U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

Attention:

All Office Directors
All Government Technical Representatives for the
Community Compass Technical Assistance
   and Capacity Building Program

All Government Technical Managers and Program
      Office Technical Assistance Coordinators for
      the Community Compass Technical Assistance
      and Capacity Building Program

NOTICE: CPD-20-09
Issued: September 30, 2020
Supersedes: Not applicable
This Notice is effective until it is
   amended, superseded, or rescinded

SUBJECT: Implementing Risk Analysis for Monitoring, Community Compass Technical Assistance and Capacity Building Program, Including All Programs Linked to CFDA Number 14.259

Content

I. Purpose

The purpose of this Notice is to provide a consistent methodology for conducting risk analyses for recipients[1] of the Community Compass Technical Assistance and Capacity Building Program, including all programs linked to its Catalog Federal Domestic Assistance (CFDA) Number, 14.259 (herein referred to as the TA Program). This Notice also establishes monitoring priorities within available resources. This risk analysis process and criteria have been incorporated into this Notice, including Appendix A -- the Risk Analysis Criteria – and Appendix B – the Risk Analysis Worksheet and Summary. However, the TA Program is planning to incorporate the Risk Analysis Worksheet and Summary into either the ARGUS tool or the Disaster Recovery Grants Management (DRGR) System, the HUD System for managing awards issued under the TA Program. Updates to this Notice will follow the decision to use the ARGUS tool or DRGR.

This Notice also resolves the HUD Office of Inspector General (OIG) Audit of the TA Program[2] and augments the Departmental policy contained in Handbook 1840.1, Rev-3, *Departmental Management Control Program*, which requires the development of risk-based rating systems for all programs, and Handbook 6509.2 REV-7, *Community Planning and Development Monitoring Handbook*. The major steps for implementing risk-based monitoring include:

- Developing risk-based rating systems for TA Program recipients;
- Rating and selecting TA Program recipients for monitoring;
- Identifying program risks and setting monitoring objectives; and
- Documenting the process and recording the rationale for choosing TA Program recipients.

The risk analyses discussed in this Notice are the prerequisites to the monitoring events and strategies in Handbook 6509.2 REV-7, Community Planning and Development Monitoring Handbook. The following Chapters, including the exhibits, in the Handbook 6509.2 REV-7 reference and apply to the TA Program: Chapters 1-2, Chapter 17, and Chapter 34.

The risk analyses described in this Notice are performed by HUD's Technical Assistance Division (TAD) or other HUD-designated entity, in collaboration with HUD's PIH Procurement and Contract Services (PCS) Office, Housing Office, and Fair Housing and Equal Opportunity (FHEO) Office. The evaluator (a Government Technical Representative (GTR)/CPD Representative or a Financial Analyst or Specialist or a person from a HUD-delegated entity) and management representative (CPD Senior Official(s) or Front Office Staff, TAD Director, TAD Team Lead/Manager, Chief Officer of PCS in PIH, or management staff in FHEO and Housing Office) have specific responsibilities for worksheet review and information update for each recipient. HUD staff from program offices with grantees supported by the TA Program may

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[1] The terms "program participant," "grantee," "participating jurisdiction" (PJ), and "recipient" all refer to the entity that receives the Federal award directly from HUD and are used interchangeably in this Notice.
[2] https://www.hudoig.gov/reports-publications/report/hud-did-not-have-adequate-oversight-its-community-compass-technical

provide support to the evaluator, to the extent the staff are involved in activities funded by the TA Program. For compliance with civil rights and related requirements, the evaluator will provide results of risk analyses and a list of monitoring priorities to FHEO, who may consider this information when planning and conducting compliance monitoring. FHEO is the program office with the delegated authority to make determinations regarding compliance with fair housing and civil rights requirements. Certain civil rights-related program compliance monitoring impacting the TA Program are expected to be detailed in Chapter 22 of the CPD Monitoring Handbook 6509.2 REV-7, before January 2021.

The CPD Notice "Implementing Risk Analyses for Monitoring Community Planning and Development Grant Programs" is not applicable to the TA Program. However, this Notice uses a similar format.

II. Background

HUD's TAD, under the direction of the Assistant Secretary for Community Planning and Development, is responsible for developing a work plan with monitoring strategies encompassing TA Program recipients and award types to be monitored during the fiscal year. TAD also establishes the completion dates for risk analysis and plans each fiscal year. TAD will consult with CPD Front Office, PCS Office, Housing Office, and FHEO on the completion dates and work plan with monitoring strategies. The purpose of a monitoring strategy is to define the scope and focus the monitoring efforts, including establishing a framework for determining the appropriate level of monitoring for the TA Program consistent within available resources. The work plan documents the decisions for the TA Program regarding where to apply staff and travel resources for monitoring, training and/or technical assistance.

Risk analysis provides the information needed for the TA Program to effectively target its resources to recipients that pose the greatest risk to the integrity of the TA Program, including identification of the recipients to be monitored on-site and remotely, the program areas to be covered, and the depth of the review. The selection process should result in identifying those recipients and activities that represent the greatest vulnerability to fraud, waste, abuse, and mismanagement.

Moreover, this Notice reflects the risk areas included in the KPMG Pilot Fraud Risk Assessment Report (KPMG Report)[3] and adopts the general structure and risk analysis methodology in the Notice used for other CPD grantees[4]. This TA Program Notice also reflects the Recommendation 1.C. of the OIG Audit for the TA Program[5] and the recommendations from the TAD staff working group on monitoring. The TAD staff working group on monitoring discussed applicable regulations and program-specific requirements, areas and causes of failure and success, reacted to risk methodologies and monitoring strategies of other programs, de-duplication of processes, utilizing existing processes, to the greatest extent possible, and electronic storage of risk and monitoring results. The working group also discussed and

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[3] See Key Indicators in Appendix C of this Notice.
[4] https://files.hudexchange.info/resources/documents/Notice-CPD-14-04-Risk-Analyses-Monitoring-CPD-FY-2015-2016.pdf
[5] https://www.hudoig.gov/sites/default/files/2018-10/2018-PH-0003.pdf

developed, under a separate notice, the HUD/TA Program internal program management and control strategies, which include recommendations from the OIG Audit and KPMG Report.

III. Frequency of Risk Analysis

The Notice reflects a biennial assessment period and provides policy guidance for fiscal years 2020 and 2021. For FY 2021, TAD, in consultation with the CPD Front Office, PCS Office, Housing Office, and the FHEO Office, will conduct an updated review of the risk analysis results for FY 2020. Risk analysis results are currently stored on the Worksheet within Appendix B and on a TAD central drive; however, the Worksheet will be implemented in either the ARGUS tool or in DRGR around July 2021.

IV. Applicability

The risk analysis process applies to all TA Program recipients, irrespective of whether the funds are managed by CPD or a non-CPD office within HUD. As of the date of this Notice, there are 327 active cooperative agreements and 39 TA Program Recipients. This includes awards funded by the American Recovery Reinvestment Act (ARRA), and by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

V. Risk Categories and Criteria

Based on a 100-point rating scale, TA Program recipients are assigned one of three risk categories: High risk – a total score of 51 or more; Medium risk – a score between 30–50; and Low risk – a score of less than 30. Risk analysis factors are consistent with the Departmental factors outlined in the *HUD Monitoring Desk Guide: Policies and Procedures for Program Oversight*[6]:

- Grant Management;
- Financial Management;
- Services;
- Satisfaction; and
- Physical

The TA Program combines "Services" and "Satisfaction" into one factor. The "Physical" category, which is included in the *HUD Monitoring Desk Guide* and the *CPD Monitoring Handbook* (both referenced above) does not apply to the TA Program.

The subfactors used for each risk factor include the areas listed below with some variation depending on the specific award type (example, Recipient Leveraging is not applicable for all awards). The specific indicators of risk for each criterion are included within Appendix A. Each criterion within the Risk Analysis Worksheet (Appendix B) is linked to this table (Appendix A).

1. Grant Management
   a. Recipient Reporting

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[6] https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2/

b. Recipient Staff Capacity and Program Design
c. Recipient Program Complexity
d. Recipient Findings (Monitoring and OIG) and Sanctions
e. Recipient's Management of Subrecipients
f. Recipient Program Conformity to Administration and Secretarial Priorities

2. Financial Management
   a. Recipient Financial Staff Capacity
   b. Monitoring Finding Resulting in Repayment or Grant Reduction
   c. Grant Amount
   d. Recipient Program Income
   e. Recipient Single/A-133 Audits
   f. Recipient Leveraging (Distressed Cities TA only)
   g. Recipient Direct Labor Amount
   h. Subrecipient Expenditure Tracking

3. Services & Satisfaction
   a. Recipient Complaints or Special Conditions
   b. Recipient Responsiveness and Timeliness
   c. Recipient Open Awards
   d. Recipient High Labor Rate Percentage
   e. Recipient Leveraging Tracking (Distressed Cities TA only)

VI. Risk Analysis Process

Risk Analysis consists of two steps:

1. Rating:
   a. Assessing and recording risk for each recipient by the evaluator; and
   b. Reviewing results by management; and

2. Ranking:
   a. Ranking recipient by risk, from highest to lowest;
   b. Determining monitoring exceptions; and
   c. Certifying results.

The results of this two-step process provide the basis for developing the work plan for monitoring and individual recipient monitoring strategies. This includes: identifying which recipients will be monitored; method of monitoring (on-site or remote); programs and areas to be monitored; type of monitoring (in-depth or limited); areas of technical assistance and training needed; resources needed; and projected timeframes.

Each factor and its relevant subfactors are assigned a level of risk: high, medium or low. **High-Risk areas identified during the risk analysis process should be incorporated into the recipient's Individual Recipient Monitoring Strategy (this will be in either the ARGUS tool or DRGR in the future), based on the programmatic themes of the factors or subfactors,**

during monitoring. Strategies should also include monitoring Exhibits that are planned to be used during the review.

Step 1 – Rating Recipients

Timing of Risk Analysis Process: The TAD Director, in consultation with the PIH PCS Chief Officer and management of the FHEO Office, will have the opportunity to choose one of the following options for the timing of the risk analysis rating process.

- A preliminary rating may be performed during a recipient's scheduled annual performance review cycle or while reviewing quarterly performance reports. At the end of the Federal fiscal year, prior to the official ranking process, the preliminary recipient ratings would then require only brief updates to take into consideration any subsequent issues identified for a recipient since the initial performance rating period. Examples of subsequent issues would include timeliness, audit reports, or the results of monitoring visits not previously incorporated**.**

- Alternately, the entire rating process can be performed for all recipients immediately prior to ranking at the beginning of the Federal fiscal year.

Evaluator: The Evaluator will review and rate each award type administered by a recipient. The risk analysis process begins with a review of each recipient against a pre-determined set of criteria (see risk criteria/indicators in Appendix A and Appendix B). This review of each recipient award(s) provides the basic knowledge needed to rank each recipient. In completing this review, various sources of information are used, including data obtained from the Disaster Recovery Grant Reporting System (DRGR), HUD Exchange TA Portal, prior monitoring visits, audits, and TA Program surveys of training participants.

Recipients are evaluated using criteria outlined in the Risk Worksheet for Appendix B. The completion of the Risk Worksheet results in the identification of recipients to be monitored. If all recipients will not be monitored, the Worksheet selects recipients using the following risk criteria. These criteria considers the key risk factors in the KPMG Report (see Appendix C).

Award Management
a. Number of untimely QPRs/performance reports
b. Percentage of non-staff (subrecipients/contractors/consultant)
c. Number of programs assisted
d. Percentage of work plans that include travel
e. Years since last HUD/OIG monitoring
f. Percentage of work plans that do not include Administration and Secretarial Priorities
g. Placeholder for an additional criterion, possibly based on supplemental appropriations

Financial Management
h. Final indirect cost rate submitted for the monitoring period
i. Number of Single Audit/A133 findings
j. Active Grant Amount (%) compared to total competition funds

k. High labor rate percentage (overall)
l. Number of untimely vouchers
m. Program income or leveraging generated
n. Percentage of subrecipient expenditures tracked

Services and Satisfaction
o. Number of open awards
p. Number of special conditions/satisfaction issues
q. Number of work plan closeout flags
r. Percentage of direct TA work plans
s. New to TA in the last four (4) competitions

The risk criteria give greater weight to award management and financial management. In general, a recipient is evaluated using criteria for all award types administered, unless there is a review the risk of supplemental appropriations separate from the risk of other appropriations. For example, in general, if the same recipient administers both McKinney-Vento TA funds and PHA Receivership funds, and it receives a high score for the Grant Management subfactor *Recipient Staff Capacity and Program Design* under McKinney-Vento, that same score will be applied to PHA Receivership under that recipient.

The risk analysis covers all "active" awards. An active award is defined as any award within the DRGR System not closed out at the start of the risk analysis review process. When evaluating each recipient against risk criteria, the results will be recorded and documented on TAD's central drive, for now, and in the ARGUS tool or DRGR's Risk Analysis Module in the future.

Management Review: After the Evaluator has completed documenting the risk analysis results for each recipient, a Management Representative begins the review and certification process. The role of the Management Representative is to provide quality control to ensure validity and consistency through an assessment of each Evaluator's ratings and comments. The Management Representative reviews each Risk Analysis Worksheet and completes the certification process with his/her electronic or manual signature. The results of the worksheets are stored on TAD's central drive, for now, and either in the ARGUS tool or in DRGR's Risk Analysis Module in the future.

Step 2 – Recipient Ranking and Selection

After all worksheet information has been stored, recipients need to be ranked in descending order, from highest to lowest risk, to identify those who pose the highest potential risk to the integrity of the program. The Management Representative will then begin the exception process, starting with Part II of the Worksheet (Appendix B).

Management Representatives have five common exception categories to deviate from monitoring recipients in rank order. **A recipient cannot be skipped over for monitoring without identifying an appropriate exception.** The five:

- A – OIG or FHEO is currently conducting an audit of the high-risk recipient and/or high-risk award(s);
- B - High-risk recipient and/or high-risk award(s) were monitored within the last two years;
- C – Recipient will be provided technical assistance or training in current Fiscal Year;
- D – Award type is selected to be monitored as a discretionary selection; and
- X – Other.

Exception Code X (Other) is used to document specific circumstances: when two or more award types are assessed high risk and not all of the high risk award types require monitoring in the current fiscal year because one or more of the high risk programs were monitored during the last two years; and, to identify the specific high risk award(s) for which the OIG is conducting an audit (when the OIG is not conducting a full review of all of the programs). Additionally, Exception Code X (Other) is used to document specific circumstances when award types are not monitored in the current fiscal year. Examples of how to document Exception Code X (Other) are provided as follows:
- Disaster TA and Departmental award types were assessed high-risk, but Departmental was monitored in the last two years; Disaster TA will be monitored this fiscal year.
- The OIG is conducting an audit of the McKinney-Vento program; however, NAHASDA will be monitored this fiscal year.
- This medium/low-risk recipient will not be monitored this fiscal year.

For any recipient with an average risk score of 51 or higher and/or a single award type score of 51 or higher, the only allowable exceptions the Management Representative can apply are Exceptions A - The OIG is currently conducting an audit of the high-risk recipient and/or high-risk program(s) or B – High-risk recipient and/or high-risk program(s) were monitored within the last two years. Exception Code D (Discretionary Monitoring) is used to document specific circumstances when a grant program is selected to be monitored as a discretionary selection. Exception Code X should only be used to document high risk based on the descriptions provided above.

<u>Additional Considerations:</u>
1. The Technical Assistance Division has two options available to them in selecting recipients to monitor:
   a. The 100% Option: Select 100% of recipients in rank order for monitoring; or
   b. The 25% Option: Select the first 25% of the recipients in rank order who have not yet been monitored. The Management Representative may add recipients at his/her discretion and based on available resources.

2. Those recipients with total average scores of 51 or higher are to be further reviewed by the Management Representative to determine if Exception A or B is applicable. For recipients determined to be high-risk, but not scheduled for monitoring during the current Fiscal Year, the Management Representative must annotate them as Exception A or B on the Risk Analysis and Summary Worksheet for the applicable award type.

3. In-depth monitoring, as defined in Chapter 1, Paragraph 1-6.D of Handbook 6509.2 REV-7, must be completed for high-risk recipients and high-risk focus areas/work plans selected for on-site monitoring. Limited monitoring, as defined in Chapter 1, Paragraph 1-6.E of Handbook 6509.2 REV-7, may be performed for medium- and low-risk recipients selected for monitoring on-site or remotely.

4. Depending on the availability of travel resources, a limited number of non-high-risk recipients should be monitored to validate the soundness of the rating criteria as well as possibly obtain early warnings of potentially serious problems. Remote monitoring can be used as well to monitor non-high-risk recipients.

   Although the TA Program uses risk analysis as its primary monitoring basis, other areas may be identified as needing special emphasis during monitoring based on national program reviews and evaluations by Congress, the U.S. Office of Management and Budget (OMB), HUD, or the HUD OIG.

5. When determining which files to monitor for the selected recipients and/or award types, select up to 25% of recipient's work plans or DRGR Activities from each award type included in the monitoring. If all work plans or DRGR activities are not reviewed, use the following risk criteria to prioritize the selection process (for each criterion below a higher value response equals greater risk):

   a. Federal funds budgeted to the work plan or DRGR activity,
   b. Expenditure rate for open work plan,
   c. Number of work plan amendments, and
   d. Supplemental appropriations awarded (including Distressed Cities awards).

VII. Individual Recipient Monitoring Strategy

Chapter 2-5 A. of the CPD Monitoring Handbook 6509.2 REV-7 provides guidance on the development of individual recipient monitoring strategies. The individual monitoring strategy defines the scope of monitoring for each recipient selected for monitoring and focuses on the monitoring effort to maximize the effectiveness of the review. To be effective, the contents of the individual recipient monitoring strategy must identify the following:
1. The programs/areas/functions to be reviewed, including a brief discussion of the high-risk factor(s) identified through the risk analysis process,
2. Data or information to be submitted by the program participant prior to monitoring (if any),
3. The names of any participant staff members who will need to be consulted during the monitoring,
4. Anticipated staff who will conduct the monitoring (e.g., CPD Representatives and, if participating, any Specialists),
5. Clearly defined areas of responsibilities for each reviewer (to avoid duplication) if more than one staff person will be conducting the monitoring,
6. A schedule for carrying out the monitoring tasks and the anticipated time frames,
7. Required resources (e.g., travel funds if on-site; time needed if remote), and

8. The planned *CPD Monitoring Handbook 6509.2* Exhibits that are selected based upon the areas of risk identified by the recipient and program.

The Individual Recipient Monitoring Strategy must be summarized and documented on TAD's central drive, for now, and in the work plan of DRGR's Monitoring Module in the future. Timely and concise written documentation of the individual recipient monitoring strategy is an important tool for management use in assessing planned recipient actions against accomplishments.

VIII. Recordkeeping

All results of the risk analysis process are to be fully documented on TAD's central drive, for now, and in either the ARGUS tool or in DRGR's Risk Analysis Module in the future. Records must be maintained in accordance with Departmental policy. TAD must be able to document and justify its rankings and management decisions. The documented results to be recorded, with any exceptions noted, include:

- Risk Analysis and Summary Worksheet that provide criteria for evaluation of recipient risk by award type, Evaluator comments and Management certification.
- Risk Analysis and Summary Worksheet that provide recipient's program scoring results by factor and subfactor.
- Risk Analysis and Summary Worksheet that provide composite summary results of all recipients and awards.
- Exception Reports which provide reports that detail reasons for any exception(s).

IX. Monitoring Work Plans

As a result of assessing those recipients that pose the greatest risk, and program areas in need of improvement, an annual work plan will be developed in accordance with the guidance provided in Chapter 2 of Handbook 6509.2 REV-7. This work plan must be documented on the TAD central drive for now, and in DRGR's Monitoring Module under the Work Plan, in the future. The documentation must include the following:

- Recipients scheduled for monitoring,
- The programs or functions to be monitored,
- Method and Type of monitoring, e.g., on-site or remote and in-depth or limited,
- Scheduled timeframes for monitoring, and
- Resources needed, such as staff, travel, etc.

Work plans also include:

- Technical assistance and training to be provided to the recipient; and
- Other recipients that need to be addressed as part of the annual work plan.

X. Contact Information

Questions regarding the content of this Notice may be directed to Stephanie Stone, Director, Technical Assistance Division, Office of Community Planning and Development, at communitycompass@hud.gov.

Appendix

Appendix A. Risk Criteria by Risk Category

Table 1-Risk Criteria by Risk Factors and Subfactors

CPD Risk	Risk Description	Subfactors	Risk Determination: Criteria/Indicators
Overall (Grant) Management	The extent to which the program participant has the capacity to carry out HUD programs according to Administration and Secretarial priorities and established requirements (including Procurement, Subrecipient Management, Written Agreements, Property and Equipment Disposition, and Other Federal Requirements)	• Recipient Reporting • Recipient Staff Capacity and Program Design • Recipient Program Complexity • Recipient Findings (Monitoring and Office of Inspector General (OIG)) and Sanctions • Recipient's Management of Subrecipients • Recipient Program Conformity to Administration and Secretarial Priorities	1 - Number of Untimely QPRs/Performance Reports 2 - Percentage of non-staff (subrecipients/contractors/consultant) 3 - Number of programs assisted 4 - Percentage of work plans that include travel 5 - Years since last HUD/OIG monitoring 6 - Percentage of work plans that do not include ways to achieve Administration and Secretarial Priorities
Financial Management	The extent to which program participant accounts for and manages financial resources in accordance with approved financial management standards. Financial risk also assesses the amount of potential monetary exposure to the Department (including Financial Management and Audits and Cost Allowability)	• Recipient Financial Staff Capacity • Monitoring Finding Resulting in Repayment or Grant Reduction • Grant Amount • Recipient Program Income • Recipient Single/A-133 Audits • Recipient Leveraging (applies to awards under Distressed Cities NOFA) • Recipient Direct Labor Amount • Subrecipient Expenditure Tracking	7 - Final indirect cost rate submitted for monitoring period 8 - Number of Single Audit/A133 findings 19 - Active Grant Amount (%) compared to total competition funds 10 - High labor rate percentage (overall) 11 - Number of untimely vouchers 12 - Program Income or Leveraging generated 13 – Percent of subrecipient expenditures not tracked
Services and Satisfaction	The extent to which TA recipients express satisfaction or dissatisfaction with the delivery of program services. (including Tools and Products, AAQ, Group Learning, Administration, Coordination, Direct TA, Data Analysis, NAHASDA/Rule Making, TA Work Plans/Implementation Plans	• Recipient Complaints or Special Conditions • Recipient Responsiveness and Timeliness • Recipient Open Awards •Recipient Work Plans and Work Plan Amendments • Recipient High Labor Rate Percentage • Recipient Leveraging Tracking	14 - Number of active awards 15 - Number of special conditions/satisfaction issues 16 - Number of work plan closeout flags 17 - Percentage of direct TA work plans 18 - New to TA in the last 4 competitions
Physical	N/A	N/A	N/A

Appendix B. <u>**Worksheet and Summary**</u>

https://hudgov-my.sharepoint.com/:x:/g/personal/christine_w_brown_hud_gov/EfqZyJ4weRtPnNx6WGayv5kBF3YeV9jri21mkU3SJ3eX3Q?e=vzakmf

Appendix C. Key Risk Indicators from KPMG Pilot Fraud Risk Assessment Report

Figure 1-Highlight of Key Risk Indicators from KPMG Report

5.6   Integrate Key Controls and Key Risk Indicators into Business Processes

The GAO fraud risk framework advises agencies to "collect data from reporting mechanisms and instances of detected fraud, for real-time monitoring of fraud trends and identification of potential control deficiencies." TAD should create a repository to collect fraud incidents related to performance, financial management, and procurement, regardless of perceived impact. This can help TAD to track repeat offenders, highlight fraud trends in probability and impact, and identify emerging fraud risks and ones to be downgraded (i.e., excluded) from the fraud risk profile. The data collected should be linked to other processes, such as past performance evaluations, which in turn should flow into the pre- and post-award risk assessment process. Pre- and post-award risk should help inform the depth and breadth of monitoring procedures (such as desk reviews) and aid in decisions to escalate risks to the program office and/or enterprise risk profile. This can help to connect performance issues to management decisions over award, assignment, monitoring priorities, and risk reporting in strengthening TAD's anti-fraud program.

5.6.1   Key Risk Indicators

Finally, to monitor the status of existing fraud risks as well as identify new or emerging threats, it is recommended that CPD create and maintain an inventory of Key Risk Indicators (KRIs). The KRIs could be used to monitor for changes or emergences in terms of both probability and impact. TAD should identify the frequency of review, responsible parties, reporting channels, and escalation protocols. For consideration, Exhibit 3 provides a series of quantifiable risk metrics that CPD could consider monitoring as KRIs for established risks.

Exhibit 3: Proposed Key Risk Indicators

KRI Name	Related Risk(s)	Nature of KRI
Number of assignments diverging from process	Management Override of Controls	Probability
Dollar value of assignments diverging from process	Management Override of Controls	Impact
Number of improper expense claims	Expense Reimbursements	Probability
Dollar value of improper expense claims	Expense Reimbursements	Impact
Work plan deviations between projected and actual in number of days	Work Plans	Probability and Impact
Number of system penetration attempts	Unauthorized System Access	Probability
Number of false claims in monthly activity status reporting	False claims in monthly activity status reporting	Probability
Number of change orders submitted to work plans	Change order abuse	Probability
Dollar value impact of change order submissions	Change order abuse	Impact

KRI Name	Related Risk(s)	Nature of KRI
Number of errors in indirect cost rates	Misapplication of indirect rates	Probability
Dollar value of indirect cost rate errors	Misapplication of indirect rates	Impact

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