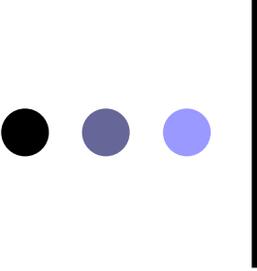


Internal Audit's Risk Assessment Methodology

- Purpose:

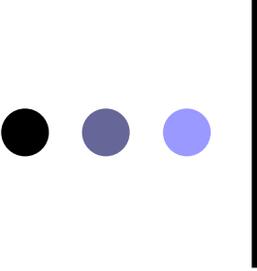
- Apply a consistent process to prioritize and plan audits
- It represents a collective assessment – Management's input is key



Internal Audit's Risk Assessment Methodology

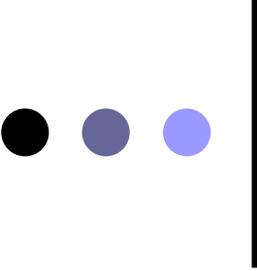
- Structure:

- Audit universe is based on major administrative functions – significant subfunctions may be rolled up
- Professionally accepted risk factors are used – based on DOE guidance
- Quantative and qualitative risk factors scored on a scale of one (low) to three (high)



Internal Audit's Risk Assessment Methodology

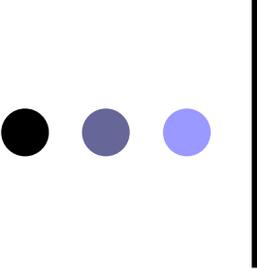
- Process Includes Input From Many Sources:
 - Management
 - Changes in policies, procedures, personnel, systems
 - External audits and reviews performed
 - Reassess risk scores based on changes
 - DOE
 - Complex wide “priorities”
 - Board of Directors Audit Committee
 - Areas of importance to the Board and FRA



Internal Audit's Risk Assessment Methodology

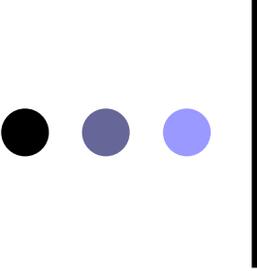
o Results:

- Detailed risk score worksheets
 - RA Detail Example of MIS.xls
- Summary of risk scores
 - RA Summary of Scores.xls
- Annual Internal Audit Plan
 - Excerpt from IA Plan.doc



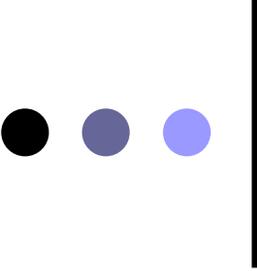
Internal Audit's Risk Assessment Methodology

- Pilot TeamRisk Module of the TeamMate Suite
- TeamRisk Methodology:
 - Based upon enterprise risk management framework (COSO Model – Committee of Sponsoring Organizations)
 - Objectives
 - Risks
 - Quantifiable risk scores



Internal Audit's Risk Assessment Methodology

- Fiscal Year 2008 Pilot of TeamRisk:
 - Develop an assessment as a baseline
 - Populate TeamRisk with the universe of entities
 - Use current criteria and risk factors
 - Build an audit plan
 - Generate a plan including projects for release to the workpaper module



Internal Audit's Risk Assessment Methodology

- Points to Consider for TeamRisk Assessment:
 - Currently not a robust product
 - Scheduled to apply patches recommended by vendor
 - Further test custom reporting tool – currently limited
 - Discuss possible guiding principles or scope – internal control objectives and related risks
 - Evaluate benefits going forward