|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Key Risk Areas and Underlying Factors** | **EXAMPLES** | | | | **Lower** | | **Risk Level** | | | | **Higher** | |
|  | **Lower Risk State** | **Moderate Risk State** | **Higher Risk State** | **1** | | **2** | **3** | | **4** | | **5** |
| **AREA 1:** COMPLAINCE – risk of non-compliance with specific laws, regulations and other rules affecting this process and its financial reporting | | | | |  | |  |  | |  | |  |
| Characteristics of the applicable laws, regulations, policies & rules impacting financial reporting for this business process |  |  |  |  |  | | | | | | | |
| **Level of Clarity** |  | Clear & precise | Open to interpretation/generic | Unclear and imprecise |
| **Degree of maturity/stability** |  | Well-established & time-tested | Recently enacted/evolving (<3 years) | Brand New or unestablished |
| **Complexity** |  | Simple & straight forward | Involves judgement & some complexity | Highly complicated or judgmental |
| **AREA 2:** HUMAN CAPTIAL – risk posed by the knowledge, skills and capacities of the people involved in this process who can effect financial assistance | | | | |  |  | | |  |  |  | |
| **Knowledge/familiarity of staff with process** |  | Highly knowledgeable & familiar | Average familiarity | Staff are new or unfamiliar |  | | | | | | | |
| **Degree of management process ownership/control** |  | Processes fully in-sourced and under management’s direct control | Mixed in & out-sourced processing or some control delegated to others | Significant outsourcing or delegation of processes to others’ control |
| **Workload Stress** |  | Low staff turnover; no workforce constraints or other stressors | Moderate staff turnover: some workforce constraints | High staff turnover; notable workforce constraints adding stress |
| **AREA 3:** OPERATIONS – risk posed by the characteristics of the manual/automated activities & IT applications involved in this process impacting financial assistance | | | | |  |  | | |  |  |  | |
| Characteristics of the manual and automated activities & technology applications comprising this business process |  |  |  |  |  | | | | | | | |
| **Uniformity** |  | Highly standardized | Some variations occur | Highly variable |
| **Complexity** |  | Simple & straightforward | Moderately complicated | Complicated/cumbersome/ error prone |
| **Regularity** |  | Routine | Periodic/infrequent | Non-routine/Rare |
| **Maturity or Stability** |  | Stable, well-established, time-tested | Evolving/in transition (<3 years) | Brand new, unestablished, unstable |
| **Extent of handling** |  | One/two “Touch-points” | Multiple processing steps/applications | Many people/steps/apps involved |
| **Dispersion** |  | Centralized within one location/function | Moderately dispersed among multiple locations/function | Highly dispersed among many different location/functions |
| **AREA 4:** NATURE OF TRANSACTIONS – risk posed by the qualitative and quantitative characteristics of transactions generated by the process | | | | |  |  | | |  |  |  | |
| **Transaction volume** |  | Extensive transactions (1000+) | Many transactions (100+) | Few transactions (10+) |  | | | | | | | |
| **Transaction Frequency** |  | Systematic/recur on a regular basis | Happens periodically/cyclically | Happens infrequently or rarely |
| **Individual transaction sizes** |  | Small dollar (< 1/1000th of materiality) | Moderate dollar (>1/1000th of materiality & <1/100th of materiality) | Large dollar (>1/100th of materiality) |
| **Impact of estimates on financial reporting transactions** |  | Little/no impact of estimates/all transaction variable are known/no estimation judgement involved | Moderate impact of estimates/most transaction variables are known/some estimation judgement involved | Significant impact of estimates/some transaction variables are derived amounts/high judgement required |
| **Propensity for fraud, waste or misappropriation of assets or information given safeguarding or other security issues** |  | Assets are immoveable or have no intrinsic value/information is easily safeguarded/low risk of concealable theft or diversion | Assets are moveable and have some intrinsic value/information is capable of diversion/moderate risk of concealable theft or diversion | Assets are moveable and have a significant intrinsic valuable/information is capable of diversion/high risk of concealable theft  or diversion |
| **AREA 5:** MANAGEMENT’S RECENT EXERIPIENCE – indications of possible lingering risks based upon management’s experience with events during the pasts 3 years | | | | |  |  | | |  |  |  | |
| Prior annual financial statement or other audit results |  |  | | |  | | | | | | | |
| **Controls & Compliance issues raised** |  | No findings related to this process | Management letters comments or other similar findings provided by auditors for this process | Reportable conditions, material weaknesses, non-compliance or “high-risk” matters cited by auditors for this process |
| **Adjustments by auditors** |  | None | Few adjustments/not material in the aggregate | Significant number of adjustments; aggregate value of adjustments exceed planning materiality |
| **Adjustments by management** |  | Few adjustments/routine in nature/mall dollar amounts involved | Moderate adjustments/moderate dollar amounts involved | Significant number or dollar amount of adjustments required/non-routine in nature |
| **Results of management’s recent Statement of Assurance assessments** |  | No findings related to this process | Some findings, though insignificant in scale/impact | Reportable conditions, material weaknesses & no-compliance matters found by management for this process |
| Management’s day-to-day experience |  |  | | |
| **Accounting errors or irregularities (known fraud)** |  | Few error/adjustments | adjustments | Significant errors/adjustments |
| **Information available to monitor performance** |  | Readily available/useable by management on a timely basis | Somewhat available for use by management/information is of mixed quality or is untimely | Unavailable for use by management/information is hard to understand or apply on a timely basis |
| **Typical accounting analysis needed by management in this area** |  | Few calculations/analysis | Moderate calculations/analysis | Extensive calculations/analysis |
| **Overall nature of issues, errors or adjustments** |  | A virtually problem free area | Problems occur from time to time of varying significance | Problems persist, can be significant/demand high management intervention |
| **AREA 6:** MANAGEMENT’S CURRENT OUTLOOK – overall perceived likelihood of material adverse financial reporting risks within the next year for this process | | | | |  |  | | |  |  |  | |
| **Management overall prognosis of material adverse risks for this process** |  | Remote | Reasonably Possible | More Likely than Not |  | | | | | | | |