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Fiscal Coaching Session 2: Risk Assessments & Internal Controls

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Rebecca is a Principal at CliftonLarsonAllen and leads the Grant Services group. She has over 20 years of public accounting experience and working exclusively with nonprofit organizations. She specializes in grant compliance, including single audits, and has extensive knowledge in related regulations and requirements. Rebecca also serves as a firm wide assurance resource where she oversees compliance with professional standards, provides technical assistance, and assists with training curriculum.



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Agenda

- Developing risk assessments for subgrantees and contractors
- Scoring and using risk in monitoring decisions
- Internal control requirements
- Preventing waste, fraud, and abuse
- Common control gaps and how to address them





Monitoring Subrecipients and Contractors

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DOE Monitoring Expectations for WAP Grantees

[Weatherization Program Notice \(WPN\) 24-4: Monitoring Procedures](#)

DOE's monitoring framework emphasizes a risk-based approach to oversight and requires Grantees to maintain systems that ensure compliance, performance, and accountability throughout the life of the award. WPN 24-4 applies to annual formula grants and IIJA grants.

- Key Monitoring Expectations
 - Conduct risk-based oversight of subgrantees/subrecipients.
 - Monitor programmatic, fiscal, and administrative performance.
 - Document monitoring activities, findings, corrective actions, and technical assistance.
 - Evaluate internal controls and compliance systems.
- Ensure compliance with:
 - 10 CFR Part 440
 - 2 CFR Part 200
 - DOE Financial Assistance Terms & Conditions
 - DOE Weatherization Program Notices (WPNs)



Subrecipient / Contractor Determination (2 CFR 200.331)

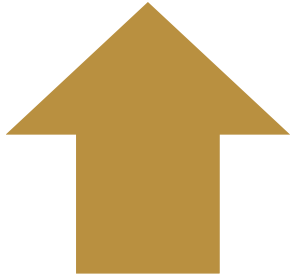
Judgment should be used in the determination process!

Substance of the agreement is more important than the form

All characteristics need not be present



Subrecipients ([2 CFR 200.331](#))



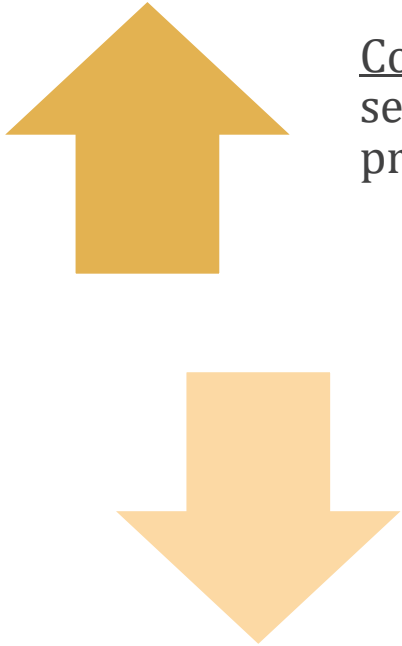
Subawarding: for the purpose of carrying out a portion of a federal award; creates a federal assistance relationship

Subrecipient Characteristics:

- Assesses and documents participant eligibility in accordance with program requirements
- Has performance measured in relation to objectives of program
- Has responsibility for programmatic decision making
- Responsible for adherence to Federal program requirements
- Implements program for public purpose, as opposed to providing goods or service of the benefit of pass-through entity (PTE)



Contractors (2 CFR 200.331)



Contracting: for the purpose of obtaining goods and services (G&S) for the recipient's own use; creates a procurement relationship

Contractor Characteristics:

- Provides the G&S within normal business operations
- Provides similar G&S to many different purchasers
- Normally operates in a competitive environment
- Provides G&S that are ancillary to the implementation of the Federal program
- Not subject to programmatic compliance requirements
- Distinguished from subrecipients based on the substance of the relationship, not the title used in an agreement



2 CFR 200.332(a) Requirements for pass-through entities.

A pass-through entity must:

- Verify that the subrecipient is not excluded or disqualified in accordance with [§ 180.300](#).
- Verification methods are provided in [§ 180.300](#), which include confirming in *SAM.gov* that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds.



2 CFR 200.332(b) Requirements for pass-through entities.

A pass-through entity must:

- Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the required information (see next slide).
- Provide the best available information when some of the information is unavailable.
- Provide the unavailable information when it is obtained.



Subrecipient Monitoring [2 CFR 200.332\(b\)](#)

Subawards must contain specific information as outlined in the Uniform Guidance (UG)

Federal
Award ID
(next slide)

Requirements
so that
subaward is
used in
accordance
with terms
and
conditions of
original
federal award

Description
of
performance
or financial
reports due

Indirect cost
rate – either
an approved
rate,
negotiated
rate, or
de minimis
rate

Requirement
that sub
permits PTE
and auditors
to access
sub's records
and financial
statements

Appropriate
terms and
conditions
concerning
closeout of
the
subaward



Required Information for Subaward 2 CFR 200.332(b)

- Subrecipient name and unique entity identifier
- Federal Award Identification Number (FAIN)
- Federal Award Date of award to the recipient by the Federal agency
- Subaward Period of Performance Start and End Date
- Amount of Federal Funds Obligated by this action by the PTE
- Total Amount of Federal Funds Obligated by the PTE, including the current obligation
- Total Amount of the Federal Award committed by the PTE
- Federal award project description
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the PTE
- Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the ALN number at time of disbursement
- Identification of whether the award is Research & Development
- Indirect cost rate for the Federal award



General Procurement Standards 2 CFR 200.318 (b)

Entities must
maintain
oversight to
ensure that
contractors
perform in
accordance
with

the terms,
conditions, and
specifications

of their
contracts or
purchase
orders



Subrecipient Monitoring [2 CFR 200.332 \(c\)](#)

PTE's must evaluate each subrecipient's fraud risk and risk of noncompliance by performing a risk assessment

prior
experience

results of
previous audits

new personnel
or new or
substantially
changed
systems

extent and
results of
Federal
awarding
agency
monitoring



Subrecipient Monitoring Cont.

Under the UG, is the subrecipient risk assessment required for an existing subrecipient who is entering into a new UG funded award?

Yes, PTEs must evaluate each subrecipient's risk of noncompliance, but they can also consider the subrecipient's prior experience with the same or similar awards.

Subrecipient Monitoring Cont.



Risk Assessment should be documented.

Subrecipient Risk Assessment Matrix: [Example Matrix](#) from CLA and NASCSP
Member Only [Examples](#)

Results of risk assessment determine what type of monitoring
should be performed on subrecipient



Subrecipient Risk Assessment Example

Subrecipient Monitoring - Risk Assessment Form				
Subrecipient Name:		Date of Risk Assessment:		
Total Subaward Amount	\$ -	Risk Assessment Completed by		
Assistance Listing #	0	Risk Assessment Approved by		

GRANTEE RISK ASSESSMENT:

1. General Assessment				RISK SCORE	
Risk Assessment Criteria	Low Risk (1)	Medium Risk (2)	High Risk (3)	SCORE	Comments
Maturity of the organization	Organization in business for over 10 years	Organization in business for over 5 years	New organization (less than five years in business)		
Grantee's prior experience with similar grants	Grantee is a past grantee or has had other federal grants and is familiar with requirements	Grantee doesn't have prior experience with same grant but does have or has had other Federal Grants	Grantee does not have prior experience with Federal Grants		
Control Policies/Procedures in place	Agency has appropriate policies and procedures in place	Not all policies and procedures in place/policies and procedures are outdated	No policies or procedures in place		
Financial Management System	Agency has an approved financial management system to track and record all the financial data	Systems less qualified to handle large amounts of federal money	Agency does not have a financial management system to track and record all the financial data		



Subrecipient Risk Assessment Example Cont.

2. Project assessment				RISK SCORE	
Risk Assessment Criteria	Low Risk (1)	Medium Risk (2)	High Risk (3)	SCORE	Comments
Dollar value of grant award	≤ \$100,000	Between \$100,000 and \$500,000	>\$500,000		
Project Complexity (considering applicable compliance requirements)	Minimal Complexity	Average Complexity	Significant Complexity		
3. Audit / Suspension				RISK SCORE	
Risk Assessment Criteria	Low Risk (1)	Medium Risk (2)	High Risk (3)	SCORE	Comments
Single Audit Performed	Agency is subjected to Single Audit	Agency may not be subject to Single Audit but has independent financial statement audit	Not subject Single Audit and no independent financial statement audit		
Single Audit Findings	No findings	Finding, but does not have any impact on program funding	Finding that could/does impact program funding		
Internal Control Findings	Recent audit shows no findings	Recent audit shows internal control deficiencies	Recent audit shows major internal control weaknesses/No independent audit conducted		



Subrecipient Risk Assessment Example Cont.

				Independent audit conducted	
4. Mid-Project Updates (Complete during an updated assessment during grant period)					RISK SCORE
Risk Assessment Criteria	Low Risk (1)	Medium Risk (2)	High Risk (3)	SCORE	Comments
Cooperates with information requests	Provides information timely	Provides information, but not timely	Does not provide requested information		
Project workplan on schedule	Workplan on schedule or ahead of schedule	Workplan is behind, but there are plans to address	Workplan is very behind, no plans to address		
Complete and accurate disbursement requests	Requests are rarely inaccurate or late	Requests are mostly accurate and submitted on time.	Requests are not accurate or timely.		
RISK ASSESSMENT TOTAL SCORE:				0	Low
Risk Assessment Total Score	Low = 12 to 19	Medium = 20 to 28	High = 29 to 36		



2 CFR 200.332 (e) Requirements for PTE

A pass-through entity must:

- Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward.
- Monitor the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved.



Subrecipient Monitoring 2 CFR 200.332 (e) and (f)

Pass-through entities must monitor activities of the subrecipient:

Review financial and programmatic reports

Verify that audit is being performed (if necessary) and following up on audit findings and corrective action plans

Issuing management decision on audit findings

Resolve audit findings specifically related to subaward



Subrecipient Monitoring

Use checklist or matrix to ensure that all monitoring activities are being completed timely

Search for Single Audit reports in Federal
Audit Clearinghouse -
<https://harvester.census.gov/facweb/>



Subrecipient Monitoring (200.332(f))

Additional monitoring tools / procedures that may be used depending on risk assessment of sub-recipient:

Providing training and technical assistance

Regular check-ins

On-site reviews of program operations

Arranging for agreed upon procedures



Subrecipient Risk Assessment Example

MONITORING PERFORMED:						
Description of Task to be Completed	Date Due	Date Completed	Completed By	Reviewed By	Date to Reperform (if applicable)	Comments
Review financial reports required						
Review performance reports required.						
Provide the subrecipient with training and technical assistance on program-related matters.						
Perform on-site review of the subrecipient's program operations.						
Arrange for agreed-upon-procedures engagements. (Note in comments the procedures performed)						



Subrecipient Risk Assessment Example Cont

MONITORING PERFORMED:						
Description of Task to be Completed	Date Due	Date Completed	Completed By	Reviewed By	Date to Reperform (if applicable)	Comments
Verify that the subrecipient is audited as required by the Uniform Guidance Subpart F "Audit Requirements". Collect and review Single Audit Report.						
Follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from ORGNIZATION NAME detected through audits, on-site reviews, and other means. §200.332 (d) (2)						
Issue a management decision for audit findings pertaining to the Federal award provided to the subrecipient from ORGNIZATION NAME (See comment).						
Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to ORGNIZATION NAME's own records.						
Take enforcement action against noncompliant subrecipients. (See comment)						



Risk and Monitoring at Various Stages





Internal Controls over Compliance

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Internal Controls 2 CFR 200.303

Requirements are
highlighted in Uniform
Guidance as

extremely
important



Internal Controls [2 CFR 200.303](#)

Grantees must **establish** and **maintain** effective internal controls over federal awards.

Internal Control Framework

It is crucial that grantees have the proper framework for internal control to ensure that:

Grant resources are being utilized effectively and efficiently and in compliance;

Assets purchased or developed with grant funds are being safeguarded properly;

Financial reporting required by these grants is accurate and timely

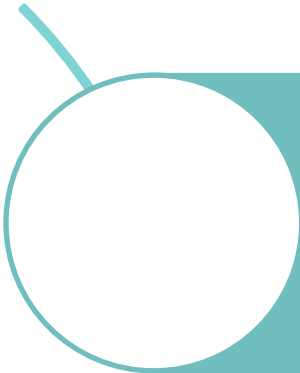


Internal Controls


Recipients and Subrecipient will need to exercise judgment in determining the most appropriate and cost effective internal control in a given circumstance



Internal Controls 2 CFR 200.303



UG Best Practice: *Internal Control Framework* issued by the *Committee on Sponsoring Organizations (COSO)*



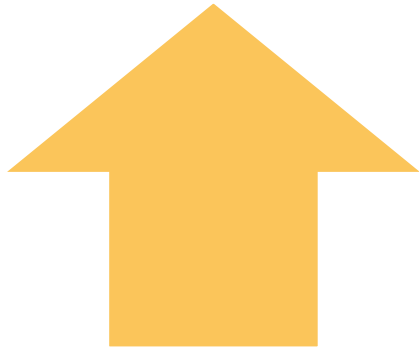
The most widely recognized source of guidance on internal control. Major refresh in 2013. Issued supplemental guidance for sustainability reporting in 2023.



COSO Framework Image



Control Environment



The Control Environment sets the tone of an organization.



It is the foundation for all other components of internal control, providing discipline and structure.



Control Environment

Control environment factors include:

integrity,

ethical values,

management's
operating style,

processes for
managing and
developing
people in the
organization



Control Environment

Answers the
question:

“What is
management’s
attitude about
internal control
and compliance?”

Risk Assessment

Management's assessment of the risk of noncompliance includes procedures to identify the risks of noncompliance and determining how the risks of noncompliance should be managed.

Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed.

A precondition to risk assessment is establishment of objectives (i.e. compliance).

Risk assessment is a prerequisite for determining how the risks should be managed.

Risk Assessment..

Answers the
question:

How could we be
out of compliance
with (insert specific
compliance
requirement)?”

Control Activities

Control activities are the policies and procedures that help ensure that necessary actions are taken to address the risks that may hinder the achievement of compliance.



Control Activities

Control activities occur throughout the organization, at all levels and in all functions.

They include a range of activities as diverse as approvals, reconciliations, and segregation of duties.

Control Activities

Answers the question:

“How are you certain your organization is in compliance with (insert specific compliance requirement)?”

Monitoring

Internal control systems need to be monitored—The process that assesses the quality of the internal control over compliance performance over time.

Monitoring

Accomplished through ongoing monitoring activities or separate evaluations.

Corrective actions should be taken to ensure continuous improvement of the system



Internal control deficiencies detected through monitoring activities should be reported.



Monitoring



Information & Communication

Management's process for identifying, capturing and exchanging information in a form and time frame that enables people to carry out their responsibilities.

Information & Communication

Information systems play a key role in internal control systems that make it possible to run and control the business.

- Ex: producing key reports, inducing operational, financial, and compliance-related information.

Effective communication must ensure information flows down, across and up the organization.

Information & Communication

Answers the
question:

“How and when
do you notify
people the
(control activity)
is required?”



Policy vs. Procedures vs. Controls

A **policy** is a guiding principle used to set direction in an organization.

A **procedure** is a series of steps to be followed as a consistent and repetitive approach to accomplish an end result.

A **control** is intended to prevent or detect noncompliance



Internal Controls Over Compliance

Process

- Preparation of timecard
- Controller prepares cash draw request
- Procurement documented by AP clerk
- Risk Assessment of subrecipient prepared by grants accountant

Controls

- Timecard approval
- Invoice approval
- Review of FFR report
- Review of cash draw request
- Approval of Procurement contract



Internal Control Key Items

Segregation of Duties

Documentation



Internal Control Key Items

Reviewer/approver should be someone with knowledge of compliance requirements

Essentially would be able to catch non-compliance

Internal Control Examples

- Allowable Use of Funds and Period of Performance
 - Site coordinators purchase goods and services for grant purposes
 - Program Manager approves all purchases prior to being paid and recorded

- Cash Management:
 - Accounting specialist prepares the invoice for reimbursement request
 - Director of Finance reviews and approves



Internal Control Examples

- Eligibility:
 - Site coordinator completes participant intake form
 - Program Director reviews and signs form

- Property and Equipment:
 - Program Director takes annual inventory of property and equipment purchased with federal funds
 - Accounting Specialist reconciles with accounting records



Internal Control Examples

- Procurement:
 - Finance department solicits bids for service
 - Board reviews and approves bids over \$350,000
- Reporting:
 - Financial Reports: Accounting Specialist prepare monthly report based on G/L detail, Program Director and Director of Finance review and approve
 - Performance Reports: Program Director prepares quarterly report, Executive Director reviews and approves

Documentation of Compliance



Document compliance requirements



Document proper internal controls over compliance



Documentation of Internal Controls and Compliance

- Available: CLA's "**Grant Program Internal Control Workbook**"
- Recommend completing for each grant
- Grant Program Workbook
- <https://www.claconnect.com/resources/tools/2017/grant-program-workbook-understanding-your-grant-compliance-and-internal>

Documenting Policies

Key to an effective grants management program is ensuring that proper policies and procedures are in place and documented.



The reasons for this are twofold:

- Internally, they can provide clarity and instruction to those involved in grant management.
- Externally, they can show either current or potential funding agencies that your organization has a program in place to ensure full compliance.



Required Policies



Allowable Use of Funds Policy



Federal Payment Policy



Procurements Standards Policy



Best Practice Policies

Grant Proposal
Policy

Award
Acceptance
Policy

Financial
Management
Systems Policy

Documentation
of Internal
Controls

Cost Sharing
and Matching
Policy

Program
Income Policy

Budget and
Program
Revisions Policy

Property and
Equipment
Standards
Policy

Monitoring and
Reporting

Subrecipient
Procedures
Policy

Record
Retention
Policy

Grant Closeout
Policy



Policy review and revisions

Designate key individual or team to monitor your policies over federal programs.



Regularly review policies for compliance and educate employees on changes to policies. Encourage open dialogue regarding questions and decision making.



Make sure policies are easily accessible for all employees involved and they know that they are responsible for reviewing these.



Internal controls – PII 2 CFR 200.303

Must take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information.

Includes information designated as sensitive

- By Federal agency, PTE, recipient, subrecipient
- Consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality



§200.79 Personally Identifiable Information (PII).

PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual.



34 CFR 200.79 Public Personally Identifiable Information (Public PII).

Some information that is Public PII is available in public sources such as telephone books, public Web sites, and university listings. Examples:

first and last name,

address,

work telephone number,

email address,

home telephone number,

general educational credentials



PII 34 CFR 200.79

The definition of PII is not anchored to any single category of information or technology.



It requires a case-by-case assessment of the specific risk that an individual can be identified.



Non-PII can become PII whenever additional information is made publicly available, that when combined with other available information could be used to identify an individual.



2 CFR 200.82 Protected Personally Identifiable Information (Protected PII)

Protected PII means an individual's first name or first initial and last name **in combination** with any one or more of types of information, including, but not limited to:

- social security number,
- passport number,
- credit card numbers,
- Security clearances,
- bank numbers,
- biometrics,
- date and place of birth,
- mother's maiden name,
- criminal, medical and financial records,
- educational transcripts

This does not include PII that is required by law to be disclosed.





Questions?



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CLA Grant Compliance Resource Center

<http://www.claconnect.com/resources/tools/resources-to-ease-the-burden-of-grant-compliance>

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Create Opportunities

CLA exists to
create opportunities —
for our clients, our people,
and our communities.

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