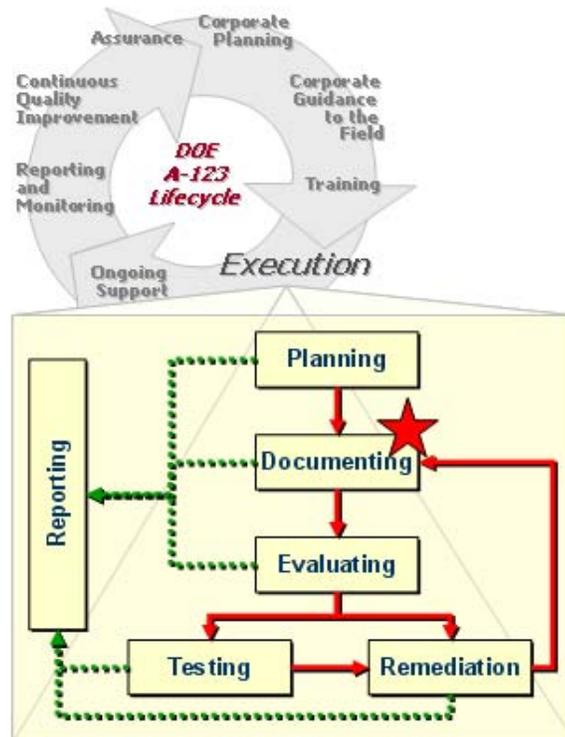




Quick Start Guide (QSG) 2 - Documenting



Purpose	<ul style="list-style-type: none"> 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.
Key Activities	<p>Identify and Record</p> <ul style="list-style-type: none"> Entity Level Risks and Controls Processes and Sub-Processes Sub-Process Risks and Controls Financial Statement Assertions Location of Source and Detailed Documentation
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



Quick Start Guide 2 – Documenting

Users who have completed an A-123 cycle in FY06 may have already completed many of the activities described herein. It is still recommended that the Documenting Guide be reviewed to ensure that your organization is in compliance with all additional FY07 guidance.

 The examples throughout these guides are based on a Procure to Pay (P2P) process cycle scenario, within a government agency. The business cycle from Requisitioning goods and services through the Payment of invoices is used to exemplify process risks and controls, as well as entity risks and controls within a large organization.

End note references are provided with more detailed information at the end of the guide.

DOCUMENT LEGEND

 Note box	 AART Input Color schemes indicate tab entry
 Requirements box	 Detailed Documentation Requirements
 Tip box	



Quick Start Guide 2 – Documenting

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 objectives¹: 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 **P**resentation and disclosure; **E**xistence and occurrence; **R**ights and obligations; **C**ompleteness and accuracy and **V**aluation or allocation (PERCV²) 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.



Quick Start Guide 2 – Documenting



ECS-ASSESS

- 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 VERSION 4.0				
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
	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 government funds.

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.

- Repeat these steps for all 32 sub-categories.

B. Assign the Inherent Risk Rating⁵ (Likelihood and Impact)

- 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 environment⁶. In determining Likelihood, consider among other things the following,
 - Organizational Culture
 - Stability and focus of leadership
 - Vision imparted by leadership to the organization
 - Variety of backgrounds/knowledge of personnel
 - Stability of workforce
 - Skill level and technical competence of workforce



Quick Start Guide 2 – Documenting

- b. Type of organization
 - i) Co-location
 - ii) Size of distributed offices
 - iii) Size of business units
 - c. Technological maturity
 - i) Level of integration
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

Examples:

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 - <u>An organization of 20 people co-located in a war room type of environment with strong, visible leadership.</u>	
Risk Impact: HIGH - <u>Business units responsible for the management of the nuclear material stockpile (high financial liabilities).</u>	

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.	
Risk Likelihood: HIGH - <u>A decentralized organization with high turnover and a high number of requisitioning and approving officials.</u>	
Risk Impact: LOW - <u>Total annual requisitions are less than \$1M in a \$10B operation.</u>	



Quick Start Guide 2 – 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 VERSION 4.0							
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



- Document the inherent risk assessment rationale, explaining the reason for selecting the Likelihood and Impact ratings and record in the Detailed A-123 Documentation.



Quick Start Guide 2 – Documenting

C. Identify and Record Key Entity Controls⁷

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]⁸
 - c. Level of Automation (i.e. Manual, Partially Automated or Automated)
 - d. Single Control or Multiple Controls (Control Set) can mitigate a specific risk

Examples:

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: **To promote and enforce ethical behavior:**

To promote and enforce ethical behavior:

(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]



Quick Start Guide 2 – Documenting

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: To prevent fraud, waste and/or abuse.

(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]



ECS-ASSESS

- 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							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		
Insert Row		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	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] 	

Control Set



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.



Quick Start Guide 2 – Documenting

D. Identify and Record Control Set Attributes

1. Determine the Control Set Mode of the key controls contained in each control Set: Preventive (P), Detective (D), or Both (P&D)⁹.
2. Determine if the Control Set is Entirely Automated (Aut), Entirely Manual (Man), or Partially Automated (Pau).
3. 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.*



ECS-ASSESS

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

AART: ECS Assess							Overall Entity Control Ratings				
Ref Col	Cycle	Area	Sub-Category	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev/Det	Crit Type	Crit 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"> 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] 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 upon an allegation of unethical or illegal behavior, when proven. [D] Management has a "no-tolerance" policy and terminates anyone who commits unethical or illegal indiscretions. [D] 	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"> 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] Workflow technology is implemented to automate work flow message distribution to monitor expenditures and approvals. [P] Workflow technology is implemented to enforce limits of authority management. [P] Only 3 Administrators have the authorization to create and / or change security profiles and workflow rules. [P] 	P&D	Aut	R



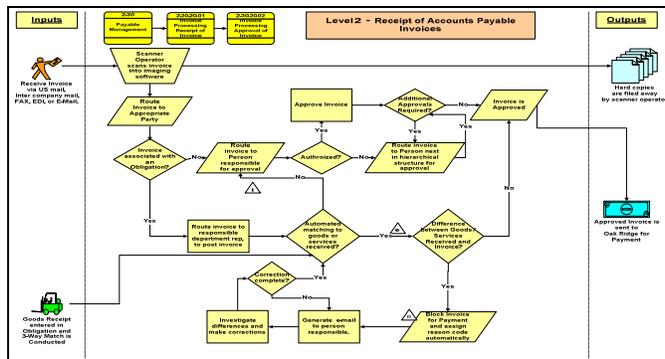
Quick Start Guide 2 – Documenting

Process Control Summary (PCS)

F. Collect process control source documentation.

1. Collect all existing source documentation relating to the standard PCS processes and sub-processes, for example:
 - a. Process Flow Diagrams
 - b. Narratives
 - c. Desk Guides
 - d. Business Process Procedures
 - e. System Application Documentation

Example:



DOE HQ has developed a process mapping Form and Content guide that may be used in updating or creating new documentation.

The Process Mapping Documentation Instructions and Form and Content document can be found on the DOE A-123 Website.

2. Regardless of form, validate that process/sub-process source documentation meets the following minimum A-123 requirements,
 - a. Must present Key process steps/activities with sufficient detail to ensure understanding
 - b. Should segregate into manageable sub-processes
 - c. Must identify key Risk Statements
 - d. Must identify key controls and their relation to the risks
 - e. Type/Mode and Frequency of controls (e.g. Automated/manual, preventive/detective, annual/recurring, etc.) should be captured

Adequate documentation of processes will support completion of the AART and the evaluation of controls.

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



Quick Start Guide 2 – Documenting

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).



PCS-ASSESS

AART: PCS Assess				B/C				P2P			
AART: PCS Assess VERSION 4.0 Select View: FO: CH Attester: Ard Geller Implementer: Shelley Hart Date Updated: October 31, 2006				General Ledger Management Funds Management FBWT Cost Management Insurance Grants Loans				y Acquisition y Inventory Management y Payable Management			
<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			
	P2P	Acquisition	Create Requisition								
	P2P	Inventory Management	Receive Goods & Services								
	P2P	Payable Management	Payee Information Maintenance								
	P2P	Payable Management	Disbursing								
	P2P	Payable Management	Invoice								



Quick Start Guide 2 – Documenting

H. Identify and Record Inherent Risk Statements

1. Using the source documentation, identify all inherent risks at the activity¹¹ level related to the sub-process. Consider key financial statement assertions (PERCV¹²) 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]

*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.*

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).

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.



Quick Start Guide 2 – Documenting



PCS-ASSESS

- 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 VERSION 4.0				
<i>Select View:</i>				
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
	P2P	Payable Management	Disbursing	Invoice amount exceeds obligation and approved funding, resulting in non-compliance with the Anti-Deficiency Act.
	P2P	Payable Management	Disbursing	Duplicate payments may be made, resulting in extraordinary burden to the government due to potential loss of unrecoverable funds.
	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.

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.



PCS-ASSESS

- 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 VERSION 4.0													
<i>Select View:</i>													
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



Quick Start Guide 2 – Documenting

1. Assign the Inherent Risk Rating (Likelihood and Impact)

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

2. 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:
 - a. Value of individual transactions
 - b. Non-Compliance with laws and regulations
 - c. Legal ramifications
 - d. Public Relations impacts

Examples:

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

Risk Impact: HIGH - Dollar value of payment transactions on contracts is 20% of operating budget.

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

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

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.

Risk 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.



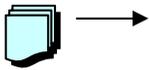
Quick Start Guide 2 – Documenting



PCS-ASSESS

- 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					B2C	P2P	
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
	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 Detailed Documentation

- Document, in the Detailed A-123 Documentation, the risk assessment rationale, explaining the reason for selecting the Likelihood and Impact ratings.
- Repeat steps from Section G for all risk statements.



Quick Start Guide 2 – Documenting

J. Identify and Record Key Process Controls¹³

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]¹⁴
 - c. Level of Automation (i.e. Manual, Partially Automated or Automated)
 - d. Single Control or Multiple Controls (Control Set) can mitigate a specific risk
2. Examples of control set statements are:

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: <u>To comply with Anti-Deficiency Act</u> <u>(1) System automatically closes contracts when receipts and invoices have been posted and paid equal to the amount of the contract.[P/Aut]</u> <u>(2) Invoices in excess of contract are automatically rejected with the reason code indicating that the contract is complete. [P/Aut]</u> <u>(3) Rejected invoices are sent back to appropriate departments for follow-up.[D/Pau]</u>	
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: <u>To prevent loss of funds.</u> <u>(1) System rejects entry of duplicate invoice numbers.[P/Aut]</u> <u>(2) System issues a warning if invoice numbers are different and amounts and payee are the same.[P/Pau]</u> <u>(3) Monthly report of potentially duplicate invoices is generated and reviewed by AP Supervisor.[D/Pau]</u>	

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: <u>To prevent loss of funds.</u> <u>(1) Goods and / or services received are posted to contract in receiving system which updates accounting system. [P/Pau]</u> <u>(2) Invoice is posted to contract and is automatically placed on hold if the goods and / or services have not been posted. [P/Aut]</u> <u>(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]</u> <u>(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]</u>	



Quick Start Guide 2 – Documenting



PCS-ASSESS

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

AART: PCS Assess						BZC		P&P	
Select View: FO: CH Attester: Ard Geller Implementer: Shelley Hart Date Updated: October 31, 2006						General Ledger Management Funds Management FBWT Cost Management Insurance Grants Loans Acquisition Inventory Management Payable Management			
Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	
	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)	
	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 receipts to support the invoice. (P) • An e-mail is generated and sent to responsible party advising of discrepancy. (P) • A report is generated listing all invoices that are on hold with reason codes and is reviewed by the Accounting Manager weekly. (D)	
	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	To ensure that the government has received the goods and / or services that the invoice contains: • Goods and / or services are posted to contract. (P) • Invoice is posted to contract and is automatically placed on hold if the goods and / or services have not been posted. (P) • If the invoice is in excess of the amount posted for receipt of goods and / or services, the invoice is placed on hold. (P) • 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) • An A/P aging report with reason codes for invoices on hold is generated and reviewed by Accounts Payable Manager. (D)	

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

K. Identify and Record Control Set Attributes

- Determine the Mode of the Control Set based on of the key controls contained in each control Set: Preventive (P), Detective (D), or Both (P&D).
- Determine if the Control Set is Entirely Automated (Aut), Entirely Manual (Man), or Partially Automated (Pau).



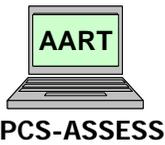
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- Determine the Control Frequency at which each control set is executed. In the case where controls within the control set are executed at different intervals (some monthly, some daily, etc), the frequency of the most critical key control should be indicated.

Control 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.*



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

Ref Col	Process Cycle	Processes	Sub-Processes	Risks	Likelihood	Impact	Risk Assessment	Controls	Prev Det	P	E	R	C	V	Crit Type	Crit Freq	Control Design Effective	Test Results	Control Inefficient
P2P	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	<ul style="list-style-type: none"> To ensure that all vendors are active: <ul style="list-style-type: none"> 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 parties. 	P&D	Y		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	<ul style="list-style-type: none"> To ensure that contract terms are adhered to: <ul style="list-style-type: none"> When an invoice is entered in the system of record payment terms are checked against those stored in the contract's 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 	P&D	Y		Y	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 earmarked for one project are used to pay...	M	H	H	<ul style="list-style-type: none"> To ensure compliance with Prompt Pay Act: <ul style="list-style-type: none"> System will automatically calculate due date with appropriate discounts at the time invoice is posted based on the terms in the contract. (P) 	P&D	Y		Y	Y	Y	Aut	R			

L. 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

Examples:

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



Quick Start Guide 2 – Documenting

SUPPLEMENTARY INFORMATION AND DEFINITIONS

¹ 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)

² 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.

³ 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.

⁴ 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.

⁵ Inherent risk rating – this is the perceived likelihood and impact of a specified risk occurring in an environment absent of mitigating controls.

⁶ 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.

⁷ 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.

⁸ 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.

⁹ 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.

¹⁰ 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 documentation used to support an A-123 related decision are included as part of the A-123 Detailed Documentation.



Quick Start Guide 2 – Documenting

¹¹ 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.

¹² 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.

¹³ 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.

¹⁴ 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.