

## Risk Assessment

- A. General Overview:** As the State Administering Agency (SAA) for federal grant funds, GOCCP is under the obligation to proactively monitor subawards to ensure compliance with federal and state laws and regulations governing the programs to be administered. To this end, an accurate risk assessment of each subaward provides critical information to help insure the effective delivery of program services.

A risk assessment process was established to provide positive and clear direction for the management of subawards, provide adequate internal controls, and fulfill our fiduciary duty for the funds entrusted to this office.

Regional Monitors are to use the risk assessment indicators in conjunction with their direct observations and any reasonable observation for any such risk factor(s), to determine whether to move a subrecipient into a higher level on the risk scale other than “Regular” Monitoring.

The definition for each risk factor depends upon a thorough review of programmatic reports, comparison with other aspects of the subaward, and good judgment on the part of the Regional Monitor. There are guidelines in the list of risk assessment indicators, and the risk assessment matrix, for cause and/or classification into a higher risk level. For example, if there are, five indicators present but four are satisfactorily explained there may not be a need to reclassify the subrecipient. There is however a strong need to document in the grant activity logs why such reclassification has not occurred. This explanation needs to be preserved in writing as a defense against adverse audit findings.

- B. Risk Assessment Indicators (also see matrix at the end of this chapter):** Excluding regular status, all subawards in all other statuses must be marked deficient, have deficiency notes, changed to noncompliant, and have correlating notes in the activity log. If issues are resolved, they must be documented in the activity log, and the subrecipient may have the deficiency removed, risk level changed, and place back into a compliant status.

Contact is to be made with subrecipient(s) for every issue. Depending on the issue at hand, and the level of risk, the initial contact is to be via e-mail with a follow-up phone call in three (3) business days. If it is a minor infraction that can be settled in five (5) business days or clearly justified in the activity log, no risk level change is required. All issues beyond five (5) business days and/or lack of reasonable justification in the activity log requires an increase in the risk level, change of subaward to noncompliant, being marked deficient with deficiency notes, and clear concise documentation in the activity log.

Subrecipients must be marked deficient when at a higher risk level. In addition, a subrecipient may be marked deficient, with no other status changes, when a subaward is not deficient but the subrecipient has other open subawards that have a troubled or dysfunctional risk level. This may only be done with pre-approval by the Chiefs and/or Deputy Director. You must note the other subaward numbers in the deficiency notes and activity log of the subawards that do not have issues but have been selected to be marked deficient.

### **Levels of Deficiency:**

1. **At-Risk.** At this point the subrecipient has already exceeded the five (5) day window for corrective action, or has an issue that falls directly under the **at-risk** criteria. Attempt resolution with subrecipient via e-mail, if no response or corrective action is taken by the subrecipient in three (3) business days, then follow-up with a phone call. If the outcome of the phone call provides further delay, or no reasonable resolution is offered, send a letter to recap all activity and provide a deadline for response. This situation may potentially move the subrecipient to a higher risk level. Make certain to keep the program manager and grant manager in the loop. If necessary schedule a site visit for one-on-one technical assistance.
  - a) Program implementation delayed more than 30 calendar days, without reasonable cause;
  - b) Failure to provide Property Inventory Report form after the purchase of equipment or failure to properly complete the form;
  - c) Funding to a new agency, inexperienced and unfamiliar with GOCCP policy and procedures;

- d) No expenditures reported for any quarterly report without reasonable cause;
  - e) Request for unreasonable grant modification(s);
  - f) One (1) Notice of Dispute sent;
  - g) One (1) late submission of any quarterly reporting (during the life of the subaward);
  - h) Subaward in a deficiency status more than 15 calendar days (must also be marked noncompliant);
  - i) Outside complaints about the quality or the functionality of the program.
2. **Troubled.** After the noted timeframes and actions in the below chart have occurred, a letter (noted above) should have already been sent. The letter should have included a request for a corrective action plan from the subrecipient. Send the subrecipient a second letter to reiterate the issues, steps previously taken to attempt resolution, state that you now need to schedule a site visit, advise the subrecipient of their status under the risk assessment guidelines, and state that failure to comply will affect their risk level and has the potential to jeopardize future funding. Advise and include, the program manager, and grants manager. This level may need a possible hold on reimbursements, which is decided, at minimum, by the Director.
- a) Program implementation delayed more than 90 calendar days;
  - b) No expenditures for first and second quarter without reasonable cause or justification provided in progress reports;
  - c) Continued requests for unreasonable grant modifications;
  - d) Two (2) Notices of Dispute sent;
  - e) Two (2) late submissions of quarterly reporting (during the life of the subaward);
  - f) Subaward in a deficiency status more than 30 calendar days (must also be marked noncompliant);
  - g) Continued complaints about the quality or the functionality of the program.
3. **Dysfunctional.** Once a subrecipient reaches this level, the regional monitor should already have on record, including in the activity log, e-mails, phone calls, letter(s), any responses and/or plan of action submitted by the subrecipient, and documents of interaction with the program manager, grants manager, and Director. There should have already been a site visit at the **troubled** risk level designation. Due to the possibility of the holding of payments on all open subawards, and/or the de-obligation of funds, the grants manager must have the Deputy Director in the loop.
- a) Program implementation delayed more than 180 calendar days;
  - b) Clear evidence that the project has/will not be implemented;
  - c) No response to repeated requests for progress reports or financial reports;
  - d) Failure to provide documentation requested for a desk or field audit;
  - e) Cannot account for expenditures or inappropriate use of funds;
  - f) Internal or external information pertaining to illegal activity associated with the subaward;
  - g) Continued requests for grant modifications or more unresolved Notices of Dispute;
  - h) Three (3) late submissions of quarterly reports;
  - i) Subaward in a deficiency status more than 45 calendar days (must also be marked Noncompliant);
  - j) Other compelling reasons.

**C. Risk Assessment Matrix** - Any use of this matrix requires entry into the activity log of the relative subaward(s).

ISSUE	RESOLUTION WITHIN FIVE BUSINESS DAYS	AT RISK (If no timeframe noted, follow after five day rule)	TROUBLED	DYSFUNCTIONAL
New Agency	Offer and provide additional technical assistance, possible one-on-one training	Entity may be new to grants management system and having problems getting started, schedule a site visit	New entity having extreme issues, schedule site visit and training to primary contacts	Possible this entity should not have received a subaward. Discuss with grants manager
Award Document	Failure to submit within required 21 calendar days, e-mail on day after, no response five (5) business days then follow up with phone call	Not received within 30 calendar days	Not received within 45 calendar days	Not received in 60, or more, calendar days
Delayed Implementation	If potential delay contact subrecipient via e-mail, if no response after five (5) business days follow-up with a phone call	More than 30 calendar days	More than 90 calendar days	More than 180 calendar days or evidence that program will not exist
Untimely Reporting	If potential delay contact subrecipient via e-mail, if no response after five (5) business days follow-up with a phone call	One late quarterly report with no response in 15 calendar days	Two late quarterly reports without reasonable cause or justification	Three late quarterly reports without reasonable cause, lack of response to requests
Deficiency Only	None compliance and At-Risk on other open subawards, note other subaward numbers in deficiency notes	No resolution with subrecipient's other open subawards within 30 calendar days	No resolution with subrecipient's other open subawards within 45 calendar days – potential hold funds	No resolution with subrecipient's other open subawards within 60 calendar days – potential hold funds or de-obligation
Zero Expenditures	Contact subrecipient for explanation and justification via e-mail, if no response after five (5) business days follow-up with a phone call	One quarterly report with zero expenditures (especially if it includes personnel)	Two quarterly reports with zero expenditure	Three quarters with zero expenditures listed
Notice of Dispute	Advise subrecipient of non-compliance via e-mail, noting proper response for resolution within five (5) business days may allow subrecipient to remain at Regular Risk Level	One Notice of Dispute increase risk level and mark noncompliant	Two Notices of Dispute, should already be noncompliant, up risk level	Three or more Notices of Dispute
Modification Requests	Deny unreasonable and/or unjustified request(s)	Unreasonable and/or unjustified request, and subrecipient persists with request	Continued unreasonable and/or unjustified request(s) and subrecipient persists, deny request(s)	Repeated unreasonable and/or unjustified request(s), and subrecipient fails to respond to GOCCP info requests
Refund Due (whether audit or revised financials)	Contact the subrecipient five (5) business days after notification of funds due GOCCP and confirm status of reimbursement	More than 15 business days after notification of funds due to GOCCP	More than 30 calendar days after notification of funds due to GOCCP	More than 45 calendar days after notification of funds due to GOCCP

ISSUE	RESOLUTION WITHIN FIVE BUSINESS DAYS	AT RISK (If no timeframe noted, follow after five day rule)	TROUBLED	DYSFUNCTIONAL
Special Conditions	Activity reflects potential to not meet special condition(s), contact the subrecipient and resolve within the five (5) business day window	Not met more than five (5) business days beyond requirement (this includes receipts with financials)	More than 15 calendar days beyond requirement (this includes receipts with financials)	More than 30 calendar days beyond requirement (this includes receipts with financials)
Outside Complaints	Contact the subrecipient immediately, your next step will be based upon the subrecipient's response	About the quality or function of the program	Continued complaints	Continued complaints and lack of response from the subrecipient
Desk or Field Audit		Failure to provide requested documentation or corrective action by due date	Failure to provide requested documentation or corrective action 15 calendar days beyond the due date given	30 calendar days, or more, beyond due date
Cannot Account for Expenditures or Inappropriate Use of Funds	Contact subrecipient via e-mail and request written justification within five (5) business days	Failure to provide written documentation after contact and five (5) business days – possible audit	Failure to provide written justification, or reimbursement to GOCCP if applicable during/after audit	Failure to provide written justification, or reimbursement if applicable, during/after audit, possible de-obligation of funds
Failure to respond to audit findings (requested information, funds due, etc.)				
Illegal Activity				Any illegal activity – possible de-obligation of funds and closing of subaward
Other Compelling Reasons		Discuss with Program Fund Manager. Depending on issue, possible need for Grants Manager also.	Discuss with Program Fund Manager, Grants manager, and Grants Manager	Discuss with Grants manager, Program Fund Manager, and Grants Manager. Grants manager may need to involve the Deputy Director

**REMINDER:** Activity log entries are mandatory for all activity for every subaward/subrecipient.