Management Procedures for Risk Assessment

Instructions for Principles 6 & 7: Define Objectives and Risk Tolerances; and Identify, Analyze, and Respond to Risks

1. **Define objectives. (Column A)**

   Notice in Column A, there are six categories, each with five slots to enter in objectives. The categories are:

   - Operations Objectives - Objectives associated with verifying resources are being used in the most efficient and effective ways to fulfill the needs of the Agency.
   - Internal Nonfinancial Reporting Objectives - Objectives associated with the reporting internally of matters not involving finances including but not limited to human rights, Agency impact, and performance. "Internal" means reporting *within* the Agency.
   - External Nonfinancial Reporting Objectives – Objectives associated with the reporting externally of matters not involving finances including but not limited to human rights, Agency impact, and performance. "External" means reporting to a third party *outside* of the Agency.
   - Internal Financial Reporting Objectives – Objectives associated with the reporting of financial reports for internal use using reports and financial statements, including but not limited to observations of Agency's past, short-term, and long-term performance. "Internal" means reporting *within* the Agency.
   - External Financial Reporting Objectives - Objectives associated with the reporting of financial reports for external use using reports and financial statements, including but not limited to observations of Agency's past, short-term, and long-term performance. "External" means reporting to a third party *outside* of the Agency.
   - Compliance Objectives - Objectives associated with verifying the Agency complies with statutes, regulations, rules, and requirements.

   Define three to five objectives in each category applicable to the Agency or Bureau in order of importance for the Agency or Bureau. Please note that some categories may not be applicable to each Agency or Bureau. For example, some agencies or bureaus may not do external financial reporting, and therefore will not need to list any external financial reporting objectives. However, at least 10 total objectives should be defined among the objective categories that do apply. These objectives should be in specific and measurable terms to enable the design of control for related risks. They should be understood at all levels of the Agency or Bureau and be measurable so that performance toward achieving the objectives can be accessed. The objectives should be free of bias, without subjective judgements and stated in a quantitative or qualitative form. It could be possible that an objective could fit in multiple categories listed above. If this is the case, only use the category in which the objective it is most closely associated with. To help with developing instructions, see the sample objectives listed at the end of this document, which include samples of their risk tolerance, risks, risk impact, risk likelihood, and Agency response as instructions note in the following steps.

2. **Define risk tolerance for each objective. (Column B)**

   Risk Tolerance is the acceptable level of difference in performance relative to the achievement of objectives. Risk tolerance should be defined by management by ensuring that the set levels of over- or under-performance of measures are appropriate for the design of an internal control system.

For Category 1 Operations Objectives

Identify the level of over- or under-performance relative to the achievement of the objectives (or risk of not achieving the objectives). Based on the objective, select an option from the dropdown menu in Column B that reflects the Agency or Bureau's tolerance for risk. For definitions of quantitative measurements and an example, see below.

- Much more risk reduction needed - Major risk that resources are not being used effectively or that more resources are needed. Over +25% difference of current measurements from the target measurement.
- Some more risk reduction needed - Minor risk that resources are not being used effectively or that a few more resources are needed. Between +6% and +25% difference of current measurements from the target measurement.
- Current risk levels are acceptable - The deviation expected of current measurements from the target measurement is immaterial. +/- 5% difference.
- Some more risk taking is needed - Minor risk that resources are not being used to their full potential or that a few less resources are needed. Between -6% and -25% difference of current measurements from the target measurement.
- Much more risk taking is needed - Major risk that resources are not being used to their full potential or that less resources are needed. Less than -25% difference of current measurements from the target measurement.

An example: If a Bureau is targeting the purchase of 100 cars per year, and during the past year they bought 90 cars, the difference from current measurements would be 10 (or 10%). Therefore, "some more risk reduction is needed." If a Bureau purchased 110 cars during the past year, the difference from current measurements would be -10 (or -10%) and "some more risk taking is needed" because we have more assets than our target.

For Category 2 Internal Non-financial Reporting Objectives

Identify the level of precision that is suitable for user needs, involving both qualitive and quantitative considerations to meet the needs of the nonfinancial report user. Based on the objective, select an option from the drop-down menu in Column B that reflects the Agency or Bureau's precision tolerance for risk. For definitions, see below.

- Lower precision tolerance – less than 50% of acceptable level of variation relative to the expected objective.
- Moderate precision tolerance - between 50% and 150% of acceptable level of variation relative to the expected objective.
- Higher precision tolerance – greater than 150% of acceptable level of variation relative to the expected objective.

An example: If a Bureau expects to buy 100 computers, and in the past was within 10 computers of that expectation a range (so 90 to 110), but is comfortable decreasing that precision to be within 20 of the expectation (so 80 to 120), then because 20 is 200% of 10, that objective now has a "higher precision tolerance."

For Category 3 External Non-financial Reporting Objectives

Identify the level of precision that is suitable for user needs, involving both qualitive and quantitative considerations to meet the needs of the nonfinancial report user. Based on the objective, select an option from the drop-down menu in
Column B that reflects the Agency or Bureau's precision tolerance for risk. For definitions, see below.

- Lower precision tolerance – less than 50% of acceptable level of variation relative to the expected objective.
- Moderate precision tolerance - between 50% and 150% of acceptable level of variation relative to the expected objective.
- Higher precision tolerance – greater than 150% of acceptable level of variation relative to the expected objective.

An example: If a Bureau expects to buy 100 computers, and in the past was within 10 computers of that expectation a range (so 90 to 110), but is comfortable decreasing that precision to be within 20 of the expectation (so 80 to 120), then because 20 is 200% of 10, that objective now has a "higher precision tolerance."

For Category 4 Internal Financial Reporting Objectives

Identify the level of materiality that can be tolerated for the risk in the objective considering surrounding circumstances that are both qualitative and quantitative. Also consider the needs of the financial report users and the effects/materiality about the size or nature of a misstatement. Select the level of tolerance the Agency can tolerate for risk for the objective. Select "immaterial," "significant," or "material" from the drop-down menu. For definitions, see below.

- Immaterial - The information or amount would be of such minor importance, that it would not have an impact on an outcome or influence a decision maker.
- Significant - The information or amount would be of enough importance, that it could influence an outcome or a decision maker.
- Material - The information or amount would be of such an importance, that there is a substantial likelihood it would have an impact on an outcome or influence a decision maker.

For Category 5 External Financial Reporting Objectives

Identify the level of materiality that can be tolerated for the risk in the objective considering surrounding circumstances that are both qualitative and quantitative. Also consider the needs of the financial report users and the effects/materiality about the size or nature of a misstatement. Select the level of tolerance the Agency or Bureau can tolerate for risk for the objective. Select "immaterial," "significant," or "material" from the drop-down menu. For definitions, see below.

- Immaterial - The information or amount would be of such minor importance, that it would not have an impact on an outcome or influence a decision maker.

- Significant - The information or amount would be of enough importance, that it could influence an outcome or a decision maker.
- Material - The information or amount would be of such an importance, that there is a substantial likelihood it would have an impact on an outcome or influence a decision maker.

For Category 6 Compliance Objectives

Identify the level of materiality that can be tolerated for the risk in the objective considering surrounding circumstances that are both qualitative and quantitative. Select the level of tolerance the Agency or Bureau can tolerate for risk for the objective. Select the level of tolerance the Agency or Bureau can tolerate for risk for the objective. Select "immaterial," "significant," or "material" from the drop-down menu. For definitions, see below.

- Immaterial - The information or amount would be of such minor importance, that it would not have an impact on an outcome or influence a decision maker.
- Significant - The information or amount would be of enough importance, that it could influence an outcome or a decision maker.
- Material - The information or amount would be of such an importance, that there is a substantial likelihood it would have an impact on an outcome or influence a decision maker.

3. Determine level of accuracy or compliance. (Column C - Accuracy for Category 2 and 3 objectives and Compliance for Category 6 objectives)

For Categories 2 and 3 Objectives

Select whether the level of accuracy required:

- Users require accuracy reporting and have thresholds - Risk that accuracy will not hit targeted thresholds.
- Users require accuracy reporting and do not have thresholds - Data does not have target accuracy thresholds, but data may be compared to prior year results or forecasts.
- Users do not require accuracy reporting - Data is still correct/precise, but not asking for evidence on accuracy, does not have targeted thresholds, and usually not compared or benchmarked with prior year results or forecasts.

For Category 6 Objectives

Select whether the Agency or Bureau is compliant or non-compliant with the stated objective.

4. Define risks. (Columns D, H, and L)

For each objective, identify two to three risks associated with accomplishing the objective. To identify risks, consider the types of risks that impact the entity, including both inherent and residual risk.

Inherent risk is the risk to an entity in the absence of management's response to the risk. Residual risk is the risk that remains after management's response to inherent risk. Management should consider all significant interactions within the entity and with external parties, changes within the entity's internal and external environment, and other internal and external factors to identify risks throughout the entity. Internal risk factors may include the complex nature of an entity's programs, its organizational structure, or the use of new technology in operational processes. External risk factors may include new or amended laws, regulations, or professional standards; economic instability; or potential natural disasters.

Management should consider these factors at both the entity and transaction levels to comprehensively identify risks that affect defined objectives. Risk identification methods may include qualitative and quantitative ranking activities, forecasting and strategic planning, and consideration of deficiencies identified through audits and other assessments. For examples of risks, please see the sample risks at the bottom of this document.

5. Define risk impact for each risk listed. (Column E, I, and M)

Estimate the magnitude of impact of the identified risks to assess their effect on achieving the defined objectives at both the entity and transaction levels. Magnitude of impact refers to the likely magnitude of deficiency that could result from the risk and is affected by factors such as the size, pace, and duration of the risk's impact. Select "low," "medium," or "high" for the risk impact in column B.

6. Define risk likelihood. (Column F, J and N)

Select the risk likelihood of occurrence. Likelihood of occurrence refers to the level of possibility that a risk will occur. The nature of the risk involves factors such as the degree of subjectivity involved with the risk and whether the risk arises from fraud or from complex or unusual transactions. Please select "low," "medium," or "high" for risk likelihood.

7. Determine the response to risk. (Column G, K, and O)

Management designs responses to the analyzed risks so that risks are within the defined risk tolerance for the defined objective. Management designs overall risk responses for the analyzed risks based on the significance of the risk and defined risk tolerance. Select one of the following options for the response to the risk for each risk:

- <u>Acceptance</u> - No action is taken to respond to the risk based on the insignificance of the risk or an action is taken to further utilize resources.
- <u>Avoidance</u> - Action is taken to stop the operational process or the part of the operational process causing the risk.
- <u>Reduction</u> - Action is taken to reduce the likelihood or magnitude of the risk.
- <u>Sharing</u> - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses.

8. **Post any relevant comments in the response comment section. (Column P)**

   These comments should include the reasons why the Agency or Bureau selected its response to risks.

9. **Post any general comments in the comments box at the bottom of the spreadsheet. (Optional)**

Common Objectives

1. The agency will **train employees** to the necessary level of competence to complete all necessary tasks of the agency.
2. The agency will **ensure compliance** with relevant statutes, regulations, policies, and procedures.
3. Agency staff will process X number of things in X amount of **time**.
4. Agency staff will process X with a minimal number of errors so that it falls within the **quality** range of X to X.
5. The agency will implement procurement procedures that efficiently and effectively **supply the operational needs** to support the agency's goals and objectives.
6. The agency will leverage technology to ensure that staffing is provided with **IT equipment** that is current and sufficiently supported.
7. The agency will manage its **assets lifecycle** from procurement to disposal.
8. The agency will ensure **internal reporting** has a level of precision and accuracy that will be at an appropriate level to meet the needs of decision makers inside the agency and completed in a timely manner.
9. The agency will ensure **external reporting** will be materially accurate, presented in an appropriate format, meet necessary external compliance requirements, and completed in a timely manner.
10. The agency will ensure that its expenditures fall within the **budgetary guidelines** for the fiscal year.
11. The agency will endeavor to **reduce employee turnover** and increase job satisfaction with a focus on dependability and flexibility, including providing professional development opportunities.
12. The agency will stive for a balanced **organizational culture** that encompasses diversity and inclusion.
13. The agency will develop integrative processes to manage **information flow** so that mistakes resulting from a lack of knowledge or misinformation is avoided.
14. The agency will strive to ensure **job titles** reflect the actual job duties and are properly classified.
15. The agency will strive to **improve customer value** and increase customer satisfaction.
16. The agency will develop standardized procedures and maintain an up-to-date policies and **procedures manual**.
17. The agency will initiate necessary revisions to **JCAR** that affect its operations.
18. The agency will initiate the process to amend **State statutes** that affect its operations.
19. The agency will identify new **cost containment measures** and new energy efficiencies to be implemented along with its efforts to **reduce waste** in agency processes.
20. The agency will **establish metrics/benchmarks** to track volume and types of services provided.

Common Risks

Staffing & Payroll:

1. **Separation of duties** is not possible due to staffing issues.
2. There are **unauthorized changes** to payroll rates.
3. There is a **loss of institutional knowledge** due to exiting of staff.
4. Employees are not **sufficiently trained** to efficiently process agency work or to ensure **increases in productivity**.
5. **Personnel files** are not adequately maintained or safeguarded against unauthorized access.
6. **Overtime pay** is not justified and/or approved in advance.

Procurement & Expenditures:

7. There are procurement challenges due to **statute or rules not being adequate** for agency functions.
8. Delivery of goods or services are **not monitored for acceptable quality or accurate quantity** to ensure proper billing and receipt of deliverables.
9. **Travel vouchers** are inaccurately completed.
10. Incoming documents are **not properly date stamped and routed** for timely processing.
11. **Obligating documentation** is not properly filed.
12. Purchases are **not properly requisitioned or authorized**.
13. Agencies are **not conforming with purchasing thresholds**.
14. Expenditures are **not promptly recorded in the appropriate accounts**.

Information Technology:

15. The agency has **antiquated information technology equipment** that does not allow it to achieve its goals.
16. Legacy systems are **not efficiently communicating with SAP** or other important software.
17. The agency does not have sufficient protocol, either physical or behavioral, for accommodating a **remote workforce**.
18. The agency does not have an established process for **IT governance**, including application **development and change management**.
19. The agency has not communicated the **process for encrypting documents** or other forms of securing data transmission.
20. Data is susceptible to **unauthorized access**.
21. Applicable **SOC reports** are not reviewed.

Inventory & Vehicles:

22. State property is not appropriately **tagged, tracked, or inventoried** at least annually.
23. **Subsidiary records** are not adequately maintained or reconciled to the accounts.
24. State property, including commodities, are **not safeguarded against theft and abuse**.
25. Assets, including buildings and state vehicles, are **not properly maintained**.
26. Commodities are not identified for transfer or disposal when **in excess or obsolete**.

Reporting:

27. Reporting contains a **material misstatement** or other inaccuracies that affects the ability of the user to rely on the information.
28. Reporting is **not timely** completed.
29. **Information flow** is not designed to maintain reliable and timely budgeting/accounting.

Revenues & Receipts:

30. Revenues are **not recorded timely and deposited** within the statutorily required timeframes.
31. Past due accounts are **not properly ages and/or sent to collections**.
32. Revenues and receivables are **not reconciled monthly** to ensure accurate fiscal entries.
33. Entries for **daily collections** of receipts are not reconciled to the receipt logs.
34. Physical security is not astringent enough to **prevent unauthorized access** to cash or checks.

Miscellaneous:

35. Safeguards are not astringent enough for **access restrictions to facilities**, offices, or storage areas.
36. Use of **space is not economically favorable**.

Sample Objectives & Risk Tolerances, and Identification, Analysis & Responding to Risks

To help with the process of developing objectives, the following are some sample objectives, along with risk tolerance, compliance (for compliance objectives only), sample risk, risk impact, risk likelihood, and response to risk, separated by the six overall objectives to use as a guideline for creating the objectives.

Operations Objectives	Risk Tolerance	Risk	Risk Impact	Risk Likelihood	Response to Risk
The Agency will operate at the necessary level of competence to complete all necessary tasks regarding the statutory requirements of major program.	Some more risk reduction needed.	The Agency did not have adequate staff to accomplish its necessary tasks.	High	Medium	Reduction
The Agency will operate at a level of competence so that the Agency has an acceptable approval among its constituents.	Much more risk reduction needed.	The Agency performed an action that caused it to be viewed negatively among its constituents.	High	High	Avoidance
The Agency will utilize vehicles in a way to ensure they are being utilized to their full potential.	Some more risk taking is needed.	The Agency has too many vehicles for their needs.	Low	High	Acceptance

Internal Non-financial Reporting Objectives	Risk Tolerance	Accuracy	Risk	Risk Impact	Risk Likelihood	Response to Risk
Diversity, equity and inclusion internal goals for the agency with projected forecasts.	Lower precision tolerance	Users require accuracy reporting and have thresholds	The agency does not have enough qualified applicants in a specific region.	High	Medium	Reduction
The legal division produces a report of who completed a training to send to the Director's Office.	Moderate precision tolerance	Users do not require accuracy reporting.	That the report is not accurate.	Low	Medium	Avoidance
Minor strategic planning non-financial goal for a specific bureau that is compared to a prior year statistic.	Higher precision tolerance	Users require accuracy reporting and do not have thresholds.	There are multiple higher-level goals and a limited number of resources.	Low	High	Acceptance

External Non-financial Reporting Objectives	Risk Tolerance	Accuracy	Risk	Risk Impact	Risk Likelihood	Response to Risk
The Agency will create agency workforce reports.	Lower precision tolerance	Users do not require accuracy reporting.	The Agency will not turn in the report timely.	Medium	Medium	Avoidance
The Agency will submit monthly updates to the Governor's Office on a lower level strategic goal.	Moderate precision tolerance	Users require accuracy reporting and have specific thresholds.	There was a misstatement in external non-financial reporting.	High	Low	Acceptance
A report is turned in to an outside entity annually that is compared to the prior year, but just for comparison purposes.	Higher precision tolerance	Users require accuracy reporting and do not have thresholds.	The data in the report could contain errors.	Medium	Low	Reduction

Internal Financial Reporting Objectives	Risk Tolerance	Risk	Risk Impact	Risk Likelihood	Response to Risk
Internal Financial Reporting will not include any misstatements.	Significant	Internal Financial Reporting included a material misstatement.	High	High	Reduction
Internal Financial Reporting will include information that meets the needs of its users.	Significant	Internal Financial Reporting did not include information that met the needs of is users.	High	Medium	Avoidance
Internal Financial Reporting will be given in a timely manner.	Material	Internal Financial Reporting was not given in a timely manner.	Low	Medium	Reduction

External Financial Reporting Objectives	Risk Tolerance	Risk	Risk Impact	Risk Likelihood	Response to Risk
External Financial Reporting will be accurate in its presentation.	Significant	External Financial Reporting was not materially accurate in its presentation.	High	Medium	Reduction
External Financial Reporting will be complete in its presentation and include all necessary information any external stakeholders require.	Significant	External Financial Reporting was not complete in its presentation and did not include all necessary information any external stakeholders require.	High	Medium	Avoidance
All external Financial Reports will be completed in a timely manner.	Material	All external Financial Reports were not completed in a timely manner.	Medium	Medium	Reduction

Compliance Objectives	Risk Tolerance	Compliance	Risk	Risk Impact	Risk Likelihood	Response to Risk
The Agency will comply with all regulatory compliance and statutory requirements at the state and federal level.	Significant	Compliant	The Agency did not comply with all regulatory compliance and statutory requirements at the state and federal level for issues for procurement because of lack of funding.	High	Medium	Avoidance
The Agency will comply with requirements of union and labor contracts of state employees.	Significant	Non-compliant	The Agency did not comply with requirements of union and labor contracts of state employees.	High	Medium	Avoidance
The Agency will comply with any safety measures including measures from OSHA.	Immaterial	Compliant	The Agency did not comply with all safety requirement from OSHA.	High	Medium	Avoidance

Instructions for Principle 8: Assess Fraud Risk

1. Determine risk tolerance of each defined risk. (Column B)

   Select the amount of risk the agency or bureau is willing to tolerate for this specific risk, with a lower number being a lower tolerance of risk.

   - Selections of 0% to 29.9% are low risk
   - Selections of 30% to 69.9% are medium risk
   - Selections of 70% to 100% are high risk.

   Description of Risk Tolerance: Risk tolerance is the acceptable level of variation in performance relative to the achievement of objectives. Management defines risk tolerances in specific and measurable terms so they are clearly stated and can be measured.

2. Analyze the overall chance of the risk happening. (Column C)

   Select the amount of risk by considering the magnitude of impact, likelihood of occurrence, and nature of the risk.
   - Selections of 0% to 29.9% are low risk
   - Selections of 30% to 69.9% are medium risk
   - Selections of 70% to 100% are high risk.

3. Set agency response. (Column D)

   Select one of the four set responses:
   - Accept - No action is taken to respond to the risk based on the insignificance of the risk.
   - Avoid - Action is taken to stop the operational process or the part of the operational process causing the risk.
   - Reduce - Action is taken to reduce the likelihood or magnitude of the risk.
   - Share - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses.

4. Post any relevant comments in the comment section at the bottom of the spreadsheet. (optional)

CMS

ILLINOIS JB Pritzker, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Janel L. Forde, Director

Bureau of Internal Audit

Jack Rakers, Chief Internal Auditor

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MEMORANDUM

TO: Jack Rakers, CPA, CIA, CISA, Chief Internal Auditor

FROM: Glen Minks, MBA, Internal Auditor I

DATE: 12/2/2021

SUBJECT: **Principle 9** - FCIAA checklist compliance with the Green Book on Standards for Internal Control in Federal Government.

Every 18 months the Illinois Department of Central Management Services shall meet with the Illinois Office of the Comptroller to identify and discuss any significant changes regarding internal controls and risk, and if appropriate, propose changes to the FCIAA checklist. This is required to be compliant with Principal 9 of the Green Book on Standards for Internal Control in Federal Government. This principal is made up of attributes 9.01 through 9.05 all discussed below. According to Attribute 9.01, management should identify, analyze, and respond to significant changes that could impact the internal control system. It also mentions that two attributes important to the effectiveness of this principal are (1) Identification of Change and (2) Analysis and Response to Change. We believe that the Illinois Department of Central Management Services and Illinois Office of the Comptroller fulfills the need to identify change through their meetings every 18 months on the FCIAA checklist. Further, agencies utilizing the FCIAA Checklist effectuate the need to Analyze and Respond to Change. Therefore, the use of the FCIAA checklist is an important tool for State of Illinois agencies to comply with Principal 9 of the Green Book.

Significant changes are items that have a material impact on agency operations. Therefore, they are the most important changes to take note of. Changes in general can often be overlooked or inadequately addressed in the normal course of operations, so special attention should be paid towards them. All agencies must always respond to change to make sure operations remain in line with current expectations and function at the highest level. This is necessary to make sure that the State of Illinois government operates at the highest level of competency possible while addressing and minimizing risk when possible.

The FCIAA Checklist is an important element for measuring risk to help comply with Attribute 9.01, as it encompasses the majority of controls. Attribute 9.02 states that, "As part of risk assessment or a similar process, management identifies changes that could significantly impact the entity's internal control system. Identifying, analyzing, and responding to change is similar to, if not part of, the entity's regular risk assessment process." This is also accomplished by the regular meetings between CMS and the Comptroller's Office where significant changes are identified, discussed or analyzed to determine the level of risk, and if appropriate, responded to by adding controls to the checklist. Occasionally, individual agencies may encounter risks outside the scope of the FCIAA checklist. These risks are usually agency specific and do not apply at an enterprise level like the FCIAA checklist does. Also, there can be unique situations such as major change in legislation causing changes in risk level. Therefore, any agency that relies upon the FCIAA checklist will want to be observant of these situations. Additional controls could be required to deal with these added risks outside of the FCIAA checklist. However, these situations are rare, and the FCIAA checklist is designed to identify the overwhelming majority of risk to agencies at the enterprise level.

Attribute 9.03 indicates that conditions affecting the entity and its environment continually change. Management can anticipate and plan for significant changes using a forward-looking process for identifying change. This is a continuous process that will always be necessary for management to engage in. The FCIAA checklist helps in this process since there are regularly scheduled updates if necessary, where added controls are discussed and potentially implemented in response to changes. According to Attribute 9.03, these changes can include both changes to internal conditions and external conditions.

Attribute 9.04 notes that changes to internal conditions include changes to the entity's programs or activities, oversight structure, organizational structure, personnel, and technology. Also, it points out that changes in external conditions include changes in governmental, economic, technological, legal, regulatory, and physical environments. The FCIAA checklist is designed to include all of these important changes to internal and external conditions. Since conditions affecting an agency and its environment continually change, it is important to monitor and communicate both those significant changes that have already occurred as well as those that are expected to occur to appropriate personnel. Changing conditions are then analyzed to gauge the possible impact on the agency and often require a response in the form of changes to internal controls.

Attribute 9.05 mentions that new risks may be identified as a result of changes thus requiring further assessment to determine whether risk tolerances and responses are adequate or need to be revised. This should be a continuous ongoing operation for all agencies. The annual completion of the FCIAA checklist by agencies in combination with continual modifications made to the FCIAA checklist every 18 months when appropriate will help agencies comply with this attribute in the Green Book.