

## **Contract Risk Assessment Worksheet**

The Contract Risk Assessment Worksheet is a product of the Contracting Committee of the Federal Audit Executive Council. The worksheet, which is excel-based, is intended to serve as a tool to assist auditors in identifying high-risk contracts meriting audit attention. Its use may be particularly appropriate when contract volumes exceed available audit resources, and the audit organization must decide which contracts to review. For example, the Committee anticipates that given the billions of dollars of contracts expected to be funded under the American Recovery and Reinvestment Act, the worksheet can serve as a mechanism for targeting at-risk contracts for review.

The worksheet instructs individuals to assign a risk value to each of 12 risk factors, using information that is readily available in agency and government-wide contract databases. The risk factors were chosen as those that were most critical based upon the collective experience of committee members, but can be easily modified based on each organization's views on risk. The first five risk factors relate to size, nature and type of contract. The remaining factors range from contractor performance to personally identifiable information considerations. Auditors can also delete any factors they believe to be less relevant, or add additional ones. For each risk factor there are three radio dials, which when clicked assign a score of either 1, 3, or 5 (one being lowest risk and 5 being the highest risk) to the risk factor. Audit staff using the worksheet should also assign weights from 1 to 10 to each of the risk factors based on their judgment of the relative importance of each factor. The weight assigned the risk factor times the risk score generates a composite score. A score of 1.99 places the contract in a low risk category, a score of 2 to 3.499 generates a medium risk rating, and anything above 3.5 is considered to be high risk.

Qualitative considerations should also be used by the audit team when analyzing and measuring contract risk, and the worksheet provides a comment section for doing so. Detailed instructions for using the worksheet and customizing it are provided with the worksheet.