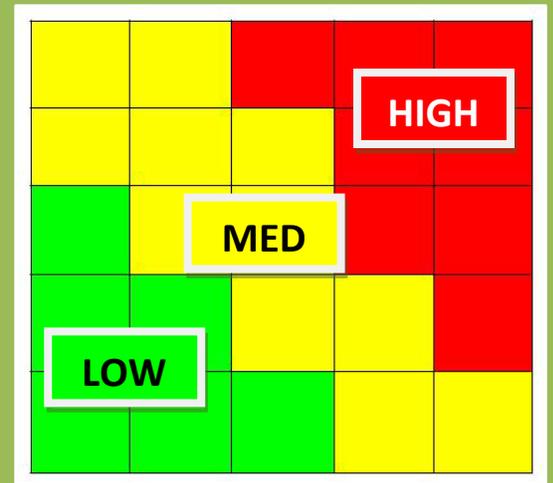


U.S. Department
of the Interior

Conducting Risk Assessments

Using the Integrated Risk Rating Tool (IRRT)



**Bureau of Land
Management**

Evaluations and Management
Services

Instructions for Completing the Integrated Risk Rating Tool (IRRT)

Purpose

The purpose of this document is to assist BLM employees in conducting risk assessments using a new Integrated Risk Rating Tool (IRRT). Risk assessments are conducted as part of internal control reviews (ICRs) or other management analysis or review initiatives. During fiscal year 2009, the Department is implementing an integrated risk management framework as part of its internal control program. The Integrated Risk Rating Tool facilitates that effort and produces a quantifiable determination of risk for programs, components or assessable units measured on a basis of low, medium or high.

Background

Conducting risk assessments is a critical element of the internal control program cycle. This cycle is comprised of the following key processes:

1. Verify internal control components
2. *Identify and verify risks*
 - a. *Perform risk assessments*
 - b. *Assess risk for component/assessable units*
 - c. *Update 3 year ICR inventory plan*
3. Assess internal controls
4. Document results and implement corrective actions
5. Monitor corrective actions and document lessons learned

Risk assessments are an internal management process that are conducted to ensure BLM is identifying , assessing and considering consequences of events that could prevent the achievement of our mission, goals and objectives as well as other factors; such as complying with laws, regulations or safeguarding assets (for example).

The Integrated Risk Rating Tool was developed to provide a consistent, repeatable and objective determination of risk for all of BLM's assessable units that are identified in the 3-year component inventory and are subject to internal control reviews. It is BLM's goal to use the output of IRRT in a risk based manner to determine which assessable units should be the subject of internal control reviews for any given fiscal year. In other words, the IRRT will be used to re-baseline the risk rating identified for each assessable unit in the component inventory. The IRRT will also be used to conduct risk assessments when an assessable unit has been selected for an internal control review in the future.

The IRRT uses an integrated approach to evaluate risk for each assessable unit. The approach is integrated because it examines a wide variety of contributing risk factors to arrive at an overall risk determination for each assessable unit. These risk factors are grouped into categories which include:

- ✓ Component or Program Specific
- ✓ Property Management
- ✓ Budget
- ✓ Compliance
- ✓ Customer Service
- ✓ Partnerships
- ✓ Finance
- ✓ Human Capital
- ✓ Information Management and Information Technology
- ✓ Records Management
- ✓ Safety and Security

The IRRT computes risk scores for each of these categories and also weighs and aggregates these values to arrive at a final risk determination for the assessable unit.

Approach & General Instructions

The following are general recommendations for completing the Integrated Risk Rating Tool (IRRT):

- It is recommended that (where feasible) a small interdisciplinary team be formed to complete the IRRT for your component or assessable unit.
- Programmatic and management expertise is required to complete the IRRT, the IRRT should not be delegated to a relatively low level staff member to complete.
- The terms component, assessable unit and program are often used interchangeably throughout the IRRT, do not become overly concerned with semantics.
- Interpret the risk events broadly throughout the IRRT.
- Please do not attempt to “game” the IRRT by attempting to seek a more desirable risk rating, please respond openly and honestly to the questions posed.
- Be thorough in your responses to questions and comments - much of what is documented in this tool is reusable for management follow-on activities and other internal control review documentation.
- Take breaks; do not attempt to complete the IRRT in a single session.
- Investigate and ask questions, if you are unsure of your response to an event on the IRRT – ask a subject matter expert.
- Before beginning the tool, it may be of some benefit to peruse through the tabs to get a feel for how the tool is laid out; for example: green tabs need to be completed, red tabs accumulate results and gray tabs score your responses. Your input is only required on the green tabs.

- The IRRT is in Excel format and not a more sophisticated software application which allowed it to be created in a cost effective manner. However, Excel does have functional limitations that should be acknowledged when completing the IRRT. For example, the IRRT does not prevent the user from selecting multiple responses to the same question. Please review the data you input into the tool carefully.
- Use the pop-up help comments within the available cells as an aid with your responses; also refer to the example tab to help answer your questions about completing the IRRT.
- If you are still unsure or have more specific question please contact one of the representatives listed at the end of this document.

Specific Instructions

Listed below are more specific instructions that may be helpful in completing the Integrated Risk Rating Tool (IRRT).

Getting Started - You will find a copy of the IRRT on the Sharepoint Internal Control and Evaluation website. The tool is loaded in a folder titled “FY2010 Risk Assessments.” The IRRT should be downloaded to a desktop or laptop computer where it can be completed.

Specific IRRT Tab Instructions – The IRRT workbook consists of several tabs (or worksheets), as previously mentioned the green colored tabs require your input to complete the tool and arrive a risk rating for your component or assessable unit. The following discussion provides additional information on the specific tabs in the IRRT workbook going from left to right across the tabs. Much of what is described below is also included in the tool worksheets as pop-up comment help boxes that are activated by mousing over a cell with a red triangle in the upper right hand column.

Table of Contents – The table of contents tab provides a description of all the pertinent tabs that you will be using or reviewing during the risk assessment. Data entry is not required on this tab. You can familiarize yourself with the various risk categories and tabs by reading their definitions or clicking on the hyperlinks in the right hand column that will take you directly to that risk category tab. It is recommended that you complete the tool in sequence by moving through the various tabs from left to right. This can be accomplished by clicking on the tabs at the bottom of the workbook or by clicking the “Go To Next Tab” hyperlink at the bottom of each worksheet.

General Information – Enter your required information on this tab, the majority of which is self explanatory in nature. Please note that some of the data entry blocks have drop down menus from which you can select your response and some will require direct input. All entry requirements on this page have pop-up help comments in column I.

This tab asks you to identify your assessable unit’s main objective (or goal) as well as the 4 biggest risks to achieving that objective. Please pay special attention to the identification of these programmatic risks and consider this question carefully. The risk events you enter here

will be carried forward to the Component Specific risk category tab. This is the one instance in the tool where it may be of some benefit to skip this section and return to it later, after completing the other tabs. Completing the other risk category tabs may provide you with insight of how to frame these risk events as well as identifying risk events that are programmatic in nature and may not be reflected on the other risk category tabs.

As the pop-up help comment for this section indicates, the risks should be directly tied to the success of meeting your assessable unit's objectives. In other words; what events would preclude you from meeting your program's goals? These risks could be internal or external threats or conditions that preclude or diminish successful programmatic achievement. Again, please consider these carefully. ***Also, please be aware that cutting and pasting cells in these 4 blocks may destroy the links between the tabs and should be avoided.***

At the bottom of this sheet is the "Composite Risk Rating" section. These blocks will be populated with your final inherent and controlled risk rating determinations after you have completed the IRRT. You do not need to enter any data here as the scores will be computed for you and then displayed here.

Organizational Priorities - This tab asks you to assign a priority to each of the risk categories. The priority you assign should be in the context of considering how important are the processes within the category to achieving the goals and objectives of your assessable unit. Establishing priorities for each of the risk categories provides the basis to weigh the risk categories relative to your assessable unit. For example, the processes associated with "Property Management" may be of more importance for the Recreation Resource Management Program assessable unit vs. the Abandoned Mine Lands assessable unit and therefore should be given greater consideration in the final determination of an overall risk rating. Please note that you should rate the "Component Specific" category as a critical or high priority because of its relative importance in meeting your assessable unit's objectives. Select the priority via the drop down menu for each category in column H.

Example Tab - The example tab is provided as a reference point for you to refer to when completing the rest of the IRRT. The example illustrated is for the budget risk category. It would be very beneficial to review the responses on this tab to get an idea of the expectations on the level of feedback and comments the IRRT seeks to capture. Pop-up help comments are also heavily featured on this tab to assist you in responding to the rest of the IRRT which is in an identical format.

Property Management through the Safety and Security Tabs - All of the risk category tabs are structured as a questionnaire which poses identical questions to 4 unique risk events within each category. The risk events are the yellow highlighted lines and are representative of events or conditions for that category, that if they occurred, could negatively impact your assessable unit's ability to meet its goals and objectives to some degree. In short, the risk events are bad

things that could happen, that hopefully, management recognizes, plans for and attempts to mitigate or control.

Risk is measured in terms of both the impact or consequence of the event and likelihood of its occurrence across a standard 5 point scale. For each risk event listed, answer the questions below it, for example:

“This event would significantly impact my AU” - Ask yourself the question; if this event occurred would it create significant problems? If it would, then you should check “Agree” or “Strongly Agree”.

The next statement asks you to evaluate: “This event is likely to occur in my AU” Your response should indicate how strongly you agree that this event could occur. If the event has occurred in the past or it very well could occur in the future, you should check “Agree” or “Strongly Agree”.

The next line (line 12) asks you to outline the processes and/or procedures you have in place to address the risk event. In other words what controls do you have in place to prevent the event from happening or minimize its affect? You should list and briefly describe these processes in the adjacent cell.

The next line (line 13) asks you to evaluate whether the processes and procedures you just identified to prevent the event from occurring are sufficient. You should indicate your response my checking the appropriate box on how strongly you agree or disagree with that statement.

For each line, use the "Comments" box to explain any answers as needed to support your response. Comments are required for all answers that are marked "Does Not Apply". The above process is then repeated for each of the 4 risk events within each risk category. It is recognized that all the risk categories and events may not apply to your assessable unit. This has been controlled for through the use organizational priorities tab and your ability to answer “Does not apply”. You are encouraged to interpret the risk events broadly - your number of “Does not apply” responses should be minimal.

Component Specific Tab – The risk events for this tab are brought forward from your entries on the General Information tab. (Do not enter your assessable units programmatic risk events directly into component specific tab.) Once the risk events have been identified and entered, this tab is completed in the same manner as the other risk category tabs.

Grey Shaded (Raw Data) Tabs – The gray shaded tabs calculate detailed risk scores for each risk category. The results from these tabs are sent to the red shaded Composite Risk Score and Category Results Tabs. To state it another way, the gray shaded tabs are the inter-workings of the IRRT. This information can be viewed if desired but you should not enter any data or alter any formulas or hyperlinks on these tabs.

Reviewing Your Results

The Integrated Risk Rating Tool compiles results at both the detail and aggregate levels on the red shaded tabs. The Category Results (Scores) tab provides detailed risk scores for each risk category. These results are displayed for both the inherent risk and the controlled risk perspectives. The inherent risk scores are compiled from your responses to the impact and likelihood questions while the controlled risk scores also include your responses to the question on how sufficient your controls are. If results are not displayed for one of your risk categories, that may be an indication that you have checked multiple boxes on the same line for a given response to a risk event for that category.

Normally, inherent risk scores are higher than the residual risk scores; this is because the existence of controls typically reduces or mitigates risk to some degree. In other words, the logical scenario is that for any given category, the residual risk should be equal to or less than the inherent risk. If in reviewing your results this is not the case, it may be a good idea to return that tab and review your responses. Based on a few unique scenarios for responses to questions, there is a remote possibility that using this IRRT your controlled risk may be of a higher value than the inherent risk for an individual risk category. Again, this scenario is illogical from a theoretical standpoint but is controlled for on the Composite Risk Score tab.

Detailed risk category scores are aggregated on the Composite Risk Score tab to arrive at your composite risk rating of high, medium or low. Your composite risk ratings are also carried forward to the bottom of the General Information tab.

The risk values that are determined through the IRRT are not a value judgment about your program, component or assessable unit; for example, high risk is not equated with a “bad” program and low risk with a good program. However, risk does require management review and attention. High risk areas could have a significant impact on the component or assessable unit’s operations, efficiencies or compliance and should be assessed for effective mitigating internal controls.

Printing

If you would like to print any of the worksheets, all of the tabs have been pre-formatted for printing with a portrait orientation on 8.5 x 11 paper.

Saving and Uploading Your Completed Risk Assessment

Once completed, your IRRT should be uploaded back to the Sharepoint website under the appropriate fiscal year folder with a filename that includes some abbreviation of the assessable unit for which the risk assessment was performed and the fiscal year. For example, if you are completing a risk assessment for the Abandoned Mine Lands program - the completed file name could be "2010 AML IRRT.xlsx" or something similar.

Once you have uploaded your IRRT, please contact one of the Evaluations and Management Services representatives below. The representative will review your submission for completeness, clarity and consistency and notify you that your IRRT was accepted or requires further consideration.

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