Risk Assessment

January 16, 2025

Agenda

Purpose of the Risk Assessment

What Should Be Evaluated

Using the Risk Assessment Data

State Spotlights

Wrap Up

Risk Assessment

- **Risk assessments** – **measure and prioritize** hazards within the constraints of the defined risk levels and tolerance thresholds or acceptable risks.

- **Purpose** – **identify how big the risks are**, both individually and collectively, in order to focus our attention on the most important threats and opportunities.

   Total risk is never eliminated.

Risk Assessments are Required

§200.332 Requirements for pass-through entities.

Grant recipients, as pass-through entities, must:

- **Evaluate risk** of subrecipient's of noncompliance . . .

- **Evaluate** . . . **terms/conditions of the subaward** for purposes **of determining** the **appropriate subrecipient monitoring** . . .

Frequency Requirements

Uniform Guidance **requires** that risk assessments be completed to evaluate subawards.

ADDITIONALLY . . .

Risk Assessments are done to determine who needs to be monitored and the frequency.

Risk Assessments and Monitoring

- Periodic monitoring is required and important to ensure that agencies are spending grant funds appropriately and complying with the terms and conditions of the grant.

- The extent, frequency, and type of monitoring will depend on the results of the risk assessments done by your office.

- State offices should have a policy for monitoring schedules, but these policies should also abide by the CSBG Act.

State Requirements

- A state CSBG office is required to conduct the following reviews of a CAA:
  - Full on-site review at least once every 3 years;
  - On-site review of newly-designated entities after the first year;
  - Other reviews as appropriate; and/or
  - A prompt follow-up review if a CAA fails to meet goals, standards, and requirements established by the state.

U.S.C. § 9914

What Should Be Evaluated

Federal Requirements

§ 2 CFR 200.332 (c) provides **some factors** that pass-through entities may review when evaluating a subrecipient's potential risk of noncompliance.

1. Prior Experience
2. Audit Results
3. New Personnel or new or changed systems
4. Results of Federal Monitoring

Information from all interactions with the subrecipient; monitoring, grant reviews, report submission, audits, etc.

Other Factors to Consider

Size and complexity of grants	Size of agency	Type of Community Action Agency
Longevity of the grantee	Grantee management/ organizational structure, internal controls	Experience and past performance of the grantee
Financial health and practices of the grantee	Audit history	Complaints
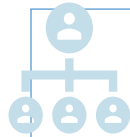
Sample Categories

Financial Stability
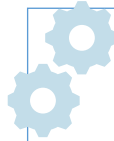
Management Systems

Board Compliance

Past Program Performance

Past Monitoring

Single Audit
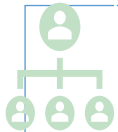
Leadership & Key Staff
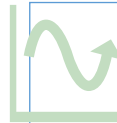
Reporting

Complaints

Scoring Mechanism

- Scales are defined in terms of impact
  - Impact (or consequence) refers to the extent to which a risk might affect the agency.
  - When assigning an impact rating to a risk, assign the rating for the highest consequence anticipated

- Criteria for determining low, medium, and high risks

- Assess the quantity and quality of risks

- An acceptable level of risk under varying circumstances

High Risk Areas for CAAs

Financial Management

Governance

Program Performance

Human Resources
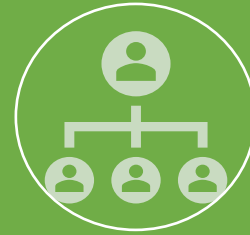
Leadership
- Board and Management

Now What??

Based on your acceptable level of risk, your office will need to decide how to respond to or mitigate the risk.

These include:

- Additional checks and balances in the accounting and/or program areas

- Modifying future contracts to incorporate better controls

- Training and Technical Assistance

Using Your Risk Assessment

§ 200.332 (e) Pass-through entity monitoring of the subrecipient must include:
- Review of financial and performance reports
- Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected in audits, on-site reviews, and other means
- Issuing a management decision for audit findings
- Resolve audit findings specifically related to the subaward.

§ 200.332 (f) Depending on the assessment of the risk posed by the subrecipient . . . Pass-through entities may . . .
- Provide training and technical assistance
- Perform an on-site monitoring

Sharing the Results

Items to share with agencies

- Risk Assessment Report

- Scoring Mechanism and Criteria

- Monitoring Plan and Schedule

- Training and Technical Assistance Opportunities

Pennsylvania

Melissa Tabb

Pennsylvania

- 43 Eligible entities
  - 8 public agencies
  - 35 private non-profits (CAAs)

- Approximately $32 million in annual allocation

- 7 CSBG State Staff
  - 2.5 program specialists responsible for monitoring and technical assistance

Pennsylvania Department of Community & Economic Development

Pennsylvania
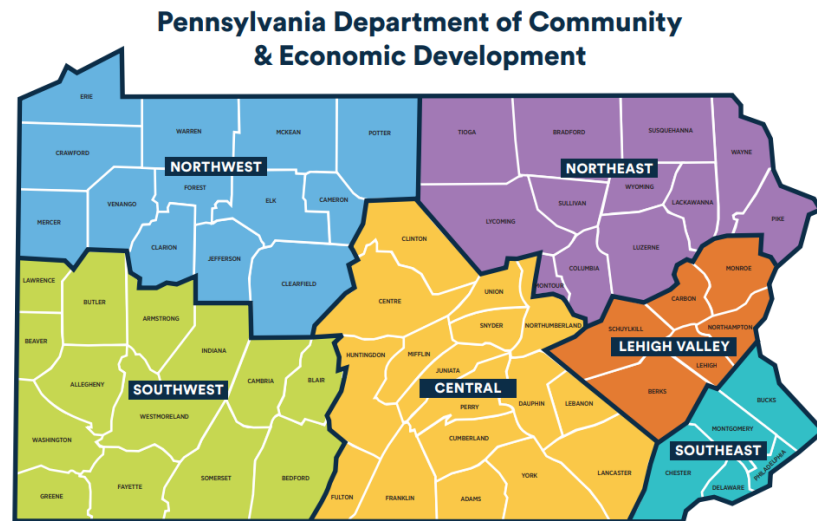
State Office:

- Workplan and Budget approval
- Contracting processes
- Risk Assessment and Monitoring
  - Corrective action plans
  - QIPs, TAPs
- CSBG technical assistance

State Association:

- Education and training resources
  - Individual agency
  - Statewide
- Advocacy
- Partnership coordination
- Information communication
- Annual conference

The state office provides some funding to the association through CSBG discretionary funding.

Risk Assessment

Process:

- Collect initial information from annual Agency Questionnaire

- Utilize Questionnaire, Organizational Standards documentation, and reporting data to respond to the CSBG Risk Assessment App questions

- App feeds CSBG Dashboard where points are applied, and scores are established

- Utilize dashboard printing functions to provide Risk Assessment results and scores to the agencies

- Request agency plan of correction/improvement and establish monitoring schedule if necessary

Monitoring

Process:

- Determine need for onsite monitoring based on risk assessment and the 3-year rule

- Program specialists work with each agency to find a mutually agreeable date and time

- Monitoring template is used but the specialist focuses on areas of concern from risk assessment

Risk Based Monitoring

Risk Level	Monitoring Plan Guidelines
High (250+)	A report that identifies factors that contributed to the high-risk and outlines non-compliance issues and areas that require improvement will be distributed to the agency executive director and board chairperson. The agency will be required to respond to the report with a corrective action plan within 30 days. The CSBG Program office will then work with the agency to determine a schedule for on-site monitoring and progress reporting.
Medium (150-249)	A report that identifies factors that contributed to the medium-risk score and outlines non-compliance issues and areas that require improvement will be sent to the agency executive director with a corrective action plan within 30 days. Depending on the risk score and criteria in concern, the CSBG program office will work with the agency to determine if an on-site visit is appropriate.
Low (1-149)	A report that identifies factors that contributed to the low-risk score and out lines minor non-compliance issues and areas that could be improved will be distributed to the agency executive director and board chairperson. Program specialists will continue to monitor the agency through report submissions, invoicing, and communications. The CSBG program office will discuss the risk factors to determine if any further action is needed before closing the review.

- The 3-year rule overrides risk level when planning visits.

- Visits are planned together with the agency to best utilize time with staff and board members.

- Risk based allows us to focus on specific issues.

- Site visits focus on technical assistance conversations, planning, and observing activities.

Pennsylvania
Department of Community & Economic Development

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Illinois

Adrian Angel

ILLINOIS AT A GLANCE:

- Annual Allocation of $35.8 million
- *3 Dedicated CSBG Staff*
- *6 Grant Manager Staff shared with LIHEAP*
- *3 Fiscal Monitors (Shared w/LIHEAP & WX)*
- *35 Community Action Agencies ($32.8M)*
  - *102 Counties*
- *3 Statewide Migrant Organization ($450K)*
- *State Association ($350K)*

WHAT DO WE WANT OUT OF THE RISK ASSESSMENT?

- *Determine the grantee risk level*
- *Development of Monitoring Schedules*
- *Inform our Training and Technical Assistance Initiative*
- *Identify grantee trends*
- *Unbiased*

ILLINOIS

RISK ASSESSMENT PROCESS

- *Completed by Grants Manager*
- *Looks at key CSBG/Administrative Components*
  - *Timeliness and Accuracy*
  - *CNA, CAP, Org Standards, Boards, Targeting/Customers Served, Grant Spending*
  - *Monitoring Reviews*
  - *Staff Capacity, Performance Management, Succession Planning*
- *GM meets with CSBG Program Staff to discuss assessment*

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UTILIZING RISK TO INFORM MONITORING

- *Risk Probability*
  - *Past Program Evaluations*
  - *Current Systems in Place*
- *Risk Impact*
  - *Type of Risk*
  - *Level of Risk*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT - GENERAL

- *How long has the grantee operated a CSBG Program*
  - *3 years or less – High risk will be monitored*
  - *4 years or more- Low risk*
- *Is the grantee currently on a TAP/QIP?*
  - *Yes – High risk will be monitored*
  - *No – Low risk*
- *Date of last monitoring*
  - *Over 18 months – High risk will be monitored*
  - *Less than 18 months – Low Risk*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – TIMELINESS

- *Looks at submission date based on DCEO due date*
  - *Utilizes Monitoring Tool Status History Report in STARS*
  - *Sliding scale from On Time to 3 or more weeks late*
  - *Scale is in 1-week increments*
- *Timely submissions evaluated for:*
  - *Grant Application*
  - *Organizational Standards*
  - *Quarterly Reports*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – QUALITY

- *Did documents need to be returned for corrections?*
  - *Utilizes Monitoring Tool Status History Report in STARS*
  - *Sliding scale from No Corrections to Corrections took more than 2 weeks*
  - *Scale is in 1-week increments*
- *Timely submissions evaluated for:*
  - *Grant Application*
  - *Organizational Standards*
  - *Quarterly Reports*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – APPLICATION

- *What mechanisms were utilized to gather data to measure the community needs*
  - *Utilizes CSBG Completed Tool Assessment by CAA report in STARS*
  - *Looks at Org Standards 1-3*
  - *Sliding scale based on all met, 1-2, or none met*
- *Based on the review of the CAP were needs addressed:*
  - *Utilizes Statewide Monitoring Report*
  - *Notes will indicate the number of needs addressed based on the GM review*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – ORG STANDARDS

- *What percent of Standards were met?*
  - *Utilizes the CSBG Completed Tool Assessment D2 Report in STARS*
  - *Sliding scale from All Met to Below 60% Met*
  - *Scale is in 10% increments*
- *How many categories are below 90% satisfactory*
  - *Utilizes the CSBG Completed Tool Assessment by CAA Report in STARS*
  - *Sliding scale from None to 5 or more*

CSBG PROGRAMMATIC MONITORING
RISK ASSESSMENT – QUARTERLY REPORTS

- *Does the Board have any vacancies*
    - *Utilizes Statewide Monitoring report in STARS*
    - *Looks at number of vacancies and length of time*
    - *Considers if an agency has asked for an extension waiver*
- *Based on the review last years program, is the agency meeting their targets for services and outcomes:*
    - *Utilizes Work Program Detail Report in STARS*
    - *Sliding scale from within 20% to 50% or more*
    - *Based on average of all programs*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – QUARTERLY REPORTS

- *Did the agency serve individuals over 200% of Poverty?*
  - *Utilizes Statewide Monitoring report in STARS*
  - *2 options – None served OR Some served*
- *Based on the CSBG Close out final figures what was the administrative percentage:*
  - *Utilizes data from GRS based on actual expenditures*
  - *Sliding scale from less than 10% to greater than 17%*
  - *Lower weight*

CSBG PROGRAMMATIC MONITORING
RISK ASSESSMENT – QUARTERLY REPORTS

- *Upon review of last years closeout, what was the carryover percentage?*
  - *Utilizes data from GRS based on actual expenditures*
  - *Sliding scale from less than 10% to greater than 17%*
- *Upon review of agency cash requests, how frequently is the agency requesting funds:*
  - *Utilizes data from GRS based on actual cash requests*
  - *Sliding scale from multiple times a month to less than quarterly*
  - *Utilizes average number of draws*

CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – MONITORING REVIEWS

- *Does the most recent programmatic monitoring letter identify significant material findings?*
    - *Utilizes most recent CSBG monitoring letter*
    - *3 options – No findings, observation, multiple findings*
- *Does the most recent fiscal monitoring indicate disallowed costs:*
    - *Utilizes most recent Fiscal monitoring letter*
    - *Sliding scale based on amount of disallowed costs from none to over $15,000*

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CSBG PROGRAMMATIC MONITORING RISK ASSESSMENT – ADDITIONAL CRITERIA

- *Does the agency have staff with longevity in key positions?*
  - *Based on GM knowledge of the agency*
  - *Assists in identifying agencies that may need additional T/TA*
- *Does the agency have a Certified ROMA Professional?*
  - *Utilizes the Annual Report data*
- *Does the agency have a succession plan for key positions?*
  - *Based on meeting standard 4.5*
- *Is the agency current on the annual audit and all prior findings have been addressed?*
  - *Based on meeting standard 8.2*

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COMPLETION OF THE ASSESSMENT

- *3 Separate scores are calculated to determine risk*
  - *Timeliness*
  - *Quality*
  - *Administrative*
- *2 Separate risk scores are developed*
  - *Monitoring*
  - *HTD (How They Doing)*
- *Scores are then listed on a Summary sheet*
- *HTD score is normalized*

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WHAT DO WE WANT OUT OF THE RISK ASSESSMENT?

- *Determine the grantee risk level*
  - *Normalized HTD Score*
  - *Shows risk of grantee compared to "Average" grantee*
- *Development of Monitoring Schedules*
  - *Monitoring Score*
  - *High Risk monitored by end of FFY*
  - *Medium Risk monitored within next 18 months*
  - *Low Risk monitored within next 24 months*
- *Inform our Training and Technical Assistance Initiative*
  - *CSBG program staff analyze all scores assessments*
  - *Areas with opportunities for improvement by majority of grantees*
- *Identify grantee trends*
  - *Scores compared to previous years scores*
  - *Discussions of what occurred to cause changes*

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- State Management Work Group (SMWG)

- Peer Risk Assessment Templates

- CSBG IM #112 Risk Assessment for FY 2009 ARRA Funds (States)

Please scan here to complete the evaluation for this webinar!