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MANAGING RISK IN USAID

Risk is the potential for loss, harm, or danger in an operation. A risk assessment informs Agency management of the relevant risks associated with achieving management objectives. It is intended to help management (1) identify and document risks; (2) prioritize them in terms of susceptibility; and (3) determine the adequacy of controls to manage those risks.

By properly managing risk, USAID can improve the effectiveness and efficiency of its operations, while reducing the likelihood of waste, loss, and mismanagement. Managers of USAID assessable units (**Bureaus, Offices, and Missions**) are responsible for risk management and can most efficiently conduct risk assessments. Many of the same sources of information that are used to determine the adequacy of management controls, i.e., management knowledge, management reviews, audits, program evaluations, etc., also provide information that is helpful in assessing risk levels and appropriate controls to use in order to properly manage risk.

Attached is a Risk Assessment Guide that will assist you in conducting your risk assessment. The Agency's Automated Directives System (ADS), audit findings, staff reviews, and the results of management control reviews were used to develop the guide. The items listed in the guide reflect our policies, procedures, organizational structure, systems, and core values. Risk assessments must address all areas of vulnerability, including inadequate policies and procedures, inefficient organizational structures, inadequate training, wasteful or inefficient operations, unauthorized access to classified information, etc. Risk assessment results should be available to staff and used to influence decisions and actions involving the development and implementation of controls.

Please rate each item in the assessment by checking either

(1) The "**Agree/Low**" box for each item where you assess your risk to be low, i.e., you agree that the control item describes the condition in your unit;

(2) The "**Sometimes Agree/Moderate**" box if the condition applies to your unit;

(3) The "**Disagree/High**" box if you have a high risk in the control area or the control does not describe the condition in your unit; or

(4) The "**Not Applicable" (N/A)** box if the control item does not apply to your unit.

For some of the risk assessment items, you might want to qualify your answers or make other pertinent notes. Please use the "**Comments**" section to record such information.

Each assessable unit should schedule management control reviews based on the level of risk determined for each item or area, i.e., items or areas of high risk should be reviewed first and no less than annually; moderate risk items might only require an in-depth review every two years; those areas deemed low risk might only require a thorough review once every three years. When scheduling management control reviews, consideration should be given not only to the degree of risk but also to the management controls in place to reduce or eliminate the risk.

RISK ASSESSMENT GUIDE

FY_____

Organization Name_____

1. GENERAL CONTROL ENVIRONMENT	**N/A**	**AGREE LOW**	**SOMETIMES AGREE MODERATE**	**DISAGREE HIGH**
a. Management demonstrates a supportive attitude toward management controls.				
b. Management has assessed risk and reviewed management controls in the past year to assure that they are working.				
c. The staff has received training on management controls.				
d. The assessable unit has an accurate functional statement.				
e. The unit is adequately staffed to perform its responsibilities.				
f. Delegations of authority are in writing and clearly outline authorities.				
g. The delegations grant sufficient authority to carry out responsibilities.				
h. Each employee has an accurate and up-to-date position description.				
i. Performance standards for all employees include management control considerations.				
j. Mid-term reviews are conducted for each employee.				
k. There is sufficient training to improve job competency and update employees on new policies and procedures.				
l. Mission Orders or other operating procedures are consistent with policies and procedures in the Automated Directives System (ADS).				
m. All employees of the unit have access to Agency policies and procedures in the ADS.				

GENERAL CONTROL ENVIRONMENT (cont.)	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
n. The Standards of Conduct for Federal Employees is brought to employees' attention annually.				
o. The unit has been in existence for more than two years and has not undergone a reorganization in the past year.				
p. Contractors and grantees are audited in accordance with Agency policy.				
q. Management decisions are reached on audit recommendations within six months of audit report issuance.				
r. Final action is generally taken on audit recommendations within one year after the management decision.				
s. There are no uncorrected material weaknesses for the unit.				
t. The unit maintains readily accessible documentation that supports its risk assessments and management control reviews.				

Comments:

2. INHERENT DEGREE OF RISK	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
a. The unit has clear and concise operating procedures and/or legislative authority.				
b. The administration of the unit's programs or operations is not complex.				
c. The unit is adequately staffed to discharge its responsibilities.				
d. The unit's operating budget is: (a) Under $10 million (put "x" under LOW) (b) From $10-30 million (put "x" under MODERATE) (c) Over $30 million (put "x" under HIGH)				
e. The unit safeguards non-expendable assets: (a) Under $500,000 (put "x" under LOW) (b) $500,000-$2,500,000 (put "x" under MODERATE) (c) Over $2,500,000 (put "x" under HIGH)				
f. Contractors and grantees provide limited goods and services to the unit.				
g. During the past year, the unit has not been subject to special attention by the President, Congress, OMB, GAO or the media.				
h. The activities of the unit are relatively free of concern by outside interest groups.				
i. The general public would be relatively disinterested in the activities of the unit.				
j. OIG or GAO audits did not reveal significant problems with programs or operations of the unit in the past year.				

Comments:

3. PROGRAMMING	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
a. An approved strategic plan is in place that governs the use of program resources, related staff, and operating expense funds.				
b. Strategic Objective (SO) agreements are negotiated and signed by authorized individuals.				
c. SO teams have clear roles and responsibilities and adequate authority for implementing activities.				
d. The unit has on-site access to a legal advisor.				
e. The unit has not violated legal restrictions, including 620 Q and Brooke Amendment restrictions, in the implementation of programs over the past two years.				
f. Preobligation requirements are met in accordance with ADS 203.				
g. The procurement system of the host country contracting agency is certified in consultation with the Contracting Officer, Controller, and legal advisor.				
h. The host country contracting agency's accounting system has been certified by the USAID Controller.				
i. The cooperating country maintains a system of records documenting the arrival and disposition of commodities financed by USAID and end use checks are conducted.				
j. Activities managed by the unit do not have a high degree of potential for fraud, waste, and abuse.				
k. Designated staff monitors the quality and timeliness of outputs produced by contractors and grantees.				
l. The unit does not manage activities in non-presence countries.				
m. A performance monitoring plan is in place for each strategic objective.				
n. Portfolio reviews are periodically conducted to assess the progress of the unit's strategic objectives.				

3. PROGRAMMING (cont'd)	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
o. Evaluation findings are available to staff and used to inform decisions and actions on relevant activities.				
p. Performance data reported in the unit's Annual Report meets reasonable standards of validity, reliability, timeliness, precision, and integrity.				
q. The results reported in the unit's Annual Report are attributable to the operating unit's activities.				
r. OIG, GAO, or an internal management review did not identify significant problems with programming systems or procedures.				

Comments:

4. ADMINISTRATIVE MANAGEMENT	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
a. Appropriate delegations are in place to enable separation of duties for Executive Officer functions, e.g., ordering, receiving.				
b. The unit's organization, staffing, and services are periodically reviewed to ensure effective/efficient use of material and human resources.				
c. The unit has written security procedures for handling and safeguarding classified and sensitive but unclassified materials.				
d. Automated information systems are operated in compliance with Agency information system security policies.				
e. Basic security awareness training is conducted for personnel authorized to use automated information systems.				
f. Data files, computer programs, and equipment are secure from unauthorized changes, unauthorized disclosure and use, and physical destruction.				
g. USAID facilities meet Agency physical security requirements.				
h. Physical inventories of all personal property (nonexpendable (NXP) and expendable) are conducted and reconciled with property records at least annually and losses are reported to the Property Management Officer.				
i. Disposal of NXP is accomplished in accordance with ADS 534 and 6 FAM 220.				
j. Administrative direction and oversight are provided for the proper maintenance and control of vehicles.				
k. USAID records are maintained and disposed of in accordance with the Agency's Records Disposition Schedule.				

Comments:

5. FINANCIAL MANAGEMENT	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
a. An effective financial management system is in place.				
b. Adequate financial management policies and procedures (including desk procedures or Mission Orders where needed) are in place and accessible to staff.				
c. The unit has not had funds control violations in the past two years.				
d. The unit has not reported invalid obligations in the past two years.				
e. Unliquidated obligations are periodically reviewed and unneeded funds are deobligated.				
f. Delegations of authority and staffing levels provide for appropriate separation of duties.				
g. Adequate systems are in place for managing employee benefits and allowances.				
h. A system is maintained for properly managing administrative support costs.				
i. Financial management systems and controls are in place to adequately manage credit and debt activities.				
j. A system is in place to ensure the funding of the Foreign Service National (FSN) Separation Pay Trust Fund.				
k. Travel orders are prepared in advance and are properly authorized.				
l. Outstanding advances to recipients are reviewed at least quarterly, with appropriate follow-up action.				
m. Letters of credit are used to finance recipients in lieu of cash advances in accordance with USAID policy and U.S. Treasury regulations.				
n. Periodic, unannounced cash counts of all imprest funds are conducted.				
o. Property, Plan, and Equipment assets are recorded in the accounting system.				
p. The unit does not administer foreign currency programs.				

5. FINANCIAL MANAGEMENT (cont'd)	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
q. Payments are made in accordance with Prompt Pay Act requirements.				
r. Vouchers are administratively approved by the appropriate individuals.				
s. Procedures are in place to capture accrued expenditures on a quarterly basis.				
t. Accurate and timely financial information is available for decision making.				
u. Operating unit financial records are reconciled with United States Disbursing Office (USDO), Treasury, or USAID/W records as required.				
v. OIG or GAO audits or reviews have not identified significant problems with financial management systems and procedures in the past two years.				
w. A financial management assessment/ review was conducted in the past two years.				

Comments:

6. ACQUISITION AND ASSISTANCE	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
a. The unit has on-site access to a Contract/Agreement Officer.				
b. The unit has ready access to acquisition and assistance regulations, procedures, and other guidance.				
c. Cognizant Technical Officers have been adequately trained to carry out assigned responsibilities.				
d. Procurements are implemented in accordance with the FAR, AIDAR, and applicable Contract Information Bulletins.				
e. An Agreement Officer determines whether new recipients have the ability to obtain the necessary management competence to carrying out assistance programs.				
f. Grants and cooperative agreements are only used when the principal purpose of the transaction is to accomplish public purpose of support or stimulation authorized by the Foreign Assistance Act.				
g. Standards of Conduct and Conflict of Interest regulations have been discussed with individuals involved in establishment of requirements, contractor/recipient selection, negotiation of actions, and management of activities.				
h. Appropriate patent and royalty clauses are included in contracts, grants, and cooperative agreements.				
i. The Program Description for grants clearly establishes goals that are realistic, measurable, and represent the highest objective for which the recipients will be held accountable.				
j. The unit did not have instances of unauthorized commitments.				
k. There is adequate separation of duties for the obligating and receiving functions.				
l. Individuals with authority to use purchase cards received training on the requirements and limitations on the use of government purchase cards.				

6. ACQUISITION AND ASSISTANCE (cont'd)	N/A	AGREE LOW	SOMETIMES AGREE MODERATE	DISAGREE HIGH
m. OIG or GAO did not identify significant problems with the unit's acquisition and assistance practices and procedures in the past two years.				
n. Contracts in excess of $100,000 are evaluated at least annually, except as provided in FAR 42.1502(b).				
o. Acquisition and assistance instruments are closed out in a timely manner.				
p. A procurement assessment has not revealed significant problems in the past two years.				

Comments:

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