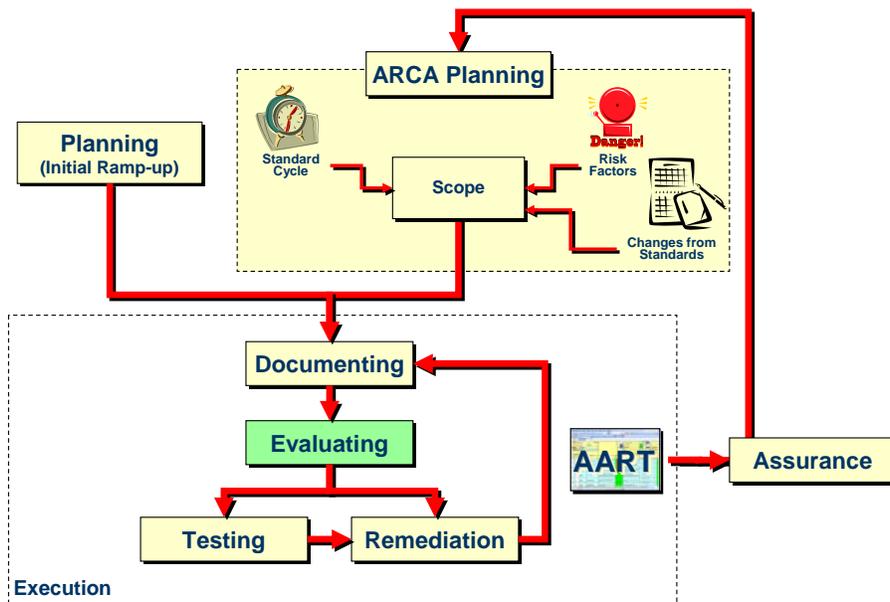




A-123 Quick Start Guide - Evaluating



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

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

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><u>Significant Design Deficiency</u></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><u>Significant Deficiency</u></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><u>Design Deficiency</u></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><u>Deficiency</u></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><u>Minor Design Deficiency</u></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><u>Minor Deficiency</u></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><u>Designed Effectively</u></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><u>Designed Effectively</u></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.

<i>IF</i> completion of Control Design Effectiveness assessment is:	<i>AND</i> Test ratings are:	<i>THEN</i> 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 ¹



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:											
FO	CH										
Attester	Art Geller										
Implementer	Shelley Hart										
Date Updated	October 31, 2008										
<input type="button" value="Insert Row"/> <input type="button" value="Delete Row"/>											
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev/ Det	Cntl Type	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"> 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] 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] Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year. [P] Annual employee appraisals include a section to discuss employees' behavior. [D] Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports. [D] Management encourages anonymous e-mails to report unethical behavior. [D] Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven. [D] Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D] 	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"> Control Environment Control Activities Information and Communications Risk Assessment Monitoring 										Area Ratings Rationale					
PD	CA	CA	CA											Area Documentation - Head					
Alphabet	Ass Center	Ass Center	Ass Center											Control Design Effectiveness Rating Rationale					
Implementer	Shelley Platt	Shelley Platt	Shelley Platt											Level 1					
Date Updated	October 11, 2016	October 11, 2016	October 11, 2016											Level 2					
Ref. Col.	Cycle	Area	Sub-Category	Risks	Issue Found	Impact	Risk Assess. Mat.	Controls	Prev. Det.	Ctrl. Type	Ctrl. Freq.	Control Depth	Ctrl. Results	Control Efficiency	Remediation Plan	Notes	Comments		
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.				<ul style="list-style-type: none"> It provides and enforces 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 is distributed to all employees [1] 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] Meetings are conducted that include integrity and ethical values as an agenda item and employees are required to attend once a year [1] Annual employee appraisals include a section to focus employee behavior [2] Management maintains an open door policy to ensure that any unethical behavior is reported and management looks into any reports [2] Management encourages anonymous e-mails to report unethical behavior [2] Management takes appropriate action immediately once an allegation of unethical or illegal behavior has been proven [2] Management has a "no tolerance" policy and terminates anyone who commits unethical or illegal infractions. [2] 	PreD	Man	Y	6		NA				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			Assessor			Implementer			Date Entered			Control Environment			Control Activities			Information and Communication			Risk Assessment			Monitoring			Area Rating			Area Documented			Location					
Reg Col	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Assess	Control	Del	Type	Del Freq	Del Method	Control Design Effectiveness	Control Sufficiency	Remediation Plan	REGC	CCRP	SEVER	Date Cont'd	Control Design Effectiveness Rating Rationale	Where documentation is filed																	
02		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"> 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) 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) Managers are instructed that include integrity and ethical values as an agenda item and employees are required to attend once a year (P) Annual employee appraisals include a section to assess employee behavior (P) Management maintains an open door policy to discuss the any unethical behavior in reported and management looks into any reports (E) Management encourages appropriate actions to report unethical behavior (E) Management takes appropriate action immediately based on a report of unethical or illegal behavior (E) Management has a "whistleblower" policy and terminates anyone who commits unethical or illegal behavior (E) 	FD	Man	M	1	Y		no						<ul style="list-style-type: none"> Management practices the ethical and legal standards as written in the Code of Conduct This organization has had only one major violation in the past 12 years which was dealt with immediately and appropriately. Employees, who have received training for business transactions, were not prohibited or prohibited and no further incidents were reported. Management tracks very strongly that the published Code of Conduct and follow up annual reviews. The management policy, process the proper system to assess to all employees Management's integrity and ethical values. However, since there is no submission in the control set, the effectiveness rating is a 5. 																	

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. 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 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.

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			Assessor			Implementer			Date Entered			Control Environment			Control Activities			Information and Communication			Risk Assessment			Monitoring			Area Rating			Area Documented			Location					
Reg Col	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Assess	Control	Del	Type	Del Freq	Del Method	Control Design Effectiveness	Control Sufficiency	Remediation Plan	REGC	CCRP	SEVER	Date Cont'd	Control Design Effectiveness Rating Rationale	Where documentation is filed																	
02		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"> 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) 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) Managers are instructed that include integrity and ethical values as an agenda item and employees are required to attend once a year (P) Annual employee appraisals include a section to assess employee behavior (P) Management maintains an open door policy to discuss the any unethical behavior in reported and management looks into any reports (E) Management encourages appropriate actions to report unethical behavior (E) Management takes appropriate action immediately based on a report of unethical or illegal behavior (E) Management has a "whistleblower" policy and terminates anyone who commits unethical or illegal behavior (E) 	FD	Man	M	1	Y		no					<ul style="list-style-type: none"> Management practices the ethical and legal standards as written in the Code of Conduct This organization has had only one major violation in the past 12 years which was dealt with immediately and appropriately. Employees, who have received training for business transactions, were not prohibited or prohibited and no further incidents were reported. Management tracks very strongly that the published Code of Conduct and follow up annual reviews. The management policy, process the proper system to assess to all employees Management's integrity and ethical values. However, since there is no submission in the control set, the effectiveness rating is a 5. 																		



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] ID: [Dropdown] Manager: [Dropdown] Implementer: [Dropdown] Date Updated: [Dropdown]													Overall Entity Control Rating: 4		All areas exceeded COE standards	
Control Design Effectiveness Rating: 5													Area Rating Rationale: The review of all controls demonstrated that controls had been updated and were effective. The control related assessed best practices. A minor deficiency was noted.		Area Documentation Location:	
Ref ID	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Plan Review	Controls	Test Date	COE Type	COE Freq	Test Results	Control Effectiveness	Remediation Plan	Control Design Effectiveness Rating Rationale	Documentation Location (where documentation is held)
01		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance or practice its ethical values and/or standards to employees, suppliers, creditors, providers, 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 [5] All employees on every hard copy need, accept and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct" [5] A Management has conducted that include integrity and ethical values as an separate item and employees are required to attend once a year [5] Actual employee approvals include a section to ensure that any unethical behavior is reported and management takes the appropriate action [5] Management takes appropriate action immediately upon an allegation of unethical or illegal behavior that is over proven [5] Management has a "zero tolerance" policy and communicates clearly with controls unethical or illegal indications [5]		FD	Ann	5	5		Management practices the ethical and legal behaviors as written in the Code of Conduct. The organization has had only one minor infraction 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 further records were reported. Management has very strongly that the published Code of Conduct and ethical code required along with its open door policy, provide the proper basis to control 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 HR. Code of Conduct with copy maintained on the website. Copies of minutes of quarterly meetings forwarded will send on the website. Employee approvals 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:

- 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 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] ID: [Dropdown] Manager: [Dropdown] Implementer: [Dropdown] Date Updated: [Dropdown]													Overall Entity Control Rating: 4		All areas exceeded COE standards	
Control Design Effectiveness Rating: 5													Area Rating Rationale: The review of all controls demonstrated that controls had been updated and were effective. The control related assessed best practices. A minor deficiency was noted.		Area Documentation Location:	
Ref ID	Cycle	Area	Sub-Category	Risks	Last Eval	Next Eval	Plan Review	Controls	Test Date	COE Type	COE Freq	Test Results	Control Effectiveness	Remediation Plan	Control Design Effectiveness Rating Rationale	Documentation Location (where documentation is held)
01		Control Environment	Integrity and Ethical Values	Management does not communicate, provide guidance or practice its ethical values and/or standards to employees, suppliers, creditors, providers, 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 [5] All employees on every hard copy need, accept and sign a document indicating they understand and will follow the guidance as outlined in the "Code of Conduct" [5] A Management has conducted that include integrity and ethical values as an separate item and employees are required to attend once a year [5] Actual employee approvals include a section to ensure that any unethical behavior is reported and management takes the appropriate action [5] Management takes appropriate action immediately upon an allegation of unethical or illegal behavior that is over proven [5] Management has a "zero tolerance" policy and communicates clearly with controls unethical or illegal indications [5]		FD	Ann	5	5		Management practices the ethical and legal behaviors as written in the Code of Conduct. The organization has had only one minor infraction 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 further records were reported. Management has very strongly that the published Code of Conduct and ethical code required along with its open door policy, provide the proper basis to control 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 HR. Code of Conduct with copy maintained on the website. Copies of minutes of quarterly meetings forwarded will send on the website. Employee approvals 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 - Invoice²



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

AART: PCS Assess										General Ledger Management																			
Select View: FO: CH Attester: Ard Geller Implementer: Shelley Hart Date Updated: October 31, 2008										BGC: Funds Management FBWT Cost Management Insurance Grants Loans Acquisition Inventory Management Payable Management										PFA: Travel Revenue Receivable Management Project Cost Management Property Management Seized Property Management Human Resources Payroll Benefits									
Ref Cat	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev Det	P	E	R	C	V	Ctrl Type	Ctrl Eff	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 A/P 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 A/P 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	P&D	Y	Y	Y	Y	Y	Aut	R	6												



A-123 Quick Start Guide – Evaluating



- 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					
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
PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC	PC



- 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.

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



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

¹ 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]

² 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]