



Commerce OIG Organizational Risk Assessment Process

U.S. Department of Commerce

Office of Inspector General, Office of Audit and Evaluation

January 16, 2014





Contents

- ▶ About Commerce and Commerce OIG
- ▶ Approach to organizational risk assessment
- ▶ Rated risks, definitions and custom measures
- ▶ Limitations on results
- ▶ Risk assessment summary data
- ▶ Other OIG approaches
- ▶ Future enhancements



About the Department of Commerce

- \$8.7B in appropriations
- \$3B in patent and trademark fee collections
- \$2B in borrowing authority related to the First Responder Network Authority
- 13 Disparate Bureaus
- 43,000 employees
- Appropriation spikes during peak Census years
- Per FY, ~\$2.4B in contracts; ~24,000 contract actions; ~\$1.1B in grants



About Commerce OIG

- \$30-\$34M in appropriations
- 145 employees
- 4 regional offices
- 85 employees within the Office of Audit and Evaluation
- Approximately 40 audit/evaluation products annually, with ~150 recommendations
- ~100-150 annual single audit report reviews



Organizational Risk Assessment Approach

- Commerce-specific features and challenges:
 - 39K of 43K Commerce employees are concentrated within 4 bureaus
 - No single mandate (Census, patents, weather, trade)
 - Decentralized management structure
 - Numerous IT systems
- Current process implemented in 2009
- Used for audit planning
- Process continues to evolve



Organizational Risk Assessment Approach



Compile audit universe and budget estimates

Develop rating, scoring, and weighting methodology

Develop questions and rate offices

Analyze results

Compile audit universe of Commerce programs and offices. **Populate** with FY 2014 Base Program amounts.

Develop rating, scoring, and weighting methodology for 11 risks for likelihood and impact.

Develop questions, canvass assessors, and rate offices against each risk.

Enter results in TeamRisk databases, validate and **analyze results**, and develop reports.



Organizational Risk Assessment Approach

- 1) Risk areas
- 2) Rating criteria
- 3) Interview questions
- 4) Sampled offices and programs
- 5) Risks are separated into 4 categories*
- 6) TeamRisk
- 7) TeamSchedule for use in preparing the audit plan
- 8) Lessons learned

* Categories are (1) strategic/program risk, (2) operations risk, (3) legal and compliance risk and (4) fraud risk.



Rated Risks

The following risks were assessed for each office*

1. Program connection to Department priorities
2. Human Capital planning
3. Emergency preparedness planning
4. Internal controls
5. Stakeholder needs being met
6. IT system security and ability to meet program needs
7. Duplicative or overlapping programs
8. Significant changes in the past 1 - 2 years
9. Impacts of funding constraints
10. Contract planning, awarding, and administration
11. Grant planning, awarding, and administration

* Each risk has a relative importance rating of either high, medium, or low.



Risk Likelihood Definitions

Program Assessors rated the likelihood of individual risks as follows:

Certain

- Strongly agree that this event is expected to occur in most circumstances or is already happening.

Likely

- Agree that the event will probably occur.

Possible

- Event may occur at some time but is less than likely.

Unlikely

- The possibility of the event occurring is remote.



Risk Impact Definitions

Program Assessors rated the impact of individual risks as follows:

- ▶ **Catastrophic:** Would have an IRREPARABLE IMPACT on DOC missions, functions, programs, customers or reputation, such that the catastrophic result would not be able to be repaired or set right again. Could result in loss of MAJOR tangible assets or resources, including posing a threat to human life.
- ▶ **Adverse:** Would have an ADVERSE IMPACT on DOC missions, functions, programs, customers or reputation, such that the impact would place the DOC at a significant disadvantage, or could result in loss of SIGNIFICANT tangible assets or resources.
- ▶ **Noticeable:** Would have a NOTICEABLE but less significant impact on DOC missions, functions, programs, customers or reputation, such that the impact could challenge the DOC to recover from a disadvantageous result.
- ▶ **Minimal:** Would have a MINIMAL impact on DOC's missions, functions, programs, customers or reputation, such that the impact would result in the least possible significant unfavorable condition with a negative outcome, or could result in loss of SOME tangible assets or resources.



Custom Measures

The following custom measures were also assessed for each office

- ▶ Funding level
- ▶ Significant issues raised in earlier audits
- ▶ Ongoing OIG or GAO work
- ▶ Congressional interest
- ▶ Public interest
- ▶ OIG Top Management Challenge
- ▶ Legislative audit requirement



Combined Risk

- Combined Risk was calculated as an average of the overall risk likelihoods, impacts, and custom measures for each office.



Limitations on Results

- ▶ Results compiled from a variety of OIG and Commerce experts with varied experience and views on risk.
- ▶ Staff assessments considered controls in place to mitigate risks.
- ▶ Results are not scientific.
- ▶ Results related to Departmental Management (DM) functions generally represent risks related to headquarters activities. Risk results for the same functions within the bureaus may differ.
- ▶ This is a tool for OIG staff to consider in developing an audit plan—not the final word on risk.
- ▶ Improvements will continue to be made based on lessons acquired in gathering these results.



2014 Department of Commerce Risk Assessment Summary Results

26 Programs/Offices were reviewed during this Risk Assessment Cycle

The Combined Risk Ratings shown below incorporate Custom Measures, Strategic/Program Risk, Operations Risk, Legal and Compliance Risk, and Fraud Risk values for each office.

Program/Office – High Risk – Score >9	
Combined Risk Rating	
13.85	
12.14	
11.02	
9.51	
9.18	

Program/Office – Moderate Risk – Score 7 to 9	
Combined Risk Rating	
8.61	
8.36	
8.34	
7.79	
7.78	
7.73	
7.53	
7.35	
7.27	
7.09	
7.01	

Program/Office – Some Risk – Score <7	
Combined Risk Rating	
6.97	
6.85	
6.60	
6.38	
6.27	
5.90	
5.89	
5.55	
5.47	
5.39	



2014 Department of Commerce Breakdown by Specific Risk Area

Risk of compromised controls (internal controls may be inadequate)

Breakdown of 26 programs/offices		
Some Risk (score <7)	Moderate Risk (7 to 9)	High Risk (score >9)
5 Programs/Offices (19%)	13 Programs/Offices (50%)	8 Programs/Offices (31%)



2014 Department of Commerce Breakdown by Specific Risk Area (Strategic/Program)

Strategic/Program Risk

- Stakeholder needs are not adequately met
- Program has undergone significant changes in the past 1-2 years
- Programs are duplicative/overlap other government programs
- Program is not clearly linked to Department priorities
- Funding constraints impact program objectives or operations

Breakdown of 26 programs/offices		
Some Risk (score <7)	Moderate Risk (7 to 9)	High Risk (score >9)
8 Programs/Offices (31%)	18 Programs/Offices (69%)	0 Programs/Offices (0%)



Sources of Refinements and Enhancements

General Ledger

- Personnel/operations/facilities costs
- Allotments and allocations
- Obligation efficiency
- Project costs

Interviews

- Tenure of leadership
- Planned organizational changes

USAspending.gov

- Contract and grant values
- Award types
- Contract competition

Congressional Budget Justification

- Bureau and sub-office budgets
- FTE analysis



FY 2014 OIG Risk Assessment of Commerce Programs and Offices

Ann Eilers at aeilers@oig.doc.gov
Andrew Katsaros at akatsaros@oig.doc.gov