIGH - Purchasing is the primary business activity and 90% of revenue results from the re-sale of procured goods.**

<sup>20</sup> Key controls are controls that have the greatest and the most critical impact in mitigating risk occurrence. For A-123 key controls are recorded in the AART and are treated as a control set. For both process and entity activities, there are likely to be numerous other controls that mitigate a specific risk; these should be maintained in Source Documentation.

<sup>21</sup> A preventive control is a control that reduces the likelihood and impact of a risk occurring. A detective control is a control that captures preventive control failures and/or early detection of risk occurrence.



## A-123 Quick Start Guide – Documenting

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<sup>22</sup> Process Example Invoice Control Sets

### Example 2 - Invoice

Process: Payable Management

Sub-Process: Invoice

Risk Statement 3: An invoice may be paid without receipt of goods or services, resulting in loss to the Government.

Likelihood: HIGH - Payments relate to a decentralized business unit with multiple payment locations and thousands of payment transactions per month related to the purchase of highly liquid assets (e.g. PCs, Software, PDAs, etc.).

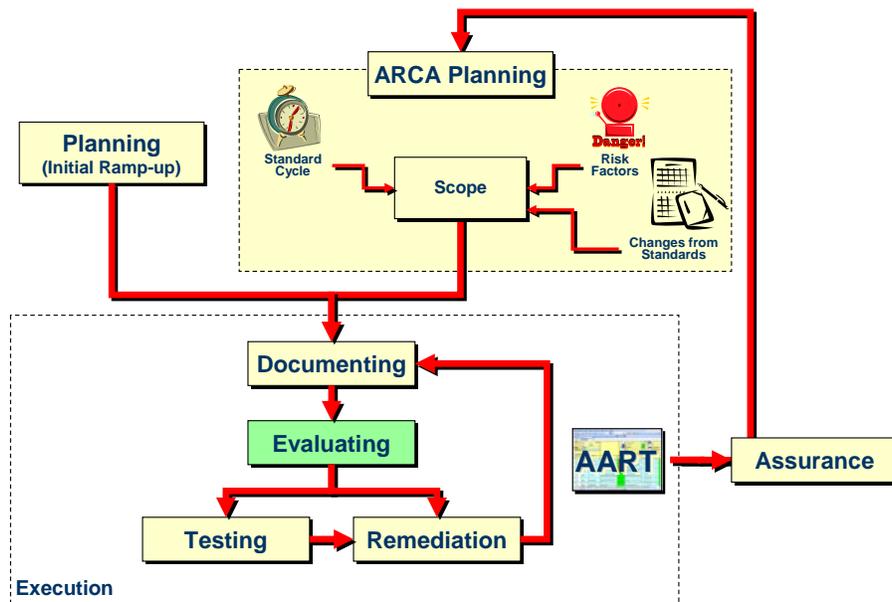
Impact: HIGH - Purchasing is the primary business activity and 90% of revenue results from the re-sale of procured goods.

Control Objective: To prevent loss of funds.

Control Set: (1) Goods and / or services received are posted to contract in receiving system which updates accounting system. [P/Pau] (2) Invoice is posted to contract and is automatically placed on hold if the goods and / or services have not been posted. [P/Aut] (3) If the invoice is in excess of the amount posted for receipt of goods and / or services, the invoice is placed on hold. [P/Aut] (4) An e-mail notification is sent to appropriate parties advising them that the invoice has been placed on hold and the reason for the hold. [P/Pau]



## A-123 Quick Start Guide - Evaluating



Purpose	<ul style="list-style-type: none"> <li>Evaluate the Design Effectiveness of internal controls over financial reporting related to departmental financial statements.</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>Rate Control Design Effectiveness for controls at the following levels:             <ul style="list-style-type: none"> <li>Entity and Process Control Sets at the Risk Level</li> <li>Entity Controls at the Area Level and</li> <li>Process Controls at the Process Level</li> <li>Overall Entity Control Environment</li> </ul> </li> <li>Record Rationales for the ratings provided</li> <li>Identify efficiency opportunities (optional/recommended)</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>AART Tool Suite</li> <li>Implementation Plan</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide – Evaluating

Document Legend			
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.
	Requirements: Contains very important requirement information		Detailed A-123 Documentation
			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]

## INTRO

### OBJECTIVE

Evaluate and Assess, using professional judgment, the effectiveness of the design of your control sets in mitigating risks.

### RATING DESCRIPTIONS

A consistent rating scheme has been developed to support capturing professional judgment assessments of the control sets at the risk level as well as the summary (area/process) and assurance levels.

The following table provides an explanation of the ratings for each of the above areas.

	Control Set (Design)	Summary Ratings (PCS Process, ECS Area, ECS Overall Environment)
3	<p><b><u>Significant Design Deficiency</u></b></p> <p>Significant deficiency(ies) in the control set design exist such that there is a HIGH probability of the risk occurring. This may adversely affect the organization's ability to meet its internal control objectives for the specified risk.</p>	<p><b><u>Significant Deficiency</u></b></p> <p>Control deficiency(ies) (design or operational) exist that create a HIGH probability of not detecting or preventing fraudulent and/or erroneous transactions WITH a significant exposure to unreliable, inaccurate and/or untimely financial reporting.</p>
4	<p><b><u>Design Deficiency</u></b></p> <p>Deficiency(ies) in the control set design exist such that there is MORE than a remote possibility of the risk occurring. This may adversely affect the organization's ability to meet its internal control objectives for the specified risk.</p>	<p><b><u>Deficiency</u></b></p> <p>Control deficiency(ies) (design or operational) exist that create a MODERATE probability of not detecting or preventing fraudulent and/or erroneous transactions WITH a significant exposure to unreliable, inaccurate and/or untimely financial reporting.</p>
5	<p><b><u>Minor Design Deficiency</u></b></p> <p>Deficiency(ies) in the control set design exist such that there is ONLY a remote possibility of the risk occurring. This may not adversely affect the organization's ability to meet its internal control objectives for the specified risk.</p>	<p><b><u>Minor Deficiency</u></b></p> <p>Control deficiency(ies) (design or operational) exist that create a LOW probability of not detecting or preventing fraudulent and/or erroneous transactions OR an insignificant exposure to unreliable, inaccurate and/or untimely financial reporting.</p>
6	<p><b><u>Designed Effectively</u></b></p> <p>Control set design is effective such that there is LESS than a remote possibility of the risk occurring. This should not adversely affect the organization's ability to meet its internal control objectives for the specified risk.</p>	<p><b><u>Designed Effectively</u></b></p> <p>Controls are designed effectively to detect and/or prevent fraudulent and erroneous transactions AND ensure reliable, accurate and timely financial reporting.</p>



## A-123 Quick Start Guide – Evaluating

### **EVALUTION AT THE SUMMARY LEVELS**

As specified in the AART methodology, sites will summarize the results of Control Set/Risk level ratings to provide ratings at the Process, Entity Area and Overall Entity Environment levels. The table below shows the possible ratings at various stages of completion of the evaluation of specific PCS Process and/or ECS Areas.

<b><i>IF</i></b> completion of Control Design Effectiveness assessment is:	<b><i>AND</i></b> Test ratings are:	<b><i>THEN</i></b> possible Summary Ratings are:
Some evaluated	Some/None tested	5, 4, 3, [blank]
All evaluated	Some/None tested	6, 5, 4, 3
	All	7, 5, 4, 3



# A-123 Quick Start Guide – Evaluating

## Entity Control Summary (ECS)

### A. Analyze, rate and record the effectiveness of the control set design in mitigating the identified inherent risks

1. Analyze each inherent risk statement and the design of the corresponding control set, and, based on professional judgment and the rating scale

guidance provided, rate the perceived effectiveness of the design to mitigate the risk. To support this decision, consider among other things the following:

- Degree of automation of the control set
- Type of control set
- Mode of the control set
- Frequency of execution of the control set
- Existence of primary and backup controls
- Risk Assessment rating
- Relative exposure
- Potential for risk occurrence

#### Example 1 – Integrity and Ethical Values

**Area:** Control Environment

**Sub-Category:** Integrity and Ethical Values

**Risk Statement:** Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.

**Control Set:** 6

**Control Objective:** To promote and enforce ethical behavior  
**Controls:** (1) Management has posted their integrity and ethical ideals in a guidance document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees. [P/Man] (2) All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct". [P/Man] (3) Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P/Man] (4) Annual employee appraisals include a section to discuss employees' behavior. [D/Man] (5) Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D/Man] (6) Management encourages anonymous e-mails to report unethical behavior. [D/Man] (7) Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D/Man] (8) Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D/Man]

#### Example 2 – Segregation of Duties <sup>1</sup>



2. Record your Control Design Effectiveness rating for the control set in the Control Design Effective column of the ECS-Assess tab.

AART: ECS Assess										Overall Entity Control Ratings		
Select View:										<input checked="" type="checkbox"/> Control Environment <input checked="" type="checkbox"/> Control Activities <input checked="" type="checkbox"/> Information and Communication <input checked="" type="checkbox"/> Risk Assessment <input checked="" type="checkbox"/> Monitoring		
FO	CH											
Attester	Ard Geller											
Implementer	Shelley Hart											
Date Updated	October 31, 2006											
Insert Row										Delete Row		
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev/ Det	Crit Type	CR	Control Design Effective
EC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties resulting in unethical behavior and illegal practices.	L	H	H	To promote and enforce ethical behavior: <ul style="list-style-type: none"> <li>Management has posted their integrity and ethical ideals in a guidance document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees.[P]</li> <li>All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct". [P]</li> <li>Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P]</li> <li>Annual employee appraisals include a section to discuss employees' behavior. [D]</li> <li>Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D]</li> <li>Management encourages anonymous e-mails to report unethical behavior. [D]</li> <li>Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D]</li> <li>Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D]</li> </ul>	P&D	Man		6



# A-123 Quick Start Guide – Evaluating



**NOTE:** The design effectiveness rating should not be changed until the activity is remediated, re-documented and re-evaluated.

The design effectiveness rating will automatically be set to “E” Expired if the associated sub-process is not tested within the required cyclical testing cycle (see ARCA Guide).



- Record, in the Control Design Effectiveness Rating Rationale column of the ECS-Assess tab, a summary rationale used to determine the control set design effectiveness rating as it relates to the particular risk statement. Explain the reason for assigning the specific rating and minimally include the following:

- The logic employed to develop the numeric rating provided in the Control Design Effectiveness Rating.
- Any analysis and other factors used in support of the numeric rating

**A well formulated rationale:** Control set designed effectively – Rating 6 / Control set contains both manual and automated control directly linked to key risks. The control set provides for preventive and detective controls to mitigate the risk and provides for identification of issues should the risk occur. The number of controls also appears adequate based on the level of risk (i.e. there are 4 key controls related to this low risk process, with several additional backup controls that require no additional effort or cost.)

AART: ECS Assess				Overall Entity Control Ratings										Overall Assurance Rationale					
Select View:				<ul style="list-style-type: none"> <li>Control Environment</li> <li>Control Activities</li> <li>Information and Communications</li> <li>Risk Assessment</li> <li>Monitoring</li> </ul>										Area Ratings Rationale					
PD	CA	CA	CA											Area Documentation - Head					
Alphabet	Ass Center	Ass Center	Ass Center											Level 1					
Implementer	Shelley Platt	Shelley Platt	Shelley Platt											Level 2					
Date Updated	October 11, 2016	October 11, 2016	October 11, 2016											Level 3					
Risk Cat	Cycle	Area	Sub-Category	Risks	Identified	Impact	Risk Assess. Index	Controls	Preventive	Detective	Corrective	Control Type	Control File	Control Depth	Control Results	Control Efficiency	Remediation Plan	Rating Rationale	
EC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, investors, customers, or other relevant parties, resulting in unethical behavior and illegal practices.	High	High	High	<ul style="list-style-type: none"> <li>It provides and enforces ethical behavior.</li> <li>Management has posted their integrity and ethical standards in a guidance document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees [1]</li> <li>All employees on every level must read, accept, and sign a document indicating their understanding and will follow the guidelines as outlined in the "Code of Conduct" [1]</li> <li>Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year [1]</li> <li>Annual employee appraisals include a section to focus employee behavior [2]</li> <li>Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports [2]</li> <li>Management encourages anonymous e-mails to report unethical behavior [2]</li> <li>Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven [2]</li> <li>Management has a "no tolerance" policy and terminates anyone who commits unethical or illegal infractions. [2]</li> </ul>	Preventive	Detective	Corrective	Manual	Y	Y	Y	Y	Y	Y	Control set designed effectively – Rating 6 / Control set contains both manual and automated control directly linked to key risks. The control set provides for preventive and detective controls to mitigate the risk and provide for identification of issues should the risk occur. The number of controls also appears adequate based on the level of risk (i.e. there are 4 key controls related to this low risk process, with several additional backup controls that require no additional effort or cost.)



- While the control set design may be effective, A-123 evaluations should also assess efficiency where possible. If during the course of the evaluation, opportunities to improve the efficiency of controls are identified (e.g. numerous duplicative controls, some of which can be eliminated; manual controls that should be automated; detective controls that could be converted to preventive; etc.), record a “yes” in the Efficiency Opportunities Identified column. The nature of the potential efficiency should be recorded in the Detailed A-123 Documentation. Use of this efficiency column will allow the site to provide a tickler to address the efficiency issues when time permits.

- Repeat these steps to rate all control sets at the risk activity level.



# A-123 Quick Start Guide – Evaluating

## B. Assess the design effectiveness of the controls at the Entity Area level.

1. In determining the control sets' design effectiveness at the Area Level, consider, among other things, the effectiveness rating for each control set and its relationship to the respective risk assessment rating. Also consider exposure at the Area level and potential for risk occurrence.



2. Record your Control Design Effectiveness rating for the specific Entity control Area in the header of the ECS-Assess tab.

AART: ECS Assess										Overall Entity Control Ratings										Overall Assurance Rating																		
Select View:			FD			Assessor			Implementer			Date Entered			Control Environment			Control Activities			Information and Communication			Risk Assessment			Monitoring			Area Rating			Area Documented			Location		
FD	CH		Assessor	Ass. Officer		Implementer	Shelley Hall		Date Entered	08/01/2008	Control Environment	6	Control Activities	6	Information and Communication	6	Risk Assessment	6	Monitoring	6	Area Rating	6	Area Documented	6	Location		Area Rating	6	Area Documented	6	Location							
Reg. Cat.	Cycle	Area	Sub-Category	Risks	Last Eval.	Next Eval.	Assess. Item	Control	Del.	Type	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.	Del. Freq.							
IC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice to ethical values and/or standards to employees, suppliers, vendors, customers, or other relevant parties resulting in unethical behavior and legal practices.			To promote and enforce ethical behavior: <ul style="list-style-type: none"> <li>Management has posted their integrity and ethical standards in a published document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees (P)</li> <li>All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct" (P)</li> <li>Managers are instructed that include integrity and ethical values as an agenda item and employees are required to attend once a year (P)</li> <li>Annual employee appraisals include a section to assess employee behavior (P)</li> <li>Management maintains an open door policy to discuss the any unethical behavior in reported and management looks into any reports (P)</li> <li>Management encourages appropriate actions to report unethical behavior (P)</li> <li>Management takes appropriate action immediately based on a report of unethical or illegal behavior (P)</li> <li>Management has a "whistleblower" policy and terminates anyone who commits unethical or illegal behavior (P)</li> </ul>	FD	Man	M	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			

3. Repeat these steps for all 5 Entity Areas.



4. Record, in the Area Ratings Rationale cell in the header of the ECS-Assess tab, the summary rationale used to determine the Area Control Design Effectiveness rating. Explain the reason for assigning the specific rating and minimally include the following:

**A well formulated rationale:** Control set designed effectively – Efficiencies identified – Rating 6 / While deficiencies were noted in one sub-category supporting this area, it was a low risk activity. In addition, only one of 5 key controls failed and there is no evidence of risk occurrence. While the area will be remediated, the control failure should not negatively impact the overall operation of the control set and would not increase the likelihood of risk occurrence beyond less than remote. The site also identified opportunities to automate the annual ethics training program to gain greater efficiencies and strengthen the manual control currently used.

- a. The logic employed to develop the number rating provided in the Control Design Effectiveness rating
- b. Any analysis and other factors used in support of the numeric rating

AART: ECS Assess										Overall Entity Control Ratings										Overall Assurance Rating																		
Select View:			FD			Assessor			Implementer			Date Entered			Control Environment			Control Activities			Information and Communication			Risk Assessment			Monitoring			Area Rating			Area Documented			Location		
FD	CH		Assessor	Ass. Officer		Implementer	Shelley Hall		Date Entered	08/01/2008	Control Environment	6	Control Activities	6	Information and Communication	6	Risk Assessment	6	Monitoring	6	Area Rating	6	Area Documented	6	Location		Area Rating	6	Area Documented	6	Location							
IC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice to ethical values and/or standards to employees, suppliers, vendors, customers, or other relevant parties resulting in unethical behavior and legal practices.			To promote and enforce ethical behavior: <ul style="list-style-type: none"> <li>Management has posted their integrity and ethical standards in a published document entitled "Code of Conduct" on their website and in hard copies, and is distributed to all employees (P)</li> <li>All employees on every level must read, accept, and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct" (P)</li> <li>Managers are instructed that include integrity and ethical values as an agenda item and employees are required to attend once a year (P)</li> <li>Annual employee appraisals include a section to assess employee behavior (P)</li> <li>Management maintains an open door policy to discuss the any unethical behavior in reported and management looks into any reports (P)</li> <li>Management encourages appropriate actions to report unethical behavior (P)</li> <li>Management takes appropriate action immediately based on a report of unethical or illegal behavior (P)</li> <li>Management has a "whistleblower" policy and terminates anyone who commits unethical or illegal behavior (P)</li> </ul>	FD	Man	M	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			



# A-123 Quick Start Guide – Evaluating

## C. Evaluate and Assess the organization's Overall Entity Control Environment Rating

1. In determining the Overall Entity Control Environment rating, consider the cumulative impact of the Entity Area ratings.



2. Record your Control Design Effectiveness ratings for the Entity's Overall Entity Control Environment in the header of the ECS-Assess tab.

AART: ECS Assess														Overall Entity Control Ratings		Overall Assessment Rationale	
Select View: [Dropdown]														[Overall Rating]		[Overall Rating Rationale]	
FD: [Dropdown]														[Area Rating]		[Area Rating Rationale]	
Administrator: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Implementer: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Date Updated: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Ref ID	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Plan Review	Controls	Test Date	Def. Type	Control Design Effectiveness	Test Results	Control Effectiveness	Remediation Plan	Control Design Effectiveness Rating Rationale	Documentation Location (where documentation is held)	
EC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, vendors, customers, or other relevant parties, resulting in unethical behavior and legal practices.				To promote and enforce ethical behavior: Management has posted their integrity and ethical standards in a guidance document entitled "Code of Conduct" on their website and in hard copies, and a distributed to all employees [?]. All employees on every full-time, part-time, and temp assignment are required to read, accept, and sign a document indicating they understand and will follow the guidelines outlined in the "Code of Conduct" [?]. A Management has conducted that include integrity and ethical values as an separate item and employees are required to attend once a year [?]. Annual employee appraisals include a section to discuss employee behavior [?]. Management receives and reports any unethical behavior in reported and management takes the appropriate action [?]. Management encourages anonymous e-mails to report unethical behavior [?]. Management takes appropriate action immediately upon an allegation of unethical or illegal behavior that is over process [?]. Management has a "zero tolerance" policy and communicates this to controls unethical or illegal indications [?].								Management practices the ethical and legal behaviors as written in the Code of Conduct. This organization has had only one major violation in the past 10 years which was dealt with immediately and appropriately. Employees, who have received training for business indications, were put on probation and no further records were reported. Management has very strongly that the published Code of Conduct and ethics are being followed with its own fair policy, provide the proper process to correct all employees Management integrity and ethical values. However, since there is no information in the control set, the effectiveness rating is a 5.	Code of Conduct with copy maintained in [?]. Code of Conduct with copy maintained on [?]. Copies of minutes of quarterly meetings forwarded will attach to the website. Employee appraisals are maintained in HR.

The overall control environment rating will roll-up to the Local AART. The Overall Entity Control Environment rating may affect all relevant Material Accounts independently of the effectiveness ratings of the Process Control sets.



3. Record, in the Overall Rating Rationale cell in the header of the ECS-Assess tab, the rationale used to determine the Overall Entity Control Environment Rating. Explain the reason for assigning the specific rating and minimally include the following:

- a. The logic employed to develop the number rating provided in the Control Design Effectiveness rating
- b. Any analysis and other factors used in support of the numeric rating

**A well formulated rationale:** Control set contains a design deficiency – Rating 4 / Based on the three identified Control Deficiencies related to high-risk activities in the "Monitoring" entity area, we have rated the overall entity area as a 4 (Control Deficiency) to ensure that adequate consideration is given to these issues as they relate to area.

AART: ECS Assess														Overall Entity Control Ratings		Overall Assessment Rationale	
Select View: [Dropdown]														[Overall Rating]		[Overall Rating Rationale]	
FD: [Dropdown]														[Area Rating]		[Area Rating Rationale]	
Administrator: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Implementer: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Date Updated: [Dropdown]														[Area Design Effectiveness Rating]		[Area Design Effectiveness Rating Rationale]	
Ref ID	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Plan Review	Controls	Test Date	Def. Type	Control Design Effectiveness	Test Results	Control Effectiveness	Remediation Plan	Control Design Effectiveness Rating Rationale	Documentation Location (where documentation is held)	
EC		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance, or practice its ethical values and/or standards to employees, suppliers, creditors, vendors, customers, or other relevant parties, resulting in unethical behavior and legal practices.				To promote and enforce ethical behavior: Management has posted their integrity and ethical standards in a guidance document entitled "Code of Conduct" on their website and in hard copies, and a distributed to all employees [?]. All employees on every full-time, part-time, and temp assignment are required to read, accept, and sign a document indicating they understand and will follow the guidelines outlined in the "Code of Conduct" [?]. A Management has conducted that include integrity and ethical values as an separate item and employees are required to attend once a year [?]. Annual employee appraisals include a section to discuss employee behavior [?]. Management receives and reports any unethical behavior in reported and management takes the appropriate action [?]. Management encourages anonymous e-mails to report unethical behavior [?]. Management takes appropriate action immediately upon an allegation of unethical or illegal behavior that is over process [?]. Management has a "zero tolerance" policy and communicates this to controls unethical or illegal indications [?].							Management practices the ethical and legal behaviors as written in the Code of Conduct. This organization has had only one major violation in the past 10 years which was dealt with immediately and appropriately. Employees, who have received training for business indications, were put on probation and no further records were reported. Management has very strongly that the published Code of Conduct and ethics are being followed with its own fair policy, provide the proper process to correct all employees Management integrity and ethical values. However, since there is no information in the control set, the effectiveness rating is a 5.	Code of Conduct with copy maintained in [?]. Code of Conduct with copy maintained on [?]. Copies of minutes of quarterly meetings forwarded will attach to the website. Employee appraisals are maintained in HR.	



# A-123 Quick Start Guide – Evaluating

## Process Control Summary (PCS)

### D. Analyze, rate and record the effectiveness of the control set design in mitigating the identified inherent risks

- Analyze each inherent risk statement and the design of the corresponding control set, and based on professional judgment and the rating scale provided, rate the effectiveness of the control set design to mitigate the risk specified by the risk statement. Consider among others things, the following:

- Degree of automation of the control set
- Type of control set
- Mode of the control set
- Frequency of execution of the control set
- Existence of primary and backup controls
- Risk Assessment rating
- Relative exposure
- Potential for risk occurrence

#### Example 1 - Disbursing

**Process:** Payable Management

**Sub-Process:** Disbursing

**Risk Statement 1:** Payments may be made in excess of approved contract amounts, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

**Control Set:** 6

**Control Objective:** To comply with Anti-Deficiency Act

**Controls:** (1) System automatically closes contracts when receipts and invoices have been posted and paid equal to the amount of the contract.[P/Aut] (2) Invoices in excess of contract are automatically rejected with the reason code indicating that the contract is complete. [P/Aut] (3) Rejected invoices are sent back to appropriate departments for follow-up. [D/Pau]

**Risk Statement 2:** Duplicate payments may be made for a single invoice, resulting in loss to the Government (if not detected) and an increase in improper payment percentages reported to OMB (if later detected).

**Control Set:** 6

**Control Objective:** To prevent loss of funds.

**Controls:** (1) System rejects entry of duplicate invoice numbers.[P/Aut] (2) System issues a warning if invoice numbers are different and amounts and payee are the same.[P/Pau] (3) Monthly report of potentially duplicate invoices is generated and reviewed by AP Supervisor.[D/Pau]

#### Example 2 – Invoice<sup>2</sup>



- Record your Control Design Effectiveness rating for the control set in the Control Design Effective column of the PCS-Assess.

AART: PCS Assess										BRC										PAC										PEM									
Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev/ Det	F	E	R	C	V	Ctrl Type	Req	Control Design Effective																						
P2P	Payable Management	Disbursing		Invoice amount exceeds obligation and approved funding, resulting in non-compliance with the Anti-Deficiency Act.	L	H	H	To ensure that payments do not exceed approved funding: • An invoice posted to an obligation in excess of approved, funded amount, is automatically placed on hold with appropriate reason code. (P) • An e-mail is generated and sent to the appropriate parties. (P) • A follow up report listing these invoices is sent to Budget, Procurement and AP Managers. (P) • If the hold is overridden, and an invoice is paid regardless of these controls, an additional set of e-mails and reports is generated and sent to Budget, Procurement and AP Managers. (D)	P&D	Y	Y	Y	Y	Y	Aut	R	6																						
P2P	Payable Management	Disbursing		Duplicate payments may be made, resulting in extraordinary burden to the government due to potential loss of unrecoverable funds.	L	M	L	To eliminate duplicate payments: • An invoice is entered and the number already exists, it is automatically rejected. (P) • An invoice is entered and the number is different, but the obligation is fully depleted, the three-way matching functionality will automatically cause the invoice to be placed on hold with the reason code that the invoice is in excess of the contract / received quantities and / or amounts. (P) • The duplicate invoice cannot be manually released for payment without changes in the contract and/or invoice to support the invoice. (P)	P&D	Y	Y	Y	Y	Y	Aut	R	6																						



# A-123 Quick Start Guide – Evaluating



3. Record, in the Control Design Effectiveness Rating Rationale column of the PCS-Assess tab, a summary rationale used to determine the control set design effectiveness rating as it relates to the particular risk statement. Explain the reason for assigning the specific rating and minimally include the following:

- The logic employed to develop the number rating provided in the control design effectiveness rating.
- Any analysis and other factors used in support of the numeric rating.

**A well formulated rationale:** Control set designed effectively – Rating 6 / Control set contains both manual and automated control directly linked to key risks. The control set provides for preventive and detective controls to mitigate the risk and provide for identification of issues should the risk occur. The number of controls also appears adequate based on the level of risk (i.e. there are 4 key controls related to this low risk process, with several additional backup controls that require no additional effort or cost.)

A-123 PCS Assess		Process										Control Design Effectiveness Rating Rationale		Other Information			
PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC
PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC
PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC



4. While the control set design may be effective, A-123 evaluations should also assess efficiency where possible. If during the course of the evaluation opportunities to improve the efficiency of controls are identified (e.g. numerous duplicative controls, some of which can be eliminated; manual controls that should be automated; detective controls that could be converted to preventive; etc.), record a “yes” in the Efficiency Opportunities column. The nature of the potential efficiency should be recorded in the Detailed A-123 Documentation. Use of this efficiency column will allow the site to provide a tickler to address the efficiency issues when time permits.

5. Repeat these steps to rate all control sets’ associated inherent risk at the sub-process’ activity level.



# A-123 Quick Start Guide – Evaluating

## E. Assess the control design effectiveness of the control sets at the Process Level

1. In determining the control design effectiveness of the control sets at the Process Level, consider among other things the effectiveness ratings for each control set and its relationship to the respective risk assessment rating. Also consider exposure at the process level and the potential for risk occurrence.



2. Record your Control Design Effectiveness ratings for the specific Process in the header of the PCS-Assess tab.

AART: PCS Assess		Version: 4.0																																																																													
<b>Select View:</b> FO: CH Attester: Arif Geller Implementer: Shelley Hart Date Updated: October 31, 2006																																																																															
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	PAP	Payable Management	Payee Information Maintenance	Vendor has expired CCR number and an AP invoice is posted and paid, resulting in payment to unapproved vendor.	L	L	L	To ensure that all vendors are active: • The Vendor Numbers are matched to the COR database on a regular basis. (P) • Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts highlighted. This report is sent to all pertinent parties. (P) • Follow up workflow notifications are sent as expiration dates approach. (P) • When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel for follow-up. (D) • An Accounts Payable aging report is run listing invoices that are not paid with reason code stating that CCR is expired and is distributed to Accounts Payable Supervisor for review. (D)	P&D	Y		Y		Aut	R		6	7	Efficient																																																												

3. Repeat this step for all Processes with a “y” indicator in the header.



4. Record, in the Process Ratings Rationale cell in the header of the PCS-Assess tab, the summary rationale used to determine the Process Control Design Effectiveness ratings. Explain the reason for assigning the specific rating and minimally include the following:
  - a. The logic employed to develop the number rating provided in the control design effectiveness rating.
  - b. Any analysis and other factors used in support of the numeric rating.

**A well formulated rationale:** While deficiencies were noted in one sub-process supporting the Payable Management process, it was control set mitigating a low risk. In addition, only one of 5 key controls failed and there is no evidence of risk occurrence. While the process will be remediated, the control failure should not negatively impact the overall operation of the control set and would not increase the likelihood of risk occurrence beyond less than remote. While deficiencies were noted in one sub-process supporting the GL Management process, it was a low risk activity. In addition, only one of 4 key controls failed and there is no evidence of risk occurrence. While the process will be remediated, the control failure should not negatively impact the overall operation of the control set and would not increase the likelihood of risk occurrence beyond less than remote.

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## A-123 Quick Start Guide – Evaluating

### ***F. Update the Implementation Plan***

1. Capture the status and barriers as well as any significant deviations encountered during the evaluating phase.



# A-123 Quick Start Guide – Evaluating

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

<sup>1</sup> Entity Control Example 2

### Example 2 – Segregation of Duties

Area: Control Activity

Sub-Category: Segregation of Duties

Risk Statement: An employee who creates a requisition also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.

Control Set: 6

Control Objective: To prevent fraud, waste and/or abuse.

Controls: (1) Management publishes an internal control manual (distributed to all employees) that requires segregation of duties in all financial activities. [P/Man] (2) Security rules are set up such that no single user ID can be assigned the roles of creating a requisition and approving that requisition; approving a requisition and creating the corresponding Obligation; and creating the obligation and paying the invoice. [P/Aut] (3) Workflow technology is implemented to automate work flow message distribution to monitor expenditures and approvals. [P/Pau] (4) Workflow technology is implemented to enforce limits of authority management. [P/Aut] (5) Only 3 Administrators have the authorization to create and / or change security profiles and workflow rules. [P/Man]

<sup>2</sup> Process Control Example 2

### Example 2 – Invoice

Process: Payable Management

Sub-Process: Invoice

Risk Statement: An invoice may be paid without receipt of goods or services, resulting in loss to the Government.

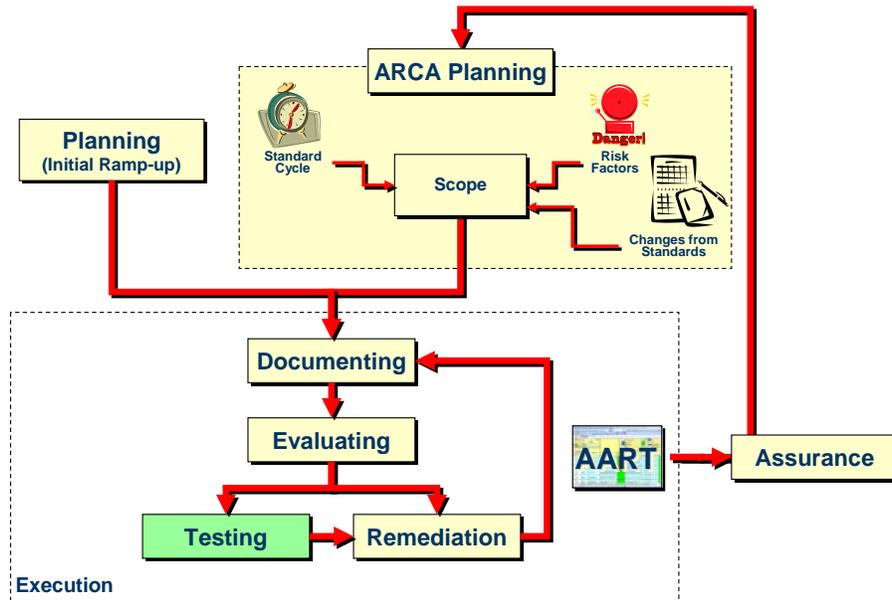
Control Set: 6

Control Objective: To prevent loss of funds.

Controls: (1) Goods and / or services received are posted to contract in receiving system which updates accounting system. [P/Pau] (2) Invoice is posted to contract and is automatically placed on hold if the goods and / or services have not been posted. [P/Aut] (3) If the invoice is in excess of the amount posted for receipt of goods and / or services, the invoice is placed on hold. [P/Aut] (4) An e-mail notification is sent to appropriate parties advising them that the invoice has been placed on hold and the reason for the hold. [P/Pau]



## A-123 Quick Start Guide - Testing



Purpose	<ul style="list-style-type: none"> <li>Validate the operational effectiveness of internal controls over financial reporting related to departmental financial statements.</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>Identify existing tests that can be leveraged</li> <li>Develop test plans</li> <li>Conduct dual-purpose testing</li> <li>Rate and record test results</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>AART Tool Suite</li> <li>Implementation Plan</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide – Testing

Document Legend					
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.		Detailed A-123 Documentation
	Requirements: Contains very important requirement information			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]	

## INTRO

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### **OBJECTIVE**

Validate the operational effectiveness of control sets in mitigating occurrence of related risks.

### **SCOPE**

Testing scope is limited to control sets that are effectively designed or have minor design deficiencies (rated as 5 or 6). All deficient control sets (rated as 3 or 4) will require remediation prior to testing and will be identified with “REM” in the ECS/PCS Test tab in the “Control Design Effective” and “Risk Assessment” columns.

### **DUAL PURPOSE TESTING**

A-123 employs a dual purpose testing approach. There are two steps to using dual-purpose testing:

1. Determining whether a control failure occurred (i.e., during control operation); and,
2. Determining whether the risk actually occurred (and its subsequent impact) as a result of the control failure, where reasonable and appropriate.

Sites should perform additional procedures, as necessary, to implement the use of dual purpose testing.

### **RATINGS**

A consistent rating scheme has been developed to support capturing testing results of the operational effectiveness of control sets at the risk level as well as the summary (area/process) and assurance levels.



## A-123 Quick Start Guide – Testing

The following table provides an explanation of the ratings for each of the above areas.

	Control Set (Testing)	Summary Ratings (PCS Process, ECS Area, ECS Overall Environment)
3	<b><u>Significant Operational Deficiency</u></b> Significant deficiency(ies) in the control set operation exists such that there is a <b>HIGH</b> probability of the risk occurring. This <b>may</b> adversely affect the organization's ability to meet its internal control objectives for the specified risk.	<b><u>Significant Deficiency</u></b> Control deficiency(ies) (design or operational) exist that create a HIGH probability of not detecting or preventing fraudulent and/or erroneous transactions WITH a significant exposure to unreliable, inaccurate and/or untimely financial reporting.
4	<b><u>Operational Deficiency</u></b> Deficiency(ies) in the control set operation exists such that there is <b>MORE than a remote possibility</b> of the risk occurring. This <b>may</b> adversely affect the organization's ability to meet its internal control objectives for the specified risk.	<b><u>Deficiency</u></b> Control deficiency(ies) (design or operational) exist that create a MODERATE probability of not detecting or preventing fraudulent and/or erroneous transactions WITH a significant exposure to unreliable, inaccurate and/or untimely financial reporting.
5	<b><u>Minor Operational Deficiency</u></b> Deficiency(ies) in the control set operation exists such that there is <b>ONLY a remote possibility</b> of the risk occurring. This <b>may not</b> adversely affect the organization's ability to meet its internal control objectives for the specified risk.	<b><u>Minor Deficiency</u></b> Control deficiency(ies) (design or operational) exist that create a LOW probability of not detecting or preventing fraudulent and/or erroneous transactions OR an insignificant exposure to unreliable, inaccurate and/or untimely financial reporting.
6	<b><u>N/A</u></b>	<b><u>Designed Effectively</u></b> Controls are designed effectively to detect and/or prevent fraudulent and erroneous transactions AND ensure reliable, accurate and timely financial reporting.
7	<b><u>Operating Effectively</u></b> Control set is operating <u>effectively</u> such that there is <b>LESS than a remote possibility</b> of the risk occurring. This <b>should not</b> adversely affect the organization's ability to meet its internal control objectives for the specified risk.	<b><u>Operating Effectively</u></b> Controls are operating <u>effectively</u> to detect and/or prevent fraudulent and erroneous transactions <b>AND ensure</b> reliable, accurate and timely financial reporting.

As specified in the AART methodology, sites will summarize the results of Control Set/Risk level ratings to provide ratings at the Process, Entity Area and Overall Entity Environment levels. The table below shows the possible ratings at various stages of completion of the evaluation of specific PCS Process and/or ECS Areas.

<b>IF</b> completion of Control Design Effectiveness assessment is:	<b>AND</b> Test ratings are:	<b>THEN</b> possible Summary Ratings are:
Some evaluated	Some/None tested	5, 4, 3, [blank]
All evaluated	Some/None tested	6, 5, 4, 3
	All	7, 5, 4, 3



Because of the similarity of the testing methodology for both Entity and Process controls, they are discussed together in this guide, but examples are provided for both.



# A-123 Quick Start Guide – Testing

## TESTING

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### *A. Define overall testing approach*

1. Prioritize your testing approach based on:
  - a. Risk Assessment
  - b. Control Design Effectiveness ratings
  - c. Logical groupings of controls/control sets within a test scenario
  - d. Resource availability
  - e. Complexity of testing protocol
  - f. Timing of related transactions/activity to be tested
  - g. Periodicity of control execution (when can they be tested)
  - h. Other site specific considerations
  
2. Determine if any testing has recently been performed that may satisfy the A-123 requirements for selected controls within a control set. To satisfy A-123 requirements:
  - a. Testing must have been performed within 12 months of the assurance date
  - b. Tests must directly address the key controls and the related risk identified in the AART
  - c. No significant organizational, system, process or control changes should have taken place since the date of testing
  - d. Documentation must include key testing attributes including, type of test, sample size, sampling criteria, universe, timing of execution, actual results, number and nature of exceptions/errors identified, etc.

An independent interpretation of the results must be documented in the Detailed A-123 Documentation.



*Sites may utilize testing performed as part of internal or external reviews and/or audits (e.g. FFMIA, FMFIA, SAS-70, IG/GAO audits).*

*Sites may not utilize financial statement audits as a basis in determining that controls are operating **effectively**. However, if those audits identify controls that are not operating effectively, and management agrees, these results may be relied upon to place the controls in remediation.*

3. Attester should determine if additional testing guidance is required to set testing standards to support his/her required level of assurance. Such guidance might include,
  - a. Minimum sample sizes
  - b. Maximum acceptable error rates
  - c. Additional documentation requirements
  - d. Independent standards for test performance



# A-123 Quick Start Guide – Testing

## B. Develop test strategy and plans

1. Develop a test strategy for each process, supported by test plans for each control set. The strategy would consider:
  - a. Ability to consolidate testing of multiple controls within and or between control sets.
  - b. How to validate quality and completeness of all required testing for each process.
  - c. Approach for weighting of results for specific control sets.
  - d. Additional guidance provided by the attester



2. Develop and document test plans for each control set as part of the Detailed A-123 Documentation. The plan should define specific test activities to address each control within the control set. Some of the key elements of the test plan include:
  - a. Description of objective
  - b. Type of test
  - c. Procedures of the test being performed
  - d. Acceptable error thresholds
  - e. Explanation of the extensiveness of tests
  - f. Universe from which the sample size was selected
  - g. Sample size
  - h. Timeframes of execution
  - i. Resources assigned
  - j. Date executed
  - k. Approver
  - l. Who performed the test



3. Record a summary description<sup>1</sup> of the test plan, associated with each control set, in the ECS/PCS Test tab of the AART.

AART: PCS Test										
Select View: <input type="text" value="Select View"/>										
FO: CH										
Attester: Constance Gerne										
Implementer:										
Date Updated:										
Flow No.	Process Cycle	Processes	Sub-Processes	Controls	Risk Ass+++	Ctrl Degrn Eff	Type of I	Test Description	Test	Da
P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>The Vendor Numbers are matched to the CCR database on a regular basis.</li> <li>Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts are highlighted. This report is sent to all pertinent parties.</li> <li>Follow up workflow notifications are sent as expiration dates approach.</li> <li>When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel for follow up.</li> <li>An Accounts Payable aging report is run listing invoices that are not paid with reason code stating that CCR is expired.</li> </ul>	L	S	R	<ul style="list-style-type: none"> <li>Invoices were posted to vendor accounts whose CCR numbers had expired.</li> <li>Invoices were automatically blocked for payment with the reason code that the CCR number had expired.</li> <li>The weekly reports listed the accounts payable invoices that were blocked with the vendor name and number that had an expired CCR #.</li> <li>Automatic workflow notifications were sent to proper internal parties advising them of blocked invoices.</li> <li>Invoices were listed on Accounts Payable aging reports with blocking indicator.</li> <li>The CCR number was renewed, and the invoice was subsequently released for payment.</li> </ul>			
P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>When contracts are entered in the system of record, payment terms are checked against those stored in the vendor record.</li> <li>If the payment terms are different from the vendor record, a message is generated instructing entry clerk to check payment terms.</li> <li>New payment terms are entered and stored in the vendor record for future use.</li> <li>A report is generated that lists contracts that override information from the Supplier Master record and is sent to the Department Head for review.</li> <li>Payment terms cannot be overridden when the</li> </ul>	L	S	D	<ul style="list-style-type: none"> <li>Invoices were posted to vendor accounts with payment terms other than those listed in the vendor records.</li> <li>A warning message was displayed every time.</li> <li>The users were provided with the option to accept and override or revert back to vendor record payment terms.</li> <li>The exception report listing these differences was reviewed weekly.</li> </ul>			



# A-123 Quick Start Guide – Testing

## C. Execute test plans

1. Execute the test plans. Update the plans in the Detailed A-123 Documentation with all relevant details and findings. This should, at a minimum, include:
  - a. Date test executed
  - b. Description of test findings
  - c. Name(s) of person(s) performing test
  - d. Any variations to the test plan attributes (e.g. the sample size was changed from 65 to 100)
  - e. Number and percentage of failures
  - f. Nature of failures
  - g. Occurrence of risk and frequency of occurrence (where applicable)



2. Record the test date in a mm/dd/yy format in the Date Test Compl. column of the ECS/PCS Test tab. It is also highly recommended that you record the location of the Detailed A-123 Documentation in the Documentation Location column of the ECS/PCS Test tab.

Row No.	Process Cycle	Processes	Sub-Processes	Controls	Test Results	Date Test Compl.	Test Results Rationale	Documentation Location (where documentation is filed)	User
	PDP	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>The Vendor Numbers are matched to the CCR database on a regular basis.</li> <li>Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts are highlighted. This report is sent to all pertinent parties.</li> <li>Follow up workflow notifications are sent as expiration dates approach.</li> <li>When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel for follow up.</li> <li>An Accounts Payable aging report is run listing invoices that are not paid with reason code stating that CCR is expired.</li> </ul>		MM/06		<ul style="list-style-type: none"> <li>Hard copies are maintained in the Accounts Payable Department.</li> <li>Soft copies are filed on the Shared Drive.</li> <li>Copies of e-mail notifications are filed on the Shared Drive.</li> </ul>	
	PDP	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>When contracts are entered in the system of record, payment terms are checked against those stored in the vendor record.</li> <li>If the payment terms are different from the vendor record, an message is generated instructing entry clerk to check payment terms.</li> <li>New payment terms are entered and stored in the vendor record for future use.</li> <li>A report is generated that lists contracts that override information from the Supplier Master record and is sent to the Department Head for review.</li> <li>Payment terms cannot be overridden when the</li> </ul>		MM/06		<ul style="list-style-type: none"> <li>Hard copies are maintained in the Accounts Payable Department.</li> <li>Soft copies are filed on the Shared Drive.</li> <li>Copies of e-mail notifications are filed on the Shared Drive.</li> </ul>	



**NOTE:** It is very important that the test date format is accurate because the test date from the Date Tst Compl. field will be utilized for the Annual Risk-based Control Assessment (ARCA) calculations. See QSG ARCA for more details.



# A-123 Quick Start Guide – Testing

## D. Evaluate test results

1. Evaluate the test results and rate the effectiveness of the control set operation in mitigating the risk associated with the specified risk statement. In rating the operational effectiveness, you should consider, among other things:

- Whether operational failures occurred
- Number of controls in the control set
- How many controls failed
- How many failures occurred for specific controls
- Risk assessment rating
- Nature of the control failures
- Whether control failures resulted in Risk occurrence
- Type of control
- Combined performance of Primary and Backup controls
- Risk Assessment rating
- Relative exposure
- Potential for risk occurrence

**A well formulated rationale:** Control set operates effectively – Rating 7 / Testing covered six key controls designed to mitigate the associated risk. While control failures were identified in one of the key controls, the number of failures were below the maximum acceptable error threshold. In addition, the control set contained multiple preventive and detective controls that worked effectively to offset the control failures. Based on these results, the control failure will not negatively impact the overall operation of the control set and will not increase the likelihood of risk occurrence beyond ‘less than remote’



2. Record the test rating in the Test Results column of the ECS/PCS-Test tab.

After a control set has been tested, **DO NOT** go back into the ECS or PCS Assess worksheets and change the Control Design Effectiveness rating at the risk activity/control set level to reflect results of testing. However, the design effectiveness rating will automatically be set to “E” Expired if the associated sub-process is not tested within the required cyclical testing cycle (see ARCA Guide).

Row No.	Process Cycle	Processes	Sub-Processes	Controls	Test Rating	Date Test Compl	Test Results Rationale
	P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>The Vendor Numbers are matched to the CCR database on a regular basis.</li> <li>Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts are highlighted. This report is sent to all pertinent parties.</li> <li>Follow up workflow notifications are sent as expiration dates approach.</li> <li>When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel for follow up.</li> <li>An Accounts Payable aging report is run listing invoices that are not paid with reason code stating that CCR is expired.</li> </ul>	7	10/10/06	<p>The blocking of the invoices was an automatic, preventive control. The subsequent reports provide detective information that the CCR # has expired and the workflow notifications ensure that the responsible party is notified to contact the vendor and take steps to correct the situation.</p> <ul style="list-style-type: none"> <li>Hard copy</li> <li>Soft copy</li> <li>Copies of</li> </ul>
	P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>When contracts are entered in the system of record, payment terms are checked against those stored in the vendor record.</li> <li>If the payment terms are different from the vendor record, a message is generated instructing entry clerk to check payment terms.</li> <li>New payment terms are entered and stored in the vendor record for future use.</li> </ul>	5	10/10/06	<ul style="list-style-type: none"> <li>The warning was displayed each time an invoice was posted using payment terms other than those in the vendor master record.</li> <li>However, the users would readily bypass the warning without checking the message.</li> <li>May want to block the invoice for payment to ensure that the user actually checks the payment</li> </ul> <ul style="list-style-type: none"> <li>Hard copy</li> <li>Soft copy</li> <li>Copies of</li> </ul>



# A-123 Quick Start Guide – Testing



- Record, in the Test Results Rationale column in the ECS/PCS-Test tab, a summary of the rationale used in determining the test results.

Row No.	Process Cycle	Processes	Sub-Processes	Controls	Test Results	Date Test Completed	Test Results Rationale
<b>AART: PCS Test</b> <span style="float: right;">VERSION 4.0</span> Select View: <input type="text" value="Select view"/> FO: CH Attester: Constance Genne Implementer: Date Updated:							
	P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>The Vendor Numbers are matched to the CCR database on a regular basis.</li> <li>Reports are generated weekly with the expiration dates, and those approaching expiration dates with open contracts are highlighted. This report is sent to all pertinent parties.</li> <li>Follow up workflow notifications are sent as expiration dates approach.</li> <li>When an invoice is posted to a Vendor with an expired CCR number, the invoice is blocked for payment and notification sent to appropriate personnel for follow up.</li> <li>An Accounts Payable aging report is run listing invoices that are not paid with reason code stating that CCR is expired.</li> </ul>	7	10/10/07	The blocking of the invoices was an automatic, preventive control. The subsequent reports provide detective information that the CCR # has expired and the workflow notifications ensure that the responsible party is notified to contact the vendor and take steps to correct the situation.
	P2P	Payable Management	Disbursing	<ul style="list-style-type: none"> <li>When contracts are entered in the system of record, payment terms are checked against those stored in the vendor record.</li> <li>If the payment terms are different from the vendor record, a message is generated instructing entry clerk to check payment terms.</li> <li>New payment terms are entered and stored in the vendor record for future use.</li> <li>A report is generated that lists contracts that override information from the Supplier Master record and is sent to the Department Head for review.</li> <li>Payment terms cannot be overridden when the</li> </ul>	5	10/10/07	<ul style="list-style-type: none"> <li>The warning was displayed each time an invoice was posted using payment terms other than those in the vendor master record.</li> <li>However, the users would readily bypass the warning without checking the message.</li> <li>May want to block the invoice for payment to ensure that the user actually checks the payment terms.</li> </ul>

## E. Evaluate and update the Area and Process level ratings to reflect the results from testing



- Using professional judgment, update the Area/Process level ratings based on the results of testing at the control set level. In determining the operational control effectiveness of the controls at the Area and Process Level, consider among other things the effectiveness ratings for each control set, including any "Expired" ratings, and their relationship to the respective risk assessment rating. Also, consider exposure to the Area/Process level and the potential for risk occurrence.

Use the chart below to determine valid summary ratings. For example, if all control sets within a process/area have all been tested a 6 rating is no longer valid.

IF completion of Control Design Effectiveness assessment is:	AND Test ratings are:	THEN possible Summary Ratings are:
Some evaluated	Some/None tested	5, 4, 3, [blank]
All evaluated	Some/None tested	6, 5, 4, 3
	All	7, 5, 4, 3



# A-123 Quick Start Guide – Testing

- Update, in the Area/Process Ratings Rationale cell in the header of the ECS/PCS-Assess tabs, the summary rationale used to determine the Area/Process Ratings. Explain the reason for assigning the specific rating and minimally include the following:
  - The logic employed to develop the number rating provided in the Control Design Effectiveness rating
  - Any analysis and other factors used in support of the numeric rating

**A well formulated rationale:** Area controls operate effectively – Efficiencies identified – Rating 7 / While deficiencies were noted in one sub-category supporting this monitoring, the deficiency was limited to one control set related to a low risk activity. In addition, only one of 5 key controls failed and there is no evidence of risk occurrence. While the area will be remediated, the control failure should not negatively impact the overall operation of the control set and should not increase the likelihood of risk occurrence beyond 'less than remote'. The site also identified opportunities to automate annual ethics training notifications to gain greater efficiencies.

Impact	Risk Assessment	Control Set	Prev. Det.	P	E	R	C	V	Ctrl. Type	Ctrl. Freq.	Control Design Effectiveness	Test Results	Control Inefficiency	Remediation Plan	Control Design Effectiveness Rating/Rationale	Documentation Location (where documentation is filed)	Scope for Year



- [ECS only]** Using professional judgment update the Overall Entity Control Rating in the header of the ECS-Assess tab. In determining the Overall Entity Control Environment rating, consider the cumulative impact of the Area level ratings.

Print Ref	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev. Det.	P	E
EC		Control Environment	Integrity and Ethical Values								

AART: ECS Assess		Overall Entity Control Ratings
Select View: <input type="button" value="Select view"/>		3 4 5 6 7 8
FO: CH		
Attester: Constance Genie		
Implementer:		
Date Updated:		
<input type="button" value="Insert Row"/>	<input type="button" value="Delete Row"/>	
Control Environment	7	
Control Activities	7	
Information and Communication	7	
Risk Assessment	7	
Monitoring	7	



# A-123 Quick Start Guide – Testing

- [ECS only]** Update, in the header of the ECS-Asses tab, the summary rationale used to determine the Overall Entity Rating. Explain the reason for assigning the specific rating and minimally include the following:

- The logic employed to develop the numeric rating provided in the Control Design Effectiveness rating
- Any analysis and other factors used in support of the numeric rating

**A well formulated rationale:** Control set contains operational deficiencies – Rating 4 / Based on the deficiencies in 3 Control Sets related to high-risk activities in the “Monitoring” entity area, and the resultant rating of 4 in that area, we have rated the overall entity area 4 (Control Deficiency) to ensure that adequate consideration is given to these issues as they relate to process controls.

Entity Area	Control Set	Priority	Design	Effectiveness	Risk	Control Type	Control Freq	Test Results	Control Deficient	Remediation Plan			Control Design Effectiveness Rating Rationale	Documentation Location (where documentation is filed)	Scope for Year
										Reqd	CAPD	Status			
ECS	General Ledger Management	Y	Y	Y	Y	Y	Y	Y	Y				Process Ratings Rationale		
	Funds Management	Y	Y	Y	Y	Y	Y	Y	Y						
	BSWT	Y	Y	Y	Y	Y	Y	Y	Y						
	Cost Management	Y	Y	Y	Y	Y	Y	Y	Y						
	Insurance	Y	Y	Y	Y	Y	Y	Y	Y						
	Leases	Y	Y	Y	Y	Y	Y	Y	Y						
	Acquisitions	Y	Y	Y	Y	Y	Y	Y	Y						
P.A.	Inventory Management	Y	Y	Y	Y	Y	Y	Y	Y				Process Documentation Location (where documentation is filed)		
	Payable Management	Y	Y	Y	Y	Y	Y	Y	Y						
	Revenue	Y	Y	Y	Y	Y	Y	Y	Y						

## F. Update the Implementation Plan

- Capture the status and barriers as well as any significant deviations encountered during the testing phase.



# A-123 Quick Start Guide – Testing

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

<sup>1</sup> Well formulated summary test description are as follows:

<b>Area:</b> Control Activity	<b>Sub-Category:</b> Segregation of Duties
<b>Risk Statement:</b> An employee who creates a requisition and also approves the requisition, purchases the requested goods or services, and pays the subsequent invoice(s), resulting in fraud, waste, and / or abuse of government funds.	
<b>Objective:</b> Validate operation of entity controls to ensure segregation of duties as they impact the requisitions area.	
<b>Control Objective:</b> To prevent fraud, waste and/or abuse	
<b>Control Set:</b>	
<b>Control (1)</b> Management publishes an internal control manual (distributed to all employees) that requires segregation of duties in all financial activities. [P] [M]	
<b>Control (2)</b> Security rules are set up such that no single user ID can be assigned the roles of creating a requisition and approving that requisition; approving a requisition and creating the corresponding Obligation; and creating the obligation and paying the invoice. [P] [A]	
<b>Control (3)</b> Workflow technology is implemented to automate work flow message distribution to monitor expenditures and approvals. [P] [A]	
<b>Control (4)</b> Only 3 Administrators have the authorization to create and / or change security profiles and workflow rules. [P] [M]	
<b>Test Type:</b> Mixed (See test description)	
<b>Test Description:</b>	
<b>Test 1</b> (Control 1) – Observation/Inquiry – Observe whether requisitioning employees & managers are in possession of the manual and Inquire as to their knowledge of the segregation of duties requirement.	
<b>Test 2</b> (Control 2) – Re-perform – Re-perform steps to create a unique user ID and attempt to assign multiple roles.	
<b>Test 3</b> (Control 3) – Inspection – Inspect workflow e-mails received by two approving officials and reconcile to a report indicating number of requisitions approved to validate e-mail issuance and receipt.	
<b>Test 4</b> (Control 4) – Inspection – Inspect role assignment logs from workflow system to verify the number of administrators with create/change rights. (as of 10/1/05, 1/30/06 and 9/5/06)	

**Sample Test Plan Criteria for entity (scenario above):**

Test #	Universe	Sample Size	Acceptable Error Threshold	Date Executed	Tester (s)	Approver
1	20 Employees 5 Managers	4 Employees 1 Manager	0	9/1/06 – 9/3/06	Miller/ Davis	Harris
2	N/A	1	0	9/4/06	Davis	Harris
3	5 AOs 50 Reqs	2 AOs 20 Reqs	0	9/4/06	Milled	Harris
4	N/A	3 logs per test descr.	0	9/5/06	Miller/ Davis	Harris



## A-123 Quick Start Guide – Testing

**Process:** Payable Management

**Sub-Process:** Disbursing

**Risk Statement:** Duplicate payments may be made, resulting in overpayments causing extra costs and / or potential loss to the government for unrecoverable overpaid funds.

**Objective:** Validate the operation of manual and system process controls to avoid duplicative payments.

**Control Objective:** To prevent loss of funds.

**Control Set:**

**Control (1)** System rejects entry of duplicate invoice numbers. [P] [A]

**Control (2)** System issues a warning if invoice numbers are different and amounts and payee are the same. [P] [A]

**Control (3)** Monthly report of potentially duplicate invoices is generated and reviewed by AP Supervisor. [D] [M]

**Test Type:** Mixed (See test description)

**Test Description:**

**Test 1** (Control 1) – Observation/Re-performance – Perform steps necessary to enter a duplicate invoice number for payment and observe functionality of control.

**Test 2** (Control 2) - Observation/Re-performance – Perform steps necessary to enter an invoice for payment with a unique invoice number, but amounts and payee are the same as a previous invoice on the contract and observe whether a warning is displayed by the system.

**Test 3** (Control 2) – Observation – Observe an accounting technician and verify that they perform proper checks to ensure that payments are not duplicates prior to overriding the warning message.

**Test 4** (Control 3) – Inquiry/Inspection – Inquire whether AP supervisor is receiving the monthly report of potentially duplicative invoices and inspect files to identify evidence that the report was reviewed and annotated with results of the monthly review.

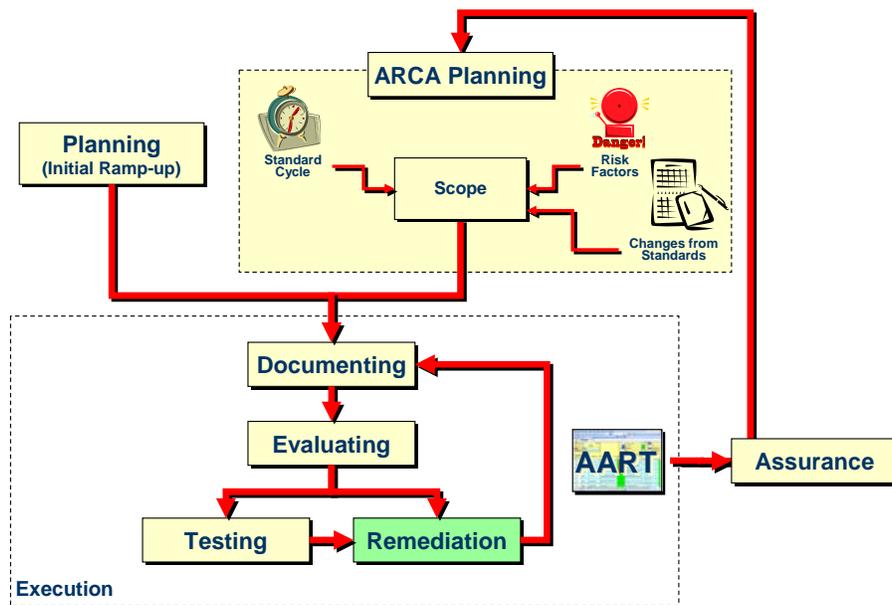
**Sample Test Plan Criteria for process (scenario above):**

Test #	Universe	Sample Size	Acceptable Error Threshold	Date Executed	Tester (s)	Approver
1	N/A	1	0	9/1/06	Miller/Davis	Harris
2	N/A	1	0	9/2/06	Davis	Harris
3	2 Techs	1 Tech *	0	9/3/06	Milled	Harris
4	12 Reports per Year	3 Reports	0	9/4/06	Miller/Davis	Harris

NOTE: Sample size depends on the number of invoices meeting the criteria processed during the day of testing.



## A-123 Quick Start Guide - Remediation



Purpose	<ul style="list-style-type: none"> <li>Monitor and track remediation of internal control deficiencies identified during the A-123 assessment.</li> </ul>
Key Activities	<ul style="list-style-type: none"> <li>Define Scope</li> <li>Develop Strategy</li> <li>Develop and Execute Plans</li> <li>Monitor and Track progress</li> </ul>
Required Templates	<ul style="list-style-type: none"> <li>Implementation Plan (Form &amp; Content)</li> <li>AART Tool Suite</li> </ul>

<http://www.cfo.doe.gov/progliaison/doeA123/index.htm>

[A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov)



# A-123 Quick Start Guide – Remediation

Document Legend					
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.		Detailed A-123 Documentation
	Requirements: Contains very important requirement information				AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]

## INTRO

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### **OBJECTIVE**

The objective of remediation is to take appropriate corrective actions to ensure that controls over financial reporting (entity and process) that are not designed and operating effectively to offset related risks are fixed.

### **RESPONSIBILITIES**

A-123 Assessment Team – The local A-123 assessment team is responsible for:

- a) Identifying the scope of remediation activities.
- b) Developing an overall remediation strategy to ensure corrective actions are accomplished in an effective and efficient manner, and ensuring that A-123 remediation activities are coordinated with other identified remediations (e.g., those identified through financial statement audits, self-assessment, IG/GAO audits, etc.).
- c) Ensuring that corrective action plans are developed and executed to also address controls determined to be ineffectively designed or operating.
- d) Monitoring, tracking and reporting on the status of corrective actions.
- e) Re-assessing proper documentation, control design and operational effectiveness once remediation activities have been completed (recycle through all A-123 phases beginning with Documenting).

Local Business Units – Local Business units (e.g. accounts payable department, systems operations, etc.) are responsible for:

- a) Developing and executing corrective action plans.
- b) Implementing process/control changes.
- c) Re-documenting processes to reflect changes effected during remediation.

### **STAGES OF REMEDIATION**

To consider remediation complete to support an A-123 evaluation, four key stages must be completed:

- a) Planning – An action plan to correct the deficiency(ies), including key milestones, must be developed.
- b) Execution – All corrective action milestones must be completed.
- c) Documentation – Process/entity control source documentation must be updated to reflect the changes made.
- d) Implementation – The process/entity control changes must be implemented and be operational for a sufficient time prior to reassessing their operational effectiveness.





# A-123 Quick Start Guide – Remediation

## C. Develop corrective action plans (CAPs) and record CAP attributes into the AART



1. Once a remediation strategy has been developed, ensure that corrective action plans are developed and executed in accordance with the remediation strategy. Action plans may vary based on the business unit requirements and/or the remediation activity, and will be part of the Detailed A-123 Documentation. Action Plans must minimally include the following criteria:

- a. All the supporting information for the required CAP Fields as described below
- b. Detailed step-by-step action plan and associated milestones and other relevant dates
- c. Signature of authorized individual approving the plan
- d. Signature of authorized individual confirming completion

While specific business units may be responsible for carrying out remediation activities, the A-123 team should review action plans to ensure that they focus on the root cause and appear responsive to the issues identified.

If the action plans do not contain the above listed criteria, Detailed A-123 Documentation must be completed by the A-123 assessment team. A CAP Form and Content is available on the DOE A-123 Website.



2. Record the following attributes of each CAP in the CAP Track tab of the AART Tool Suite.

- a. Identification
  - i) **CAP Plan ID** – An automatically generated unique CAP Tracking ID specific to location. This number will automatically be assigned when a CAP is "ADDED<sup>1</sup>" to the CAP Tracking tool.
  - ii) **Title** – Name identifying the remediation actions (e.g., upgrade duplicate invoice logic in accounting system)

Corrective Action Plan ID #		Title	Summary of Deficiency	Summary of Remediation Actions	Process Selection	Entity Sub-Categories	Sub-Category Selector	Date first identified	Issue (Work) Status	Resolution Type	Resolution Date	Resolution Time	Resolution Location	Resolution	Person/POC	Assigned POC	Status	Planned completion date	Revised completion date	Cost	Implementer name	Documentation Location	
081000	103100	Payment Terms Requirement	In the matter of controls to prevent invoices being in the payment terms which allow from issue in the system should fix the error, however, the user would simply override the error.	In programming of the system to add security level into CAP controls the error.	Public Management			08/06/08	Y	Y	Y				Devine Team		Y (No action)	10/31/08		000	000	000	000



# A-123 Quick Start Guide – Remediation

## b. Description

- i) **Summary of Deficiency** – Summarize the deficiencies that have been identified for the respective entity sub-categories/processes.
- ii) **Summary of Remediation Actions** – Summary of the actions that are being taken to fix the identified control set deficiencies.
- iii) **Processes<sup>2</sup>** – Selection of process(es) that will be affected/remediated. Multiple Entity Sub-Categories and processes may be assigned to a single CAP.
- iv) **Entity Sub-Categories<sup>3</sup>** - Selection of entity sub-category(ies) that will be affected/remediated. Multiple processes and Entity Sub-Categories can be assigned to a single CAP.
- v) **Date first identified**

AART- Corrective Action Plan Tracking														
Select View: <input type="radio"/> Search view <input checked="" type="radio"/> View <input type="radio"/> Print CAP: <input type="text"/> Process: <input type="text"/> Sub-Cat: <input type="text"/> Status: <input type="text"/> Date: <input type="text"/>														
Identification		Description												
Corrective Action Plan ID #	Title	Summary of Deficiency	Summary of Remediation Actions	Processes	Process Selector	Entity Sub-Categories	Sub-Categories Selector	Control Set	Risk / Priority	Remediation Target	Accountability	Planning & Status	Actual Implementation Date	Documentation Location
001-001	Payment Terms Requirement	During the testing of controls to prevent invoice being paid using payment terms which differ from those in the system, the system would flag the error, however, the first case would simply override the error. Create report which shows the log file above.	Re-engineering of the system to add security controls can override the error. Re-engineering of the system to add an entry into the log file that shows when an error was overridden per which user did the overriding. Create report which shows the log file above.	Portfolio Management				High	High	Business Team	Not Started	10/1/06	001	A-123 CAP

## c. Risk/Priority

- i) **Risk Assessment** – Select the highest risk assessment rating for all the risk statements for which control sets are being remediated (e.g. two low risk statements and one high risk statement associated with control sets targeted for the remediation actions, the risk assessment for the CAP should be high).
- ii) **Rating** - Select the lowest control effectiveness rating for all the control sets that are being remediated (e.g., two control sets were rated as 4 and one as a 3; the CAP rating should be a 3)
- iii) **Priority** – Based on the Risk Assessment and Rating assign a priority to ensure high risk areas with significant deficiencies are remediated first.

AART- Corrective Action Plan Tracking														
Select View: <input type="radio"/> Search view <input checked="" type="radio"/> View <input type="radio"/> Print CAP: <input type="text"/> Process: <input type="text"/> Sub-Cat: <input type="text"/> Status: <input type="text"/> Date: <input type="text"/>														
Identification		Description												
Corrective Action Plan ID #	Title	Summary of Deficiency	Summary of Remediation Actions	Processes	Process Selector	Entity Sub-Categories	Sub-Categories Selector	Control Set	Risk / Priority	Remediation Target	Accountability	Planning & Status	Actual Implementation Date	Documentation Location
001-001	Payment Terms Requirement	During the testing of controls to prevent invoice being paid using payment terms which differ from those in the system, the system would flag the error, however, the first case would simply override the error. Create report which shows the log file above.	Re-engineering of the system to add security controls can override the error. Re-engineering of the system to add an entry into the log file that shows when an error was overridden per which user did the overriding. Create report which shows the log file above.	Portfolio Management				High	High	Business Team	Not Started	10/1/06	001	A-123 CAP



# A-123 Quick Start Guide – Remediation

- d. Remediation Target (*The remediation target identifies the focus of the remediation activity. A single CAP may have multiple remediation targets.*)
- i) **Process** – Changes to the tasks and activities are required
  - ii) **System** – Changes or new functionality needs to be implemented in the computer applications supporting the business.
  - iii) **Procedures** – Changes to the documentation (e.g. desk guides, user manuals, system administration manuals, policies, etc.) are required
  - iv) **Training/Communication** – Conduct or update training and/or communications to ensure proper execution of the controls (e.g. user unawareness and education of existing procedures, new implementation training requirements)
  - v) **Other**

AART- Corrective Action Plan Tracking																	
Select View: <input type="text" value="0951P"/>																	
FD Code	FD Name	Department	Date														
Identification				Description													
Corrective Action Plan ID	Title	Summary of Deficiency	Summary of Remediation Actions	Process	Process Subsector	Entity Sub-Categories	Sub-Category Subsector	Date first identified	Risk (High)	Risk (Medium)	Risk (Low)	Remediation Target	Accountability	Planning & Status			
0951P-001-00000																	
0951P-001-00000	Payment Terms Requirement	During the testing of controls to prevent invoices being paid using payment terms which differ from those in the system, the system would flag the error, however, the first user would simply override the error.	The reprogramming of the system to add security around who can override the error. The reprogramming of the system to add an entry into the log file that shows when an error was overridden but which user did the overriding. Create report which shows the log file shows.		Finance Management			095000	Y	Y	Y	Y	Finance Team	Not Started	10/31/06	004	01A-023 CAP

- e. Accountability
- i) **Organization** – business unit responsible for the remediation
  - ii) **Person/POC** – contact person within the business unit
  - iii) **Alternate Ref. Action** – alternate corrective action references or audit resolution references (e.g., DART, Tiger Team, and previous CAP references, if applicable)

AART- Corrective Action Plan Tracking																	
Select View: <input type="text" value="0951P"/>																	
FD Code	FD Name	Department	Date														
Identification				Description													
Corrective Action Plan ID	Title	Summary of Deficiency	Summary of Remediation Actions	Process	Process Subsector	Entity Sub-Categories	Sub-Category Subsector	Date first identified	Risk (High)	Risk (Medium)	Risk (Low)	Remediation Target	Accountability	Planning & Status			
0951P-001-00000																	
0951P-001-00000	Payment Terms Requirement	During the testing of controls to prevent invoices being paid using payment terms which differ from those in the system, the system would flag the error, however, the first user would simply override the error.	The reprogramming of the system to add security around who can override the error. The reprogramming of the system to add an entry into the log file that shows when an error was overridden but which user did the overriding. Create report which shows the log file shows.		Finance Management			095000	Y	Y	Y	Y	Finance Team	Not Started	10/31/06	004	01A-023 CAP



# A-123 Quick Start Guide – Remediation

## f. Planning and Status

### i) **Status**

- (1) **Not Started:** Corrective actions have not yet started and CAP is incomplete and/or lacks approval.
- (2) **In Process:** CAP is approved and corrective actions are currently underway.
- (3) **Pending:** Corrective actions are awaiting additional input (e.g. approvals, resources, vendor software patch).
- (4) **Completed:** Corrective actions have been implemented and are being re-assessed.
- (5) **Closed:** Controls sets with associated corrective actions have been tested and are operating effectively.

### ii) **Planned Completion Date** – date when all required activities are expected to be ready for production

### iii) **Revised Completion Date** – all activities required to go into production have been completed

### iv) **Actual Implementation Date** – when fixes/changes go-live in the production environment and become part of the operational business

### v) **Documentation Location**

AART: Corrective Action Plan Tracking														
Select View: <input type="text"/> <input type="button" value="HELP"/>														
FO Code: <input type="text"/> <input type="button" value="Change"/> <input type="text"/> <input type="button" value="Print"/> <input type="text"/> <input type="button" value="Print"/>														
Information														
Corrective Action Plan #	Title	Summary of Deficiency	Summary of Remediation Actions	Process	Process Selection	Entity Sub-Categories	Sub-Category Selector	Date first identified	High	Medium	Low	Remediation Target	Accountability	Planning & Status
000001	Payment Terms Requirement	During the testing of controls to prevent invoices being paid using payment terms which differ from those in the system, the system would flag the error, however, the end user would simply override the error.	Reprogramming of the system to add security controls which can override the error. Reprogramming of the system to add an entry into the log file that shows when an error was overridden and which user did the overriding. Create report which shows the log file above.	Payable Management				08/08/06	Y	N	N	Y	Y	Y
														<input type="button" value="Status"/> <input type="button" value="Entered Implementation Date"/> <input type="button" value="Revised Implementation Date"/> <input type="button" value="Actual Implementation Date"/> <input type="button" value="Documentation Location"/>



3. After having "added" a CAP in the CAP Track tab, manually record the automatically generated CAP number in the PCS/ECS Assess tabs for all affected control sets. A single CAP number may be associated with multiple control sets (Entity and/or Process)<sup>4</sup>.

AART: PCS Assess																																												
Select View: <input type="text"/> <input type="button" value="HELP"/>																																												
FO: <input type="text"/>																																												
Attester: <input type="text"/>																																												
Implementer: <input type="text"/>																																												
Date Updated: <input type="text"/>																																												
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>																																												
<table border="1"> <tr><td>B/C</td><td>Travel</td><td>6</td></tr> <tr><td>Y</td><td>Revenue</td><td></td></tr> <tr><td>Y</td><td>Receivab</td><td>5</td></tr> <tr><td>Y</td><td>Project C</td><td>6</td></tr> <tr><td>Y</td><td>Property I</td><td>5</td></tr> <tr><td>Y</td><td>Seized Pr</td><td></td></tr> <tr><td>Y</td><td>Human R</td><td>6</td></tr> <tr><td>Y</td><td>Payroll</td><td>6</td></tr> <tr><td>Y</td><td>Benefits</td><td>6</td></tr> <tr><td>Y</td><td></td><td></td></tr> </table>															B/C	Travel	6	Y	Revenue		Y	Receivab	5	Y	Project C	6	Y	Property I	5	Y	Seized Pr		Y	Human R	6	Y	Payroll	6	Y	Benefits	6	Y		
B/C	Travel	6																																										
Y	Revenue																																											
Y	Receivab	5																																										
Y	Project C	6																																										
Y	Property I	5																																										
Y	Seized Pr																																											
Y	Human R	6																																										
Y	Payroll	6																																										
Y	Benefits	6																																										
Y																																												
Ref Col	Process Cycle	Processes	Sub-Processes	Inherent Risk	Likeli hood	Impact	Risk Assess ment	Control Dsgn Effective	Test Results	Efficiency Opportunities Identified	Rec	Remediation Plan																																
	P2P	Payable Management	Disbursing	Vendor to be paid may not be active CR vendor, resulting in payment to unapproved vendor.	L	L	L	6	7		no	CAP#	Status	Date Impl.																														
	P2P	Payable Management	Disbursing	Terms of payment negotiated in contract may be overridden and incorrect terms may be utilized to calculate due dates, resulting in incorrect payment date and extraordinary burden to the government and non-compliance with the prompt payment act.	L	L	L	6	5		yes	CAP-CH-1	1-Not started	tbd																														

The status and date completed will automatically update based on the CAP#. There must be an active CAP in the CAP Track tab for this functionality to work correctly.



## A-123 Quick Start Guide – Remediation

### ***D. Execute and monitor remediation activities***



1. The A-123 assessment team should monitor the execution of remediation activities on an on-going basis and obtain periodic status updates to support quarterly A-123 reporting and other ad hoc reporting required by OMB or management. Once activities are completed, the CAP Track tab must be updated.



While rare, not all remediations result in changes to the key control set. For example, remediation may have focused on "re-staffing" - a manual control that had gone unperformed due to attrition requirements.

### ***E. Reassess results of remediation***

1. Once a specific CAP has been assigned a "4-completed" status in the CAP Track tab, assess all remediated control sets using the A-123 methodology (documenting, evaluating and testing).



If data is already in the cells, overwrite the existing data with the new information. If new sub-processes/risks have been created during the remediation, you must add these as you follow the A-123 methodology.

### ***F. Update the Implementation Plan***

1. Capture the status and barriers as well as any significant deviations encountered during the remediation phase.



# A-123 Quick Start Guide – Remediation

## SUPPLEMENTARY INFORMATION AND DEFINITIONS

<sup>1</sup> To add additional CAP rows, select a cell under the header (below row 7; for the first CAP entry you must select the row with the “DO NOT USE THIS ROW” text to add the first CAP), and Click “ADD CAP” button to add a CAP to the bottom of the list:

AART- Corrective Action Plan Tracking			
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>	
0 Code	0 Name	Implementer	Date
Identification		Description	
<input type="button" value="ADD CAP"/>			
Corrective Action Plan Id #	Title	Summary of Deficiency	Summary of Remediation Actions
DO NOT USE THIS ROW			Processes <input type="button" value="Process Selector"/>

The newly inserted CAP will have a default status of “1-Not Started” and Implementation date of “TBD”.

<sup>2</sup> To select affected processes for the specific CAP:

**STEP 1:** Select the CAP ID row that you wish you assign processes to.

**STEP 2:** Click the Process Selector button in the Processes’ header of row.

AART- Corrective Action Plan Tracking			
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>	
0 Code	0 Name	Implementer	Date
Identification		Description	
Corrective Action Plan Id #	Title	Summary of Deficiency	Summary of Remediation Actions
DO NOT USE THIS ROW			Processes <input type="button" value="Process Selector"/>
CAP001	Payment Terms Requirement	During the testing of controls to prevent invoices being paid using payment terms which differ from those in the system, the system would log the error. However, the end user would simply override the error.	Reprogramming of the system to add security general who can override the error. Reprogramming of the system to add an entry into the log files that shows when an error was overridden and which user did the overriding. Create report which shows the log file above.

**STEP 3:** Select the appropriate processes by clicking on the selection boxes and click OK. The selected processes will be automatically populated in the processes field of the selected CAP.

**Processes Affected**

- General Ledger Management
- Funds Management
- FBWT
- Cost Management
- Insurance
- Grants
- Loans
- Acquisition
- Inventory Management
- Payable Management
- Travel
- Revenue
- Receivable Management
- Project Cost Management
- Property Management
- Seized Property Management
- Human Resources
- Payroll
- Benefits



# A-123 Quick Start Guide – Remediation

<sup>3</sup> To select effected entity sub-categories for the specific CAP:

**STEP 1:** Select the CAP ID row that you wish you assign entity sub-categories to.

**STEP 2:** Click the Sub-Category Selector button in the Entity Sub-Categories header of row.

AART- Corrective Action Plan Tracking													
Select View: <input type="button" value="Select view"/> <input type="button" value="HELP"/>													
PO Code	PO Name	Implementer	Date										
000	000000		11/2/2008										
Identification		Description											
Corrective Action Plan ID #	Title	Summary of Deficiency	Summary of Remediation Actions	Process Selector	Entity Sub-Categories	Sub-Category Selector	Date first identified	Appropriateness	Severity	Frequency	Reproduction	Control	Accountability
PO Code	PO Name	Summary of Deficiency	Summary of Remediation Actions	Process Selector	Entity Sub-Categories	Sub-Category Selector	Date first identified	Appropriateness	Severity	Frequency	Reproduction	Control	Accountability
CAP001	Payment Terms Requirement	During the testing of controls to prevent invoices being paid using payment terms which differ from those in the system, the system would flag the error. However, the end user would simply override the error.	Reprogramming of the system to add security protocol which overrides the error.  Reprogramming of the system to add an entry into the log files that shows when an error was overridden and which user did the overriding.  Create report which shows the log file above.	Payable Management			08/08/08	L	Y	L	Y	Y	Invoice Team

**STEP 3:** Select the appropriate entity sub-categories by clicking on the selection boxes and click OK. The entity sub-categories will be automatically populated in the Entity Sub-Category field of the selected CAP.

**Entity Sub Categories Affected**

**Control Environment**

Integrity and Ethical Values

Management's Commitment to Competence

Management's Philosophy and Operating Style

Organizational Structure

Assignment of Authority and Responsibility

Human Resources Policies and Practices

Relationship with Oversight Agencies

**Control Activities**

Top Level Reviews of Actual Performance

Reviews by Management at the Functional or Activity Level

Management of Human Capital

Controls Over Information Processing

Physical Control Over Vulnerable Assets

Establishment and Review of Performance Measures and Indicators

Segregation of Duties

Proper Execution of Transactions and Events

Accurate and Timely Recording of Transactions and Events

Proper Execution of Transactions and Events

Access Restrictions to and Accountability for Resources and Records

Appropriate Documentation of Transactions and Internal Control Existence

Information Systems - General Controls

Information Systems - Application Controls

**Information and Communication**

Internal relevant, reliable, and timely communications

External relevant, reliable, and timely communications

**Risk Assessment**

Clear, Consistent Agency Objectives

Identify Risks and Risk Factors, Internal and External

Risk Analysis and Actions

**Monitoring**

Policies and Procedures for Audit Findings

Review and Evaluate Findings

Develop Action Plan in Response to Findings

Complete Findings Action Plan

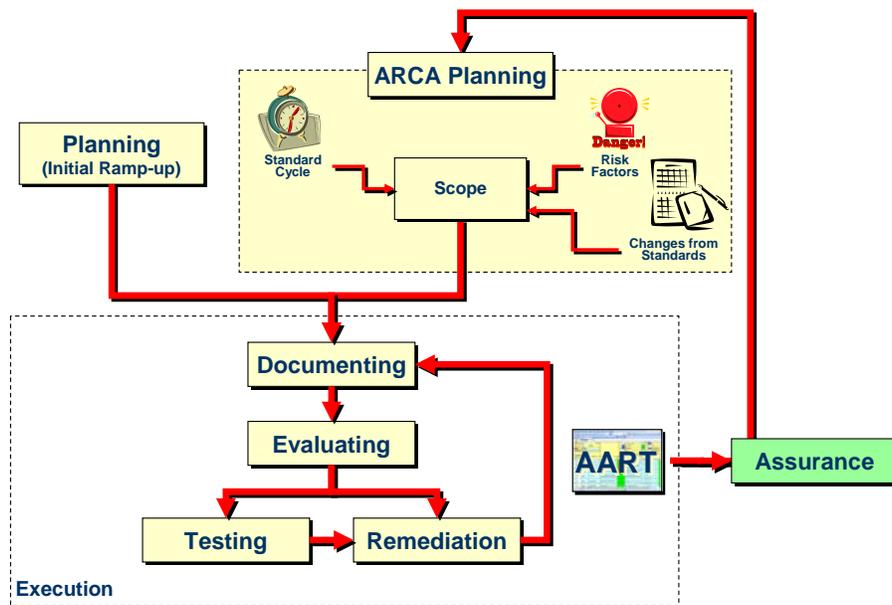
Regular Management and Supervisory Activities

Separate evaluations of Controls

<sup>4</sup> Only a single CAP number can be associated to control set.



## A-123 Quick Start Guide— Reporting and Assurance




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Purpose	<ul style="list-style-type: none"> <li>• Report progress of the A-123 implementation.</li> <li>• Provide the yearly Assurance Statement and Report</li> </ul>
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Key Activities	<ul style="list-style-type: none"> <li>• Develop and submit Quarterly Reports</li> <li>• Develop and submit annual assurance</li> <li>• Understand reporting criteria</li> </ul>
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Required Templates	<ul style="list-style-type: none"> <li>• AART Tool Suite</li> <li>• Quarterly Report (Form &amp; Content)</li> <li>• Implementation Plan</li> <li>• Assurance Report (Form &amp; Content)</li> </ul>
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# A-123 Quick Start Guide Reporting and Assurance

Document Legend			
	Notebox: Contains additional information		Tip: Contains helpful information and recommendations.
	Requirements: Contains very important requirement information		Detailed A-123 Documentation
			AART Input: Color dependent by tab. Local AART [yellow], ECS-Assess [dark blue], PCS-Assess [light blue], ECS/PCS-Test [green], CAP-Track [red]

## INTRO

### OBJECTIVE

Provide SrAT, CFO, and oversight organizations with an ongoing report of A-123 Implementation progress, as well as, the necessary information to respond to OMB requests. A fixed schedule for all reporting entities has been established and is published in the A-123 Annual Guidance and/or on the DOE A-123 Website.

Out of cycle reporting may be required to support external reporting requirements or senior management needs.

### QUARTERLY REPORTING

Field Offices will be required to consolidate (i.e., “roll-up”) all Site AART data as part of the Field Office reporting requirements.

LPSOs, Corporate Departments and Field Offices will be required to submit the AART Tool Suites (Field Offices must also submit all Site Contractor AARTs) on a quarterly basis.

### OUT OF CYCLE REPORTING

PMT will provide specific guidance as needed.

### YEAR END ASSURANCE REPORTING

All data captured in the AART Tool Suite is the foundation for developing the annual Secretarial assurance statement required by OMB A-123, Appendix A.

The Assurance functionality of the AART Tool Suite facilitates a methodological and disciplined approach, as documented in this guide, to ensure consistency across all DOE reporting elements and effective support of the Secretarial assurance statement.

 Two separate year end reports will be required (i.e., preliminary and final).



# A-123 Quick Start Guide Reporting and Assurance

## Quarterly Reporting



All Federal Field elements, as well as LPSOs and Corporate Departments, must report quarterly.

### A. [FO Only] Consolidate Site data in the Rollup AART

1. Validate that the names of the Sites are current and complete on the Rollup AART tab.



2. Click the "Import" button to import the AART data for a specified Site.

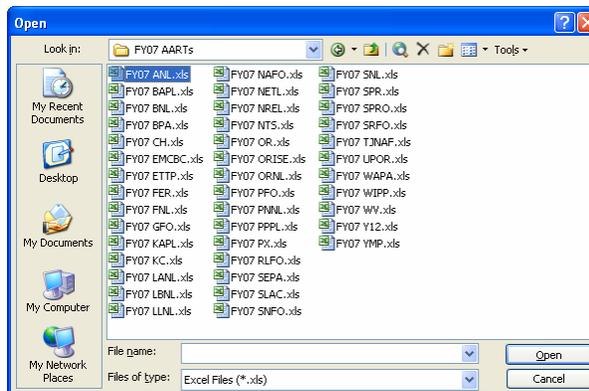
AART: Rollup		Chicago-Rollup	Chicago	Argonne National Lab	Brookhaven National Lab	Fermi National Accelerator Lab																		
Select View: <input type="text"/> <input type="button" value="HELP"/>				<input type="button" value="Import"/>	<input type="button" value="Import"/>	<input type="button" value="Import"/>																		
Chicago																								
FO	CH	FO-CH		CH	ANL	BNL	FNL																	
Attester		Tom Foley, CFO		Tom Foley, CFO																				
Material Account	Acct Status	MAD	EC	BAC	PPB	QAC	PPA	ERL	MAD	EC	BAC	PPB	QAC	PPA	ERL	MAD	EC	BAC	PPB	QAC	PPA	ERL		
Intragovernmental Fund Balance with Treasury	5	y	6	5	6	6	6	y	6	5	6	6	6											
Intragovernmental Investment Assets																								
Accounts Receivable, Net																								
Nuclear Materials																								
Strategic Petroleum and Northeast Home Heating Oil Reserve																								
General Property, Plant and Equipment																								
Regulatory Assets																								
Other non-intragovernmental assets																								
Intragovernmental debt																								
Intragovernmental appropriated capital owned																								
Accounts Payable																								
Debt																								
Deferred Revenue and other credits																								
Environmental Liabilities	5	y	6	5	6	6	6	y	6	5	6	6	6											
Pension and other actuarial liabilities																								
Other liabilities	5	y	6	5	6			y	6	5	6													
Contingencies and commitments																								



All Site AARTs being imported must be at the same AART version as the Field Office AART.



3. Select the respective Site AART file to be imported and click "Open".





# A-123 Quick Start Guide Reporting and Assurance

- Validate that the site data was appropriately imported for the selected location.

AART: Rollup		Chicago-Rollup										Chicago					Argonne National Lab					Brookhaven National Lab							
Select View: <input type="text" value="Select view"/> <input type="button" value="HELP"/>																	<input type="button" value="Import"/>					<input type="button" value="Import"/>							
Chicago																													
FO	CH	FO-CH										CH					ANL					BNL							
Attester		Tom Foley, CFO										Tom Foley, CFO					Michael Bartos, CFO												
Material Account	Acct Status	MAD	EC	B2C	P2P	Q2C	P2A	ERM	MAD	EC	B2C	P2P	Q2C	P2A	ERM	MAD	EC	B2C	P2P	Q2C	P2A	ERM	MAD	EC	B2C	P2P	Q2C	P2A	ERM
<b>Balance Sheet</b>																													
Intragovernmental Fund Balance with Treasury	5	y	6	5	6	6	6	y	6	5	6	6	6	6															
Intragovernmental Investment																													
Intragovernmental Regulatory Assets																													
Accounts Receivable, Net																													
Nuclear Materials	6	y	6	6											y	6	6												
Strategic Petroleum and Northeast Home Heating Oil Reserve																													
General Property, Plant and Equipment	6	y	6	6											y	6	6												
Regulatory Assets																													
Other non-intragovernmental assets																													
Intragovernmental debt																													
Intragovernmental appropriated capital owned																													
Accounts Payable	6	y	6	6	6			6							y	6	6	6			6								
Debt																													
Deferred Revenue and other credits																													
Environmental Liabilities	5	y	6	5	6			6	y	6	5	6	6																
Pension and other actuarial liabilities	6	y	6	6				6							y	6	6				6								

 The AART will automatically roll up the ratings from the various sites and show the aggregate impact on the Field Office Material Accounts in the Account Status column<sup>1</sup> Rollup AART tab.

- Repeat for all Sites under your cognizance. This will consolidate the site AART data into the Rollup AART.



# A-123 Quick Start Guide Reporting and Assurance

## ***B. Prepare for Quarterly Reporting Submission***

1. Review Local/Rollup AARTs for completeness and quality
  - a. Validate proper incorporation of applicable Local AART data from the sites into the Rollup AART for completeness and correctness.
  - b. Perform QA on the local AART for elements under your cognizance to ensure quality submission to PMT.



The field element is accountable for the quality of all data submitted by the Sites under your cognizance.

- i) Review progress metrics in the statistics tab<sup>2</sup> of the AART (% Completion, planned vs. actual progress, results, areas of remediation, assessment of deficient areas)
  - ii) Spot check of data
    - Completeness and quality of Risk statements and control statement in the Control Sets
    - Completeness and quality of test information capture in the AART.
    - Incorporation and reasonableness of Rationale for ratings
    - Recording of documentation location – to be used to calculate metrics on completion of Documenting phase.
2. Complete the Oversight tab in the Rollup AART for LPSOs and Field Offices.

Cognizant Field Offices and LPSOs should review the questions stated in the tab and answer them based on their current status regarding addressing those issues. Where they cannot answer affirmatively, they should record a "NO" and remediate the issue.
3. Review and complete the Quarterly Report utilizing the standard Form and Content provided on the DOE A-123 website.
4. Update the Implementation Plan based on the standard form and content available on the DOE A-123 website.

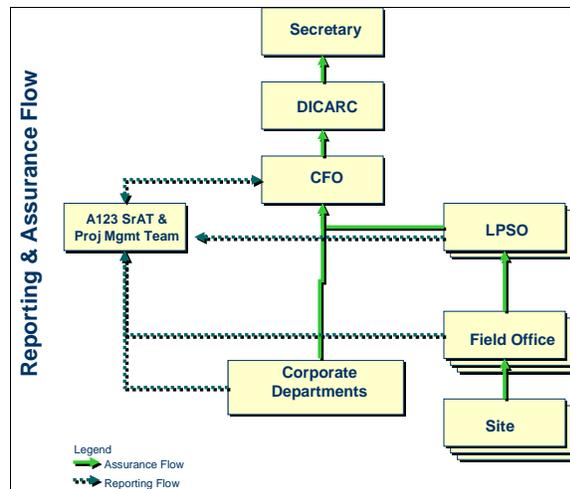


# A-123 Quick Start Guide Reporting and Assurance

## C. Submit Quarterly Report

During Initial Ramp-up (or as directed by PMT)

1. Refer to DOE Annual Guidance and/or DOE A-123 Website for the reporting date deadlines.
2. Develop your transmittal memorandum.
3. Compile your Quarterly Submission packet. It needs to include:
  - a. Transmittal memo
  - b. Completed Quarterly Report
  - c. Updated implementation plan
  - d. AART Tool suite for the reporting unit
  - e. [FO Only] All AARTs for the elements under your cognizance
4. Review the Reporting and Assurance Flow below and submit the Quarterly Submission packet as follows:



### **FIELD OFFICES**

- a. Send a hardcopy to the Lead Program Secretarial Office (LPSO)
- b. Send carbon copy to other Secretarial Offices that provide significant funding to the Site.
- c. Send carbon copy to the Headquarters Office of the Chief Financial Officer / Office of Internal Review, and A-123 Project Management Team.
- d. An electronic copy is to be submitted via e-mail to the A-123 Helpdesk at [A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov).

### **LPSO/CD**

- a. Send a hard copy to the Chief Financial Officer (CFO) with a carbon copy to the Headquarters Office of the Chief Financial Officer / Office of Internal Review.
- b. Send a carbon copy to the A-123 Project Management Team.
- c. An electronic copy is to be submitted via e-mail to the A-123 Helpdesk at [A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov).



# A-123 Quick Start Guide Reporting and Assurance

## During Annual Risk-based Control Assessments [ARCA] (or as directed by PMT)

1. Refer to DOE Annual Guidance and/or DOE A-123 Website for the reporting date deadlines.
2. Compile your Quarterly Submission packet. It needs to include:
  - a. AART Tool suite for the reporting unit
  - b. [FO Only] All AARTs for the elements under your cognizance
3. Review the Reporting and Assurance Flow above and submit the Quarterly Submission packet as follows:
  - a. An electronic copy is to be submitted via email to the A-123 Helpdesk at [A-123helpdesk@hq.doe.gov](mailto:A-123helpdesk@hq.doe.gov).



Field Offices and LPSOs should coordinate to determine any additional reporting requirements.



# A-123 Quick Start Guide Reporting and Assurance

## YEAR END ASSURANCE REPORTING

### *D. Identify process deficiencies and impacts to the respective material accounts*

1. Review and, if necessary, update the Summary Ratings of the ECS/PCS-Assess tabs (i.e. Area ratings, Overall Entity Rating and Process ratings).
2. Click on "EXTRACT" button on the Assurance Local tab. Data will automatically be populated with any process rated on the local AART with a rating of 3, 4 or 5.

AART - Assurance Local <span style="float: right;">VERSION 4.0</span>					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="EXTRACT"/>	
FO Code	TST				
Date					
					<input type="button" value="CLEAR ALL"/>
<input type="button" value="Insert Row"/>					
Material Account	Process	Site	Rating	Nature of Deficiency	Potential Impact Description
Intragovernmental Fund Balance with Treasury	FBWT	TST	3		
General Property, Plant and Equipment	Inventory Management	TST	4		
Accounts Payable	FBWT	TST	4		

If there is data in the Assurance Local tab, click on the CLEAR ALL button prior to extracting the current assurance data to remove all values.

3. If there are no deficiencies found on the Local AART, a confirmation will appear. Click OK to close the box and the Assurance Local tool will be automatically populated with the phrase "No Deficiencies" and the Location Code.

AART - Assurance Local <span style="float: right;">VERSION 4.0</span>					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="EXTRACT"/>	
FO Code	TST				
Date					
Attester	Shoshi Geller				
<input type="button" value="Insert Row"/>					
No Deficiencies		TST			

**Microsoft Excel**

There are no deficiencies, please confirm accuracy.

4. If you have deficient processes they will automatically be populated in the Assurance Local tab of the AART. Review the list for completeness.



# A-123 Quick Start Guide Reporting and Assurance

5. Assess the Nature of Deficiency. Consider the following:

- a. A brief description of the control(s) that are not working effectively.
- b. The key risk(s) that the control is designed to mitigate.
- c. Summary of test results that identified the deficiency (if applicable).
- d. Whether other key controls to offset the same risk were present and working effectively to mitigate the risk
- e. Whether there are any known instances where the control failures resulted in the risk actually occurring
- f. Whether there are any detective controls designed to identify problems after a risk may have occurred

**Material Account:** Accounts Payable  
**Process:** Payable Management  
**Nature of Deficiency:** Key controls related to obtaining approving official signatures on commercial invoices prior to payment were not working effectively. There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors.



6. Use **Nature of Deficiency** column to provide a brief description of the nature of the deficiency. While brief, the narrative should be descriptive enough to provide the reader with a firm understanding of the problem.

AART - Assurance Local <span style="float: right;">VERSION 4.0</span>		
Select View: <input type="text" value="Select view"/> <span style="float: right; border: 1px solid green; padding: 2px;">HELP</span>		EXTRACT
FO Code	TST	
Date		
Attester	Shoshi Geller	
<span style="border: 1px solid blue; padding: 2px;">Insert Row</span>		CLEAR ALL
Material Account	Process	Nature of Deficiency
Accounts Payable	Payable Management	Key controls related to obtaining approving official signatures on commercial invoices prior to payment were not working effectively. There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors.

7. Assess the **Potential Impact** of the process deficiencies on the affected Material Account(s). Considerations may include:

- a. The nature of risk the control was designed to offset (e.g., a risk related to compliance with laws and regulations may not result in an actual impact on accounts)
- b. The results of testing (e.g., severity of test failures - did all or some controls to offset the risk fail, etc.)
- c. Whether the risk actually occurred as a result of the control failures (e.g., If one control over invoice approval failed, was the correct amount ultimately paid.)
- d. Results of additional testing (Note: Sites may opt to perform additional testing to get a better sense of how wide-spread the issue may be and how it might impact accounts.)



# A-123 Quick Start Guide Reporting and Assurance

- e. The original likelihood and impact ratings at the risk and control set level
- f. Relative exposure (e.g., dollar amount and number of transaction affected by the control)
- g. Whether all transactions/dollars may be effected equally or have the same likelihood and impact of occurrence (e.g., would the nature of an invoice approval control failure indicate that federal invoices are impacted differently than commercial invoices?)
- h. Potential impact on the core financial reporting assertions (PERCV)
- i. Potential impact of any entity level control issues that may increase the impact of the deficiency
- j. Level of automation in the controls or lack thereof
- k. Existence of backup controls that were known to be working effectively, whether originally considered key controls or not
- l. Other criteria the site believes are important to its assessment

***Example of Potentially Significant Impact***

**Material Account:** Accounts Payable  
**Process:** Payable Management  
**Potential Significant Impact:** The control deficiency could potentially result in significant over/underpayments. Factors contributing to this determination include: the systemic failure of primary and backup controls; the number of actual over/under payments identified as a result of the failures during testing; the failure of post payment detective controls to identify the problem; the high inherent likelihood and impact for over/under payments; and other factors.

***Example Potential Insignificant Impact<sup>3</sup>***



8. Record the Potential Impact summary and rationale for each Process by Material Account. While brief, the narrative should be descriptive enough to provide the reader with a firm understanding of the impact that could result from the control deficiency.

AART - Assurance Local				4.0	
Select View: <input type="text" value="Select view"/> <input type="button" value="HELP"/>				<input type="button" value="EXTRACT"/>	
FO Code: TST				<input type="button" value="CLEAR ALL"/>	
Date:					
Attester: Shoshi Geller					
<input type="button" value="Insert Row"/>					
Material Account	Process	Site	Rating	Nature of Deficiency	Potential Impact Description
Accounts Payable	Payable Management	TST	3	Key controls related to obtaining approving official signatures on commercial invoices prior to payment were not working effectively. There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors.	The control deficiency could potentially result in significant over/underpayments. Factors contributing to this determination include: the systemic failure of primary and backup controls; the number of actual over/under payments identified as a result of the failures during testing; the failure of post payment detective controls to identify the problem; the high inherent likelihood and impact for over/under payments; and other factors.



# A-123 Quick Start Guide Reporting and Assurance



9. It is highly recommended to record the Supporting Documentation and CAP Reference(s). These could include:
  - a. Corrective Action Plan location
  - b. CAP number(s)
  - c. Detailed documentation

AART - Assurance Local <span style="float: right;">VERSION 4.0</span>					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="EXTRACT"/>	
FO Code	TST			<input type="button" value="CLEAR ALL"/>	
Date					
Attester	Shoshi Geller				
<input type="button" value="Insert Row"/>					
Material Account	Process	Site	Rating	Potential Impact Description	CAP References
Accounts Payable	Payable Management	TST	3	The control deficiency could potentially result in significant over/underpayments. Factors contributing to this determination include: the systemic failure of primary backup controls; the number of actual over/under payments identified as a result of the failures during testing; the failure of post payment detective controls to identify the problem; the high inherent likelihood and impact for over/under payments; and other factors.	CAP-TST-1, CAP-TST-2

Documentation must be readily accessible and be made available upon request for validation purposes.

## E. Aggregate Site data into the Field Office AART Tool Suite.

1. Import the Assurance Local data of your AART<sup>4</sup>. Click the Import Local button in the header of the Assurance Rollup Tab. The Assurance Local data is automatically imported.

AART - Assurance Rollup <span style="float: right;">VERSION 5.0</span>					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="IMPORT SITES"/>	
FO Code	EMCBC			<input type="button" value="CLEAR ALL"/>	
Date					
Attester	Lance Schlag				
<input type="button" value="Insert Row"/>					
Material Account	Process	Site Code	Rating	Nature of Deficiency	Potential
No Deficiencies		EMCBC			

2. **[FO Only]** Rollup the Site Assurance Data for all sites under your cognizance. Click the Import Sites button in the header of the Assurance Rollup Tab.

AART - Assurance Rollup <span style="float: right;">VERSION 5.0</span>					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="IMPORT SITES"/>	
FO Code	EMCBC			<input type="button" value="CLEAR ALL"/>	
Date					
Attester	Lance Schlag				
<input type="button" value="Insert Row"/>					
Material Account	Process	Site Code	Rating	Nature of Deficiency	Potential
No Deficiencies		EMCBC			



# A-123 Quick Start Guide Reporting and Assurance

- [FO Only]** Navigate to the AART file for the data you wish to import and double click on the file. The Site Assurance Local data is automatically imported. If the data is already imported determine if you wish to overwrite the existing data<sup>5</sup>. The Site Assurance Local data is automatically imported.

The image shows a file explorer window with a list of files including 'AART 5 D Test Scripts (BNI TST 1).xls', 'AART Test Suite 5.0 (BNI TST 1).xls', 'AART\_EPMCIC 4.1 (data check ok test).xls', 'AART\_EPMCIC 4.1.xls', 'AART\_3rd Q FY07 AART.xls', 'APCA Test - NAPQ\_3rd Q FY07 AART.xls', 'jencbc 5 tat 8.1.xls', 'jencbc 5 tat 8.xls', 'jencbc 5 tat 10.xls', 'jencbc 5 tat 005.xls', 'jencbc 5 tat v7.xls', 'jencbc 0022 (TST FOR DATA CHECK).xls', 'jencbc 0022.xls', 'jencbc 02107.xls', 'EMCIC tat 0021.xls', 'jencbc v8 tat 8.xls', 'FY2007\_AART\_3M\_4-1\_1.xls', 'KIC Rollup Import test.xls', 'KIC Rollup Test 5 tat 8.xls', 'in 5 tat9.xls', 'info 5 tat 6.xls', 'info 5 tat 7 cycle test.xls', 'info 5 tat 7.xls', 'test toggle menu fields.xls', 'tsharing.xls', and 'WV tat 0021 Assurance Import.xls'. To the right, a preview of the 'AART Assurance Rollup' report is shown, with red arrows pointing from the file explorer to the report's 'Accounts Payable' and 'Intragovernmental Fund' rows.

- [FO Only]** Repeat for all sites under your cognizance.
- Review and analyze all data in the Assurance Rollup tab.

AART - Assurance Rollup				VERSION 4.0	
Select View: <input type="text" value="Select view"/>				HELP	
FO Code	CH				
Date					
Attester	Tom Foley, CFO				
Material Account	Process	Site Code	Rating	Nature of Deficiency	Potential Impact Description
Accounts Payable	Payable Management	TST	3	Key controls related to obtaining approving official signatures on commercial invoices prior to payment were not working effectively. There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors.	The control deficiency could potentially result in significant over/underpayments. Factors contributing to this determination include: the systemic failure of primary and backup controls; the number of actual over/under payments identified as a result of the failures during testing; the failure of post payment detective controls to identify the problem; the high inherent likelihood and impact for over/under payments; and other factors.
Intragovernmental Fund Balance with Treasury	FBWT	TST2	4	Key controls related to obtaining approving official signatures on commercial invoices prior to payment were not working effectively. There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors.	The control deficiency could potentially result in significant over/underpayments. Factors contributing to this determination include: the systemic failure of primary and backup controls; the number of actual over/under payments identified as a result of the failures during testing; the failure of post payment detective controls to identify the problem; the high inherent likelihood and impact for over/under payments; and other factors.

- Review and analyze all data in the Assurance Rollup tab. For example, careful consideration should be given to process ratings of 5 since a control deficiency may not be significant individually, but could indicate a larger problem if there are numerous process deficiencies within a Material Account.



# A-123 Quick Start Guide Reporting and Assurance

## F. Assess materiality of process deficiencies.

1. Review the **Assurance Summary** tab. The “y” is automatically populated and indicates Material Accounts with Deficiencies that need to be evaluated and assessed.



2. Fill in **Total Account Balance** (as of June 30<sup>th</sup>) for each Material Account that is identified as having a deficiency.

AART - Assurance Summary <span style="float: right;">VERSION 4.0</span>						
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>				
FO Code		TST				
Date		November 5, 2006				
Attester		Shoshi Geller				
Deficiency	Material Accounts Summary	No. Mat Acct	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale
	<b>Balance Sheet</b>					
y	Intragovernmental Fund Balance with Treasury		\$ 15,000	\$ 150		
	Intragovernmental Investment					
	Intragovernmental Regulatory Assets					
	Accounts Receivable, Net					
	Nuclear Materials					
	Strategic Petroleum and Northeast Home Heating Oil Reserve					
y	General Property, Plant and Equipment		\$ 50,000	\$ 500		
	Regulatory Assets					
y	Other non-intragovernmental assets		\$ 6,900	\$ 69		

3. Material **Weakness Threshold** is automatically calculated and is **1%** of the **Total Account Balance**.

AART - Assurance Summary <span style="float: right;">VERSION 4.0</span>						
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>				
FO Code		TST				
Date		November 5, 2006				
Attester		Shoshi Geller				
Deficiency	Material Accounts Summary	No. Mat Acct	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale
	<b>Balance Sheet</b>					
y	Intragovernmental Fund Balance with Treasury		\$ 15,000	\$ 150		
	Intragovernmental Investment					
	Intragovernmental Regulatory Assets					
	Accounts Receivable, Net					
	Nuclear Materials					
	Strategic Petroleum and Northeast Home Heating Oil Reserve					
y	General Property, Plant and Equipment		\$ 50,000	\$ 500		
	Regulatory Assets					
y	Other non-intragovernmental assets		\$ 6,900	\$ 69		
	Intragovernmental debt					
	Intragovernmental appropriated capital owned					
y	Accounts Payable		\$ 10,000	\$ 100		



# A-123 Quick Start Guide Reporting and Assurance

## 4. **Determine** whether material weaknesses or reportable conditions exist:

- a. A **material weakness** has been identified that could materially impact the account (i.e., creates more than a remote likelihood that a material misstatement of financial statement accounts may not be prevented or detected.) For this exercise, material misstatement at the field office level will be defined as a potential misstatement in a specific account that exceeds 1% of the total account balance for the field element or that the decision maker otherwise believes would materially mislead a user of the affected report.
- b. A **reportable condition** has been identified that could significantly impact the account (i.e., creates more than a remote likelihood for a misstatement of financial statements and the misstatement may be of a more than inconsequential magnitude.)
- c. **Not significant** deficiencies are deficiencies that do not rise to a reportable condition or material weakness level. These equate to an Assurance Rating of 5-Control Deficiency.
- d. Specific criteria to consider when determining the rating include (but are not limited to):
  1. The nature of the deficiency.
  2. The nature of risk the control was designed to offset (e.g., a risk related to compliance with laws and regulations may not result in an actual impact on reports.).
  3. The results of testing (e.g., severity of test failures - did all or some controls to offset the risk fail, etc.).
  4. Whether the risk actually occurred as a result of the control failures (e.g., if one control over invoice approval failed, was the correct amount ultimately paid.).
  5. Results of additional testing (Note: Sites may opt to perform additional testing to get a better sense of how wide-spread the issue may be and how it might impact accounts.).
  6. The original likelihood and impact ratings at the risk and control level.
  7. Whether all transactions/dollars may be affected equally or have the same likelihood and impact of occurrence (e.g., would the nature of an invoice approval control failure indicate that federal invoices are impacted differently than commercial invoices?).
  8. Potential impact on the core financial reporting assertions (PERCV).
  9. Potential impact of any entity level control issues that may increase the impact of the deficiency.
  10. Level of automation in the controls or lack thereof.
  11. Existence of backup controls that were known to be working effectively, whether originally considered key controls or not.
  12. Other criteria the site believes are important to its assessment.

### **Example Nature of Deficiency Insignificant**

**Material Account:** Accounts Payable

**Process:** Payable Management

**Nature of Deficiency (Significant):** There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/ underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors. Payments are a high risk activity for the site and, it is our professional judgment that the severity and impact of the deficiencies creates more than a remote likelihood that a material misstatement may not be prevented or detected.

### **Example Nature of Deficiency Insignificant<sup>6</sup>**



# A-123 Quick Start Guide Reporting and Assurance



- For all Material Accounts with identified deficiencies in the **Assurance Rating column** select, from the drop down box, material weakness, reportable condition, or not significant.

AART - Assurance Summary					
Select View: <input type="text" value="Select view"/>					
FO Code: CH					
Date: November 20, 2006					
Attester: Shoshi Geller					
Deficiency	No. Mat Acct	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale
<b>Material Accounts Summary</b>					
<b>Balance Sheet</b>					
Y Intragovernmental Fund Balance with Treasury		\$ 15,000	\$	not sig	
Intragovernmental Investment Assets					
Intragovernmental Regulatory Assets					
Accounts Receivable, Net					
Nuclear Materials					
Strategic Petroleum and Northeast Home Heating Oil Reserve					
Y General Property, Plant and Equipment		\$ 50,000	\$	mat	
Regulatory Assets					
Y Other non-intragovernmental assets		\$ 6,500	\$	not sig	
Intragovernmental debt					
Intragovernmental appropriated capital owned					
Y Accounts Payable		\$ 10,000	\$	rep	
Debt					

- Record rationale for **all** accounts regardless of rating. While brief, the narrative should be descriptive enough to provide the reader with a firm understanding of the problem. This description might include (but is not limited to) the following:
  - A summary of the nature of the deficiency (you may use language from the Local & Assurance Rollup Sheets to assist.).
  - A summary of potential impacts (you may use language from the Local & Assurance Rollup Sheets to assist.).
  - A summary statement on the key factors that drove the decision.
  - A statement that there is or is not more than a remote likelihood that a material misstatement (affecting the noted account) may not be prevented or detected

**A well formulated rationale:** There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors. Payments are a high risk activity for the site and, it is our professional judgment that the severity and impact of the deficiencies created more than a remote likelihood that a material misstatement may not be prevented or detected.

AART - Assurance Summary					
Select View: <input type="text" value="Select view"/> <a href="#">HELP</a>					
FO Code: TST					
Date: November 5, 2006					
Attester: Shoshi Geller					
Deficiency	No. Mat Acct	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale
<b>Material Accounts Summary</b>					
<b>Balance Sheet</b>					
Y Other non-intragovernmental assets		\$ 6,900	\$ 69	not sig	
Intragovernmental debt					
Intragovernmental appropriated capital owned					
Y Accounts Payable		\$ 10,000	\$ 100	mat	There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/ underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors. Payments are a high risk activity for the site and, it is our professional judgment that the severity and impact of the deficiencies creates more than a remote likelihood that a material misstatement may not be prevented



# A-123 Quick Start Guide Reporting and Assurance

- Develop a summary **Strategy for Correction** for each account with a material weakness or reportable condition based on the corrective action plans **identified** and in process at the local levels.

**Material Account:** Accounts Payable  
**Process:** Payable Management

**Strategy for Correction:** Steps to correct the deficiency have already been taken. The key strategies for correction are to:

- Do a 100% review of invoices for the last 12 months to identify any instances where the controls failed.
- Recover/repay any over/under payments.
- Perform monthly spot audits to ensure that controls are being implemented properly.
- Retrain payment personnel and specifically link their performance ratings to adherence to control standards.
- Revise quarterly erroneous payment review procedures to increase the likelihood of detecting such failures in the future.



- Record the **Strategy for Correction** summary for any material weakness or reportable condition ratings (not required for *not significant* items) into the Strategy for Correction column of the Assurance Summary tab.

AART - Assurance Summary					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>			
FO Code: TST					
Date: November 5, 2006					
Attester: Shoshi Geller					
No. Mat Acct					
Deficiency	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale	Strategy for Correction
<b>Balance Sheet</b>					
Other non-intragovernmental assets	\$ 6,900	\$ 69	not sig		
Intragovernmental debt					
Intragovernmental appropriated capital owned					
<b>Accounts Payable</b>	\$ 10,000	\$ 100	mat	There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors. Payments are a high risk activity for the site and, it is our professional judgment that the severity and impact of the deficiencies creates more than a remote likelihood that a material misstatement may not be prevented or detected.	Steps to correct the deficiency have already been taken. The key strategies for correction are to: a) Do a 100% review of invoices for the last 12 months to identify any instances where the controls failed. b) Recover/repay any over/under payments. c) Perform monthly spot audits to ensure that controls are being implemented properly. d) Retrain payment personnel and specifically link their performance ratings to adherence to control standards. e) Revise quarterly erroneous payment review procedures to increase the likelihood of detecting such failures in the future.



- It is highly recommended to enter the location information of the any Detailed A-123 Documentation in the **Supporting Documentation** field of the AART.

AART - Assurance Summary					
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>			
FO Code: TST					
Date: November 5, 2006					
Attester: Shoshi Geller					
No. Mat Acct					
Deficiency	Total Account Balance ('000)	Material Weakness Threshold ('000)	Assurance Rating	Rationale	Supporting Documentation
<b>Balance Sheet</b>					
Other non-intragovernmental assets	\$ 6,900	\$ 69	not sig		
Intragovernmental debt					
Intragovernmental appropriated capital owned					
<b>Accounts Payable</b>	\$ 10,000	\$ 100	mat	There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in all three key controls. In addition, follow-up work revealed that 20 of the 20 failures noted resulted in over/underpayments being made. In addition, post payment detective controls, such as quarterly erroneous payment reviews failed to detect these errors. Payments are a high risk activity for the site and, it is our professional judgment that the severity and impact of the deficiencies creates more than a remote likelihood that a material misstatement may not be prevented or detected.	Dean's office filing cabinet



# A-123 Quick Start Guide Reporting and Assurance

## G. Update the Assurance by Process tab based on the information populated in the Assurance Summary tab.



- For all processes with deficiencies and identified by a "y", review the Assurance Summary tab and the Assurance Rollup tab to see if any deficiencies related to that process are the cause of a Material Weakness or Reportable Condition at the Account level.

Select the respective rating (i.e., material weakness, reportable condition, or not significant) from the drop down list to provide the **Assurance Rating**.

AART - Assurance by Process		VERSION 4.0	
Select View: <input type="text" value="Select view"/>			
FO Code	CH		
Date			
Attester	Shoshi Geller		
Number of Material Weaknesses by Process		0	
Deficiency Rating	Process	Accounts Materially Impacted	Strategy for Correction
	General Ledger Management		
	Funds Management		
y	sig FBWT		
	Cost Management		
	Insurance		
	Grants		
	Loans		
	Acquisition		
y	mat <b>Inventory Management</b>		
y	rep <b>Payable Management</b>		
	Travel		
	Revenue		



- Enter the Accounts that are materially impacted by the deficient processes (i.e., indicated as having material weaknesses or reportable conditions in the Assurance Rating column) into the **Accounts Materially Impacted** column.

AART - Assurance by Process		VERSION 4.0	
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>	
FO Code	TST		
Date			
Attester	Shoshi Geller		
Number of Material Weaknesses by Process		1	
Deficiency Assurance Rating	Process	Accounts Materially Impacted	Strategy for Correction
	General Ledger Management		
	Funds Management		
y	not sig FBWT		
	Cost Management		
	Insurance		
	Grants		
	Loans		
	Acquisition		
y	mat <b>Inventory Management</b>	General Property, Plant and Equipment	
y	rep <b>Payable Management</b>	Accounts Payable, Other Non-	



# A-123 Quick Start Guide Reporting and Assurance



3. Develop a summary **Strategy for Correction** for each process with a material weakness or reportable condition based on the corrective action plans identified and in process at the local levels.

AART - Assurance by Process				
Select View: <input type="text" value="Select view"/> <input type="button" value="HELP"/>				
FO Code		TST		
Date				
Attester		Shoshi Geller		
Number of Material Weaknesses by Process		1		
Deficiency	Assurance Rating	Process	Accounts Materially Impacted	Strategy for Correction
y	mat	Inventory Management	General Property, Plant and Equipment	Steps to correct the deficiency have already been taken. The key strategies for correction are to: Do a 100% review of invoices for the last 12 months to identify any instances where the control failed. Recover/repay any over/under payments; Perform monthly spot audits to ensure that the controls are being implemented properly; Retrain payment personnel and specifically link their performance ratings to adherence to control standards; Revise quarterly erroneous payment review procedure to increase the likelihood of detecting such failures in the future.



4. Fill in the **Remediation Status** and **CAP Reference(s)** column with appropriate status and reference information.

Z								
Select View: <input type="text" value="Select view"/> <input type="button" value="HELP"/>								
FO Code		TST						
Date								
Attester		Shoshi Geller						
Number of Material Weaknesses by Process		1						
Deficiency	Assurance Rating	Process	Accounts Materially Impacted	Strategy for Correction				
y	mat	Inventory Management	General Property, Plant and Equipment	Steps to correct the deficiency have already been taken. The key strategies for correction are to: Do a 100% review of invoices for the last 12 months to identify any instances where the control failed. Recover/repay any over/under payments; Perform monthly spot audits to ensure that the controls are being implemented properly; Retrain payment personnel and specifically link their performance ratings to adherence to control standards; Revise quarterly erroneous payment review procedure to increase the likelihood of detecting such failures in the future.				
				<table border="1"> <thead> <tr> <th>Rem. Status</th> <th>CAP References</th> </tr> </thead> <tbody> <tr> <td>In Progress</td> <td>CAP-TST-1</td> </tr> </tbody> </table>	Rem. Status	CAP References	In Progress	CAP-TST-1
Rem. Status	CAP References							
In Progress	CAP-TST-1							



Prior to preparing your Year-End Assurance Statement consider any Entity deficiencies and the overall level of assurance.



# A-123 Quick Start Guide Reporting and Assurance

## ***H. Submit Year End Assurance Report***

1. Refer to A-123 Annual Guidance and/or DOE A-123 Website for required reporting dates.
2. Complete the year end Assurance Statement using either the DOE Field Assurance Report Template or the DOE LPSO/CD Assurance Report Template using the information compiled in the assurance tabs of the AART.
3. Prepare the Assurance submission packet.
  - a. Completed Year End Assurance Statement
  - b. AART Tool suites (FO must include all Site AARTs)
  - c. Material Weakness Corrective Action Plans and/or Reportable Condition Corrective Action Plans
4. Submit the Assurance submission packet.

### **FIELD OFFICE**

- a. Send a hardcopy to the Lead Program Secretarial Office (LPSO)
- b. Send carbon copy to other Secretarial Offices that provide significant funding to the Site.
- c. Send carbon copy to the Headquarters Office of the Chief Financial Officer / Office of Internal Review, and A-123 Project Management Team.
- d. An electronic copy is to be submitted via e-mail to the A-123 Helpdesk at [A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov).

### **LPSO/CD**

- a. Send a hard copy to the Chief Financial Officer (CFO) with a carbon copy to the Headquarters Office of the Chief Financial Officer / Office of Internal Review.
- b. Send a carbon copy to the A-123 Project Management Team.
- c. An electronic copy is to be submitted via e-mail to the A-123 Helpdesk at [A-123Helpdesk@hq.doe.gov](mailto:A-123Helpdesk@hq.doe.gov).



# A-123 Quick Start Guide Reporting and Assurance

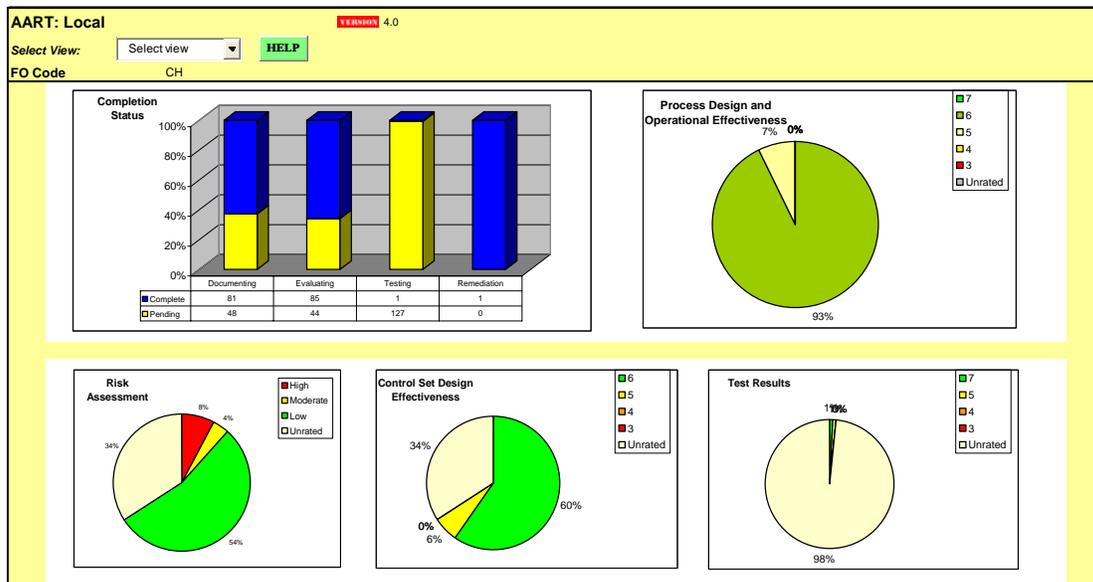
## SUPPLEMENTARY INFORMATION AND DEFINITIONS

<sup>1</sup> The account status column of the Rollup AART provides the Field Office with the ability to quickly identify Material Accounts with process or entity control environment deficiencies across all elements under your cognizance.

AART: Rollup		Chicago-Rollup										Chicago					Argonne National Lab					Brookhaven National Lab							
Select View: <input type="text" value="Select view"/> <input type="button" value="HELP"/>																	<input type="button" value="Import"/>					<input type="button" value="Import"/>							
Chicago																													
FO	CH	FO-CH										CH					ANL					BNL							
Attester:		Tom Foley, CFO										Tom Foley, CFO					Michael Bartos, CFO												
Material Account	Acct Status	MAD	EC	B2C	P2P	D2C	P2A	ERM	MAD	EC	B2C	P2P	D2C	P2A	ERM	MAD	EC	B2C	P2P	D2C	P2A	ERM	MAD	EC	B2C	P2P	D2C	P2A	ERM
<b>Balance Sheet</b>																													
Intragovernmental Fund Balance with Treasury	5	y	6	5	6	6	6	y	6	5	6	6	6																
Intragovernmental Investment																													
Intragovernmental Regulatory Assets																													
Accounts Receivable, Net																													
Nuclear Materials	6	y	6		6												Y	6		6									
Strategic Petroleum and Northeast Home Heating Oil Reserve																													
General Property, Plant and Equipment	6	y	6		6												Y	6		6									
Regulatory Assets																													
Other non-intragovernmental assets																													
Intragovernmental debt																													

The account status will display the lowest rating of the Material Account row. In the event that a Field Office Entity Control Environment is deemed deficient, that Overall EC rating will impact all accounts.

<sup>2</sup> The statistics tab includes charts displaying local progress and key metrics. Results are based on local data included in the AART (no "Rollup" data is included). An explanation of the charts is available below the charts on the statistics tab.





# A-123 Quick Start Guide Reporting and Assurance

<sup>3</sup> Example: Potential Insignificant Impact

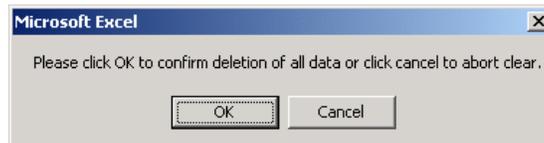
**Example Potential Insignificant Impact**

**Material Account:** Accounts Payable  
**Process:** Payable Management  
**Potential Insignificant Impact:** The control deficiency could potentially result in significant non-compliance with laws and regulations. However, occurrence of this risk has no direct impact on account balances. Factors contributing to this determination include: the nature of the risk the control was designed to offset; the results of testing, which identified systemic control failures and actual instances of failure to comply with regulations.

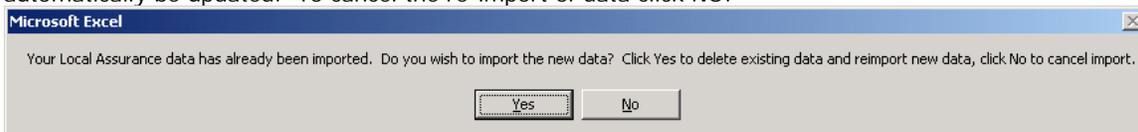
<sup>4</sup> If data from the previous year Assurance exists in the Assurance Rollup tab, or you wish to restart the Assurance process, click the CLEAR ALL button in the header of the Assurance Rollup tab.

AART - Assurance Rollup				VERSION 5.0	
Select View: <input type="text" value="Select view"/>		<input type="button" value="HELP"/>		<input type="button" value="IMPORT SITES"/> <input type="button" value="CLEAR ALL"/>	
FO Code	EMCBC			Rationale	
Date				Documentation Location	
Attester	Lance Schlag				
<input type="button" value="Insert Row"/>					
Material Account	Process	Site Code	Rating	Nature of Deficiency	
No Deficiencies		EMCBC			

You will be prompted with a confirmation that you wish to proceed. Click OK to continue clearing all data and click CANCEL to exit the clear all function.



<sup>5</sup> **[Applies to both Import Local and Import Site buttons]** If the data already exists in the AART Assurance Rollup tab you will be prompted whether or not you wish to overwrite the existing data. This action will delete the rows to enable a re-import. Therefore, if the Field Office has adjusted any of the associated descriptive the data will be lost. To continue the re-import of the data click YES. The data will automatically be updated. To cancel the re-import of data click NO.



A message box will notify you that the import has been cancelled. Click OK to return to Assurance Rollup tab of the AART.





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<sup>6</sup> Example: Nature of Deficiency (Insignificant)

**Example 2 Nature of Deficiency Insignificant**

**Material Account:** Accounts Payable

**Process:** Payable Management

**Nature of Deficiency (Insignificant):** There are three primary controls to ensure that over/underpayments on commercial invoices are not made due to lack of knowledge by the payment technician regarding whether charges are valid. Testing revealed systemic failure in one of the key controls. However, follow-up work revealed that none of the failures noted during testing resulted in actual over/underpayments as the other key controls were effective backups to ensure the control objective was achieved. In addition, post payment detective controls, such as quarterly erroneous payment reviews have proven effective in detecting any errors that may occur. Based on the effectiveness of the control set taken as a whole, it is our professional judgment that there is not more than a remote likelihood that a material misstatement may not be prevented or detected.