

Case Study – Compliance Risk Assessment

Agency ABC

Overview

This case study describes the flow of a Top-Down, Risk-Based Approach for example Agency ABC. Within this case study, we have an example of an internal control weakness noted during testing (page 12). This case study is not all-inclusive and is to be used for informational purposes only.

Case Study – Compliance Risk Assessment

Agency ABC

FED 11 – Schedule of Expenditures of Federal Awards (SEFA)

NORTH CAROLINA OFFICE OF THE STATE CONTROLLER

Single Audit Reporting Package

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2011

Agency No.	4321	Preparer	J. Doe
Agency Name	Agency ABC	Phone	919-555-5555

CFDA Programs :

(1)	(2)	(3)	(4)	(5)	Enter Whole Dollars Only		(8)	(9)	(10)
Federal Agency Number	Federal CFDA Number	Direct/ Indirect (D / I)	ARRA Funds (Y / N)	Program Cluster Enter "NC" if no assigned cluster	Total Federal Awards Expended	Amount Provided to Subrecipients	Pass-Through Entity Name (If Indirect)	Identifying Number Assigned by Pass-Through Entity (If Indirect)	CFDA (Program) Title as listed in the Catalog of Federal Domestic Assistance https://www.cfda.gov/
10	10.583	D	N	NC	100,000	0			Hunger Free Communities
11	11.300	D	Y	PWED	854,032	0			Investments for Public Works and Economic Development Facilities
14	14.238	D	N	NC	229,286	217,822			Shelter Plus Care
14	14.239	D	N	NC	542,214	498,836			Home Investment Partnerships Program
16	16.123	D	N	NC	205,963	186,605			Community-Based Violence Prevention Program
16	16.726	D	N	NC	177,958	160,518			Juvenile Mentoring Program
20	20.513	D	N	TSPC	3,310,635	2,979,572			Capital Assistance Program for Elderly Persons and Persons with Disabilities
20	20.521	D	N	TSPC	881,809	793,628			New Freedom Program
94	94.013	D	N	NC	87,716	0			Volunteers in Service to America
					6,389,613	4,836,981			
					Total	Total			

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Materiality & Program/Grant Risk

Legend	
	Auto Calculating Field
	User Entry Field
	Copy from SEFA

Materiality Threshold	
≤ 10%	Low=1
10% > < 50%	Moderate=2
≥ 50%	High=3

Prepared by:	T. Smith
Reviewed by:	J. Doe

Materiality				Program/Grant Risk Assessment				
Federal CFDA Number	CFDA Program Title	Total Federal Awards Expended as of 2011	Materiality	Size and Composition	Program/Grant Complexity	Inherent Risk	Total Score	Stop or Continue to Requirement Risk
			Low	1	1	1	3	Stop
10.583	Hunger Free Communities	74,032	Low	1	1	1	3	Stop
11.300	Investments for Public Works and Economic Development Facilities	850,000	Moderate	2	3	1	6	Continue
14.238	Shelter Plus Care	229,286	Low	1	1	1	3	Stop
14.239	Home Investment Partnerships Program	542,214	Low	1	1	2	4	Stop
16.123	Community-Based Violence Prevention Program	205,963	Low	1	1	1	3	Stop
16.726	Juvenile Mentoring Program	177,958	Low	1	1	1	3	Stop
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	3,310,635	High	3	2	3	8	Continue
20.521	New Freedom Program	881,809	Moderate	2	2	3	7	Continue
94.013	Volunteers in Service to America	87,716	Low	1	2	1	4	Stop
	Total	\$ 6,359,613						

To rate each program/grant above, enter a 1 for Low, 2 for Moderate or 3 for High.

High and Moderate risk programs/grants will move forward to the Requirement Risk Assessment.

Note: Risk ratings are for example purposes only.

Low	Total Score of 4 or less.
Moderate	Total Score of less than 7 but greater than 4.
High	Total Score of 7 or greater.

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Requirement Risk

Legend	
	Auto Calculating Field
	User Entry Field
	Copy from Materiality & Program/Grant Risk Assessment
	Refer to Tab "Circular A-133".

Prepared by:	T. Smith
Reviewed by:	J. Doe

Federal CFDA Number	CFDA Program Title	Program/Grant Risk Rating (High or Moderate)	Types of Compliance Requirements	A-133 Requirement (Yes or No)	Stop or Continue	Size and Composition	Complexity of Requirement	Susceptibility Due to Error / Fraud	Total Score	Stop or Continue to Compliance Narrative
11.300	Investments for Public Works and Economic Development Facilities	Moderate	Activities Allowed or Unallowed	Yes	Continue	3	1	1	5	Stop
			Allowable Costs/Cost Principles	Yes	Continue	3	1	1	5	Stop
			Cash Management	Yes	Continue	3	1	1	5	Stop
			Davis-Bacon Act	Yes	Continue	1	1	1	3	Stop
			Eligibility	No	Stop				0	Stop
			Equipment and Real Property Management	Yes	Continue	1	1	1	3	Stop
			Matching, Level of Effort, Earmarking	Yes	Continue	2	2	1	5	Stop
			Period of Availability of Federal Funds	Yes	Continue	3	1	1	5	Stop
			Procurement and Suspension and Debarment	Yes	Continue	3	1	1	5	Stop
			Program Income	Yes	Continue	1	1	1	3	Stop
			Real Property Acquisition/Relocation Assist.	Yes	Continue	1	1	1	3	Stop
			Reporting	Yes	Continue	3	2	1	6	Continue
			Subrecipient Monitoring	Yes	Continue	1	1	1	3	Stop
			Special Tests and Provisions	Yes	Continue	3	3	1	7	Continue
Special Tests and Provisions (ARRA)	No	Stop				0	Stop			

To rate each program/grant above, enter a 1 for Low, 2 for Moderate or 3 for High. The Requirement Risk Assessment should be completed for all programs/grants with a total score of High or Moderate on the Materiality & Program/Grant Risk Assessment.

Note: Risk ratings are for example purposes only.

Low	Total Score of 5 or less.
Moderate	Total Score of 6.
High	Total Score of 7 or greater.

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Requirement Risk (continued)

Federal CFDA Number	CFDA Program Title	Program/Grant Risk Rating (High or Moderate)	Types of Compliance Requirements	A-133 Requirement (Yes or No)	Stop or Continue	Size and Composition	Complexity of Requirement	Susceptibility Due to Error / Fraud	Total Score	Stop or Continue to Compliance Narrative
20.513 / 20.521	Capital Assistance Program for Elderly Persons and Persons with Disabilities / New Freedom Program (Transit Services Programs Cluster)	High	Activities Allowed or Unallowed	Yes	Continue	3	1	1	5	Stop
			Allowable Costs/Cost Principles	Yes	Continue	3	1	1	5	Stop
			Cash Management	Yes	Continue	3	1	1	5	Stop
			Davis-Bacon Act	Yes	Continue	1	1	1	3	Stop
			Eligibility	Yes	Continue	3	1	1	5	Stop
			Equipment and Real Property Management	Yes	Continue	1	1	1	3	Stop
			Matching, Level of Effort, Earmarking	Yes	Continue	2	2	1	5	Stop
			Period of Availability of Federal Funds	Yes	Continue	3	1	1	5	Stop
			Procurement and Suspension and Debarment	Yes	Continue	3	1	3	7	Continue
			Program Income	Yes	Continue	1	1	1	3	Stop
			Real Property Acquisition/Relocation Assist.	Yes	Continue	1	1	1	3	Stop
			Reporting	Yes	Continue	3	1	1	5	Stop
			Subrecipient Monitoring	Yes	Continue	3	1	2	6	Continue
			Special Tests and Provisions	Yes	Continue	3	1	1	5	Stop
Special Tests and Provisions (ARRA)	No	Stop					0	Stop		

Low	Total Score of 5 or less.
Moderate	Total Score of 6.
High	Total Score of 7 or greater.

Note: Review the Circular A-133 Matrix of Compliance Requirements to determine if requirements are applicable to the program. See excerpt on pages 14 and 15 of this case study. For combined Compliance Requirements (i.e. Matching, Level of Effort and Earmarking; Procurement and Suspension and Debarment, etc.) that must be carried forward and documented (High and Moderate risk), review Circular A-133 Part 4 - Agency Program Requirements to determine which requirements are applicable.

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Narrative

CFDA Program Title(s) or Cluster: Transit Services Programs Cluster

CFDA #(s): 20.513 & 20.521

Supporting System(s) / Application(s): TEAM

This document provides a description of the controls in place for the above CFDA Program(s) as of FYE 6/30/2012. Internal controls are *Italicized*, Critical Controls are **Bolded** and control weaknesses are underlined.

Compliance Requirement: Procurement and Suspension & Debarment

Requirement Risk Rating: High

Procurement – Immaterial (*Less than 10% of grant expenditures*)

Suspension and Debarment

The department has not entered into procurement contracts that equal or exceed \$25,000.

Grant funds are passed down to private non-profit entities, local municipalities, and/or operators of public transportation services as subawards to subrecipients. All subawards to subrecipients are considered covered transactions and should meet the terms of the suspension and debarment compliance requirement. **To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government. (SD1)** The certification is a part of the application package.

Source(s): Inquiry of program personnel, Review of application package

Prepared by: C. Jones

Interview Date: January 5, 2012

Compliance Requirement: Subrecipient Monitoring

Requirement Risk Rating: Moderate

Subrecipient Monitoring

Enter narrative here.

Source(s):

Prepared by: C. Jones

Interview Date:

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Narrative (continued)

Note: Label all your controls with a control reference number in the above narrative. This control reference number will be cross-referenced throughout the remainder of the templates.

A critical control is a control that will prevent or detect an error in the event that all other controls fail. If there isn't a critical control, you may need to test all the controls in your narrative. If the critical control encompasses the prior controls, you will only need to test the critical control and not the individual control.

Refer to the Guidance Manual and/or Case Studies for an example of how to complete the narrative template. The narrative should be for the procedures in place at the end of the current fiscal year. If your Agency's procedures are changing during the fiscal year, document the new procedures that will be in effect at the end of the current fiscal year, rather than the old procedures.

Narratives should also be written for Transit Services Subrecipient Monitoring and Investment for Public Works Reporting and Special Tests compliance requirements. These narratives were intentionally omitted from the Case Study.

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Agency ABC Walkthrough

CFDA Program Title(s) or Cluster: Transit Services Programs Cluster

CFDA #(s): 20.513 & 20.521

Compliance Requirement: Suspension and Debarment

Requirement Risk Rating: High

Supporting System(s)/Application(s): TEAM

This walkthrough assists in documenting our understanding of the design of controls. We are documenting the procedures performed, evidence obtained and conclusions as to the effective design of the underlying controls and whether the controls have been implemented. We will select a transaction that has occurred within the current Fiscal Year and walk through all controls listed on the narrative template (template 02).

Walkthroughs should be performed by someone who is not ordinarily involved in the process, and if possible, should be performed when the process occurs. A walkthrough should be performed for all controls identified in the narrative, both critical and non-critical.

Control Owner's Title: M. Davis, Program Monitor

Date of Walkthrough/Interview: January 7, 2011

Walkthrough Performed by: C. Jones

Control Description and Control Reference #: To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government. (SD1)

Transaction Selection: Subrecipient Application for Any Town, NC

Procedures to Perform: We will review the application package to determine if a suspension and debarment certification is included. We will also verify if the certification was signed.

Results: We reviewed the application package for Any Town, NC. A signed suspension and debarment certification was included.

Conclusion: Control SD1 was in place and operating effectively at the time of the walkthrough.

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Walkthrough (continued)

Note: This walkthrough will assist you when the test of controls is performed. During the walkthrough, if a control does not appear to be in place for the item selected, look at a few additional items to determine if the error noted for the first item was an isolated incident. If the issue is recurring, it is not necessary to document a test plan and perform testing. The issue should be added to the Issue Summary Log.

Refer to the Guidance Manual and/or Case Studies for an example of how to complete the walkthrough template.

Walkthroughs of controls should also be documented for Transit Services Subrecipient Monitoring and Investment for Public Works Reporting and Special Tests. These were intentionally omitted from the Case Study.

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Agency ABC

Risk and Control Matrix (RACM)

Document:	Risk and Control Matrix (RACM)
Entity:	Agency ABC
Reporting Date:	June 30, 2012
CFDA Program Title(s) or Cluster :	Transit Services Programs Cluster
CFDA #(s):	20.513 & 20.521
System(s) / Application(s):	TEAM

Prepared by:	C. Jones
Reviewed by:	J. Doe

Compliance Requirement(s)	Requirement Risk Rating(s)	Risks	Control Owner	Control Description	Control Ref. #	Automated, Manual or Both?	Prevent or Detect?	Frequency of Control Activity
Suspension & Debarment	High	The agency makes subawards to suspended or debarred entities resulting in non-compliance.	Program Monitor	To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government.	SD1	Manual	Prevent	Annually

Note: A RACM should also be completed for Transit Services Subrecipient Monitoring and Investment for Public Works Reporting and Special Tests. These were intentionally omitted from the Case Study.

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Test Plan

Document:	<i>Test Plan</i>
Entity:	<i>Agency ABC</i>
Reporting Date:	<i>June 30, 2012</i>
CFDA Program Title(s) or Cluster:	<i>Transit Services Programs Cluster</i>
CFDA #(s):	<i>20.513 & 20.521</i>

Prepared by:	C. Jones
Reviewed by:	J. Doe

						Complete after testing			
Compliance Requirement(s)	Requirement Risk Rating(s)	Control Description	Control Ref. #	Objective of Test	Test Procedures	Results	Conclusion	Issue Raised?	Testing W/P Ref.
Suspension & Debarment	High	To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government.	SD1	1) To determine if a suspension and debarment certification was included in the application package. 2) To determine if the certification was signed by the subrecipient.	Obtain the application package for a sample of subrecipients and test for the following: 1) Inclusion of suspension and debarment certification 2) Signature of authorized representative	2 errors noted	Controls are ineffective	Yes	SD Test Leadsheet

Note: Test Plans should also be completed for Transit Services Subrecipient Monitoring and Investment for Public Works Reporting and Special Tests. These were intentionally omitted from the Case Study.

Case Study – Compliance Risk Assessment

Agency ABC Test Leadsheet

Document:	SD Test Leadsheet	Performed by:	C. Jones
Entity:	Agency ABC	Reviewed by:	J. Doe
Reporting Date:	June 30, 2012		
CFDA Program Title(s) or Cluster:	Transit Services Program Cluster		
CFDA #(s):	20.513 & 20.521		
Compliance Requirement(s):	Suspension & Debarment		
Requirement Risk Rating:	High		
Control Reference #:	SD1		

Control Description:	To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government.
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Control Frequency:	Annually
Automated, Manual or Both:	Manual
Prevent or Detect:	Prevent
Control Owner:	Program Monitor
Estimated Population:	48 subrecipient applications
Sample Selection Methodology:	Random
Sample Size:	10
Source Test Documents:	Application package

Should agree to RACM

Should agree to Test Plan

Refer to Sample Size Guidance

Test Procedures:	Obtain the application package for a sample of subrecipients and test for the following: 1) Inclusion of suspension and debarment certification 2) Signature of authorized representative
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Definition of an Exception:	1) A suspension and debarment certification is not included in the application package. 2) The certification is not signed by an authorized representative.
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Testing Section: Customize column headings as necessary		Attributes	
Sample No.	Name	A	B
1	Subrecipient 1	Y	Y
2	Subrecipient 2	N	N
3	Subrecipient 3	Y	Y
4	Subrecipient 4	Y	Y
5	Subrecipient 5	N	N
6	Subrecipient 6	Y	Y
7	Subrecipient 7	Y	Y
8	Subrecipient 8	Y	Y
9	Subrecipient 9	Y	Y
10	Subrecipient 10	Y	Y

Attributes:	A	A suspension and debarment certification is included.
	B	The certification is signed by an authorized representative.

Tickmark Legend:	Y	Attribute satisfied without exception.
	N	Attribute not satisfied.

Results:	2 errors noted. This will be documented on the Issue Summary Log.
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Note: Test Leadsheets should also be completed for Transit Services Subrecipient Monitoring and Investment for Public Works Reporting and Special Tests. These were intentionally omitted from the Case Study.

Case Study – Compliance Risk Assessment

Agency ABC Issue Summary Log

Prepared by:	C Jones
Reviewed by (ICO and CFO):	T. Moore

EAGLE Program
Issue Summary Log
Agency ABC
June 30, 2012

CFDA Program Title(s) or Cluster	Compliance Requirement(s)	Requirement Risk Rating	Control Description	Control Ref. #	Issue	Risk/ Implication	Recommendation	Management's Response
Transit Services Program Cluster	Suspension & Debarment	High	To ensure compliance, subrecipients are required to submit a signed suspension and debarment certification stating that the applicant has not been suspended or debarred from doing business with state or federal government.	SD1	A suspension and debarment certification was not included in the application package for 2 of 10 sample subrecipients.	The agency is at risk of making subawards to suspended or debarred entities resulting in non-compliance.	A checklist should be used when reviewing applications to ensure that all required information, certifications, signatures, etc. has been included.	Management agrees with the recommendation. A checklist will be created and used with the next round of applications.

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Appendix – Circular A-133 Matrix of Compliance Requirements

Legend:

- Y Yes, this type of compliance requirement may apply to the Federal program.
- Shaded Box Indicates the program normally does **not** have activity subject to this type of compliance requirement.
- * Program does not have a CFDA number, so the Part 4 A-133 page number is used.
- ** Applicability may be based on ARRA funding only and special tests and provisions.
- Programs with ARRA funding are shown in bold and, even if no other Special Tests and Provisions are applicable, "Special Tests and Provisions" is marked as "Y" due to the coverage of ARRA

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/ Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition/ Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
10 – United States Department of Agriculture (USDA)														
10.001*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
10.551	Y	Y	Y		See Part 4	Y	Y	Y	Y			Y	Y	Y
10.553								Y	Y	Y				
10.555	Y	Y	Y		Y	Y	Y					Y	Y	Y
10.556														
10.559														
10.557	Y	Y	Y		Y	Y		Y	Y	Y		Y	Y	Y
10.558	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.566	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.568	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y	Y	Y
10.569														
10.582	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	
10.665	Y	Y	Y				Y		Y					
10.666														
10.760	Y	Y	Y	Y		Y	Y	Y	Y			Y		Y
10.766	Y	Y	Y	Y		Y		Y	Y			Y		Y
11 – Department of Commerce (DOC)														
11.010														
11.300	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
11.307														
11.555	Y	Y	Y			Y	Y	Y	Y			Y	Y	
11.557	Y	Y	Y	Y		Y	Y	Y	Y	Y		Y	Y	Y
11.558	Y	Y	Y				Y	Y	Y			Y		Y
12 – Department of Defense (DoD)														
12.400	Y	Y	Y	Y		Y	Y	Y	Y			Y		Y
12.401	Y	Y	Y	Y		Y	Y	Y	Y	Y		Y		Y

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Appendix – Circular A-133 Matrix of Compliance Requirements (continued)

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/ Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition/ Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
20 – Department of Transportation (DOT)														
20.106	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
20.205 20.219 20.933 23.003	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
20.223	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y		
20.319	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
20.500 20.507	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
20.509	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
20.513 20.516 20.521	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
20.600 20.601 20.602 20.603 20.604 20.605 20.609 20.610 20.611 20.612 20.613	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
21 – Department of the Treasury (TREAS)														
21.012 21.020	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y
45 – National Endowment for the Humanities (NEH)														
45.129	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
66 – Environmental Protection Agency (EPA)														
66.458	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
66.468	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
81 – Department of Energy (DOE)														
81.041	Y	Y	Y	Y		Y	Y	Y	Y	Y		Y	Y	Y
81.042	Y	Y	Y	Y	Y	Y	Y		Y	Y		Y	Y	Y
81.128	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y

