

BUILDING AN EFFECTIVE RISK ASSESSMENT

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Office of Audit, Assessment and Management

Building a Risk Assessment

1. Assess the environment
2. Explore available data
3. Develop the risk criteria
4. Develop scoring for criteria
5. Develop weighting for criteria
6. Array the scores and determine risk categories
7. Evaluate and adjust

1. Assessing the Environment

- 42 Office of the Inspector General Audits
- 254 findings
 - 120 findings related to subrecipient management

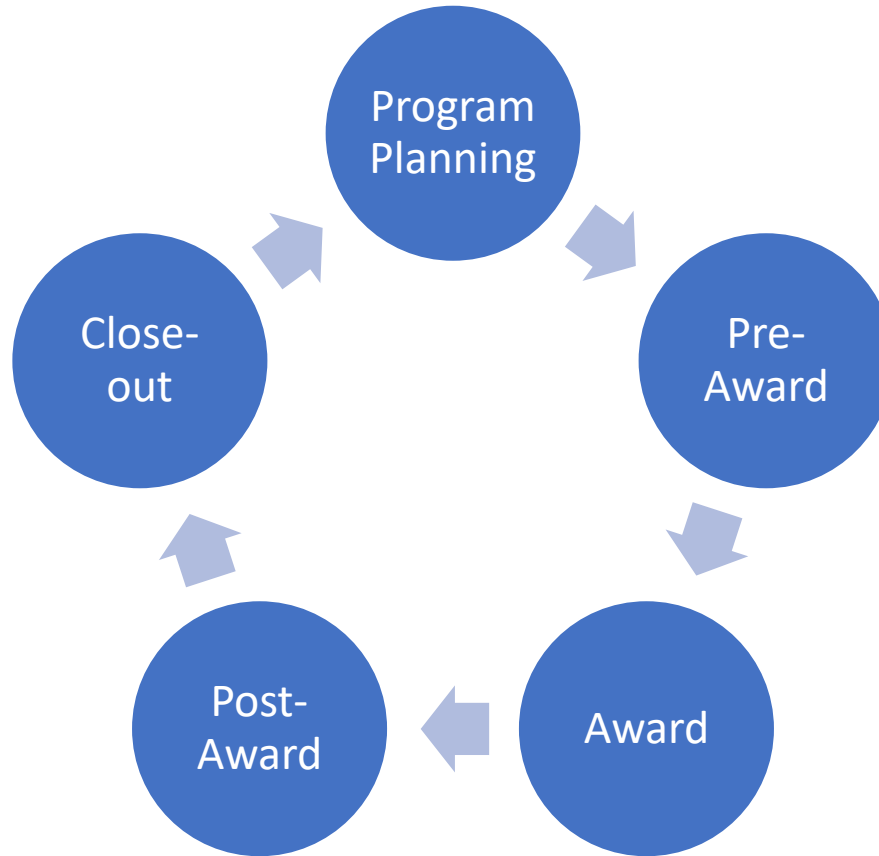
1. Assessing the Environment - Subrecipient Management Findings

- 25 - unallowable/unsupported costs
- 19 – performance data
- 18 – risk assessment and monitoring
- 17 – pre award procedures (including ensuring priority area spending is met)

1. Assessing the Environment - Subrecipient Management Findings

- 15 – financial and cash management
- 10 – time and attendance
- 7 – match
- 5 – conflict of interest
- 4 - other

1. Assess the Environment - Risk at All Stages of Grant LifeCycle



1. Assess the Environment - Assessing Risk at Various Levels

- Program
- Entity (subrecipient)
- Grant
- Process (both those of the granting agency and the recipient)
 - System (manual vs. automated)
 - Internal controls
 - Payments (risk of improper payments/fraud)

2. Explore the Data - Program Characteristics

- Number of open awards
- Priority area spending
- Award amounts (High/low range and average)
- New Projects or areas of focus
- Number of solicitations
- New Grantees
- High Risk Grantees
- Subawards
- Grant manager workload
- Matching
- Monitoring/Audit results

2. Explore the Data - Entity Level Risk

- Number of open awards
- Total Award amounts
- Other Federal Awards in USASpending.gov
- New Grantee
- High Risk Grantee (based on known issues)
- Subawards
- Monitoring/Audit results
- Past performance
- Credit score
- Excluded Party List

2. Explore the Data – Grant Level Risk

- Programmatic Progress reporting
- Performance Measures reporting
- Award modification requests
- Audit results (OIG, GAO, and Single Audit)
- Financial reporting
- Annual desk reviews
- Draw patterns

3. Developing Risk Criteria

Based on the findings and other available data what data points or sources might be included in a risk assessment?

3. Possible Risk Criteria

- Expenditures to date or expenditures above a certain threshold
 - Note that the risk assessment process will differ based on the process used to approve subrecipient payment requests
- Priority spending information to date compared to program planning information
- Draws compared to expenditures to date, draw patterns
- Budgeted personnel costs (or actual if data is available)
- Budgeted match (or actual if data is available)

3. Possible Risk Criteria

- Timeliness of reporting
 - Financial and programmatic
- Qualitative assessment from grant manager on whether recipient is meeting goals and objectives
- Performance data points and thresholds
- Previous monitoring and audit results
- New grantee
- New project or program
- Credit score

4. Develop scoring

- Examples
 - 0 – no risk added
 - 1 – moderate risk
 - 2 – higher risk
- Likert scale 1 – 5
- For many of the criteria – explore the data and set thresholds for scoring. For example if there are 100 awards ranging in amount for \$50k to \$100K, at what dollar amounts does the award get scored as moderate or higher risk?

5. Develop weighting

- Not all risk criteria are equally important
- Determine which criteria are more important and a means to weight them
- Example
 - 1 – average importance
 - 2 - moderate importance
 - 3 - higher importance

6. Array the scores and determine risk categories

- Multiply weight by score to come up with final score for criteria
- Array scores from lowest to highest
- Look for natural breaks to help determine high, medium and low monitoring priorities

6. Array the scores and determine risk categories

Grantee ScoreCard
U.S. Department of Justice
Office of Grants Services

Grantee Information

Grantee Name: **Grantee** City: **Washington** Total DOJ Award Amount: **\$0.00**
 Vendor Number: **999999999** State: **DC** Total DOJ Number of Grants: **0**
 Grantee Type: **Non-Profit** Date of Last Programmatic Monitoring: **N/A** Date of Last Financial Monitoring: **N/A**

DOJ High Risk Grantee Information

DOJ High Risk Grantee: **No** Date of Designation: **N/A**
 Reason for Referral: _____
 Approved for Partial Release: _____ Partial Release Amount Requested to Date: _____
 High Risk Special Conditions: _____

Test/Development

Grantee Score

Demographic Score: _____
 Financial Score: _____
 Compliance Score: _____
 Monitoring Score: _____
 Total Grantee Score: _____
 Grantee Ranking: **/4000**

| Risk Information | | |
|------------------|---|--|
| ID | Risk Indicator Title | Risk Value |
| 1 | New Grantee (Past 3 FY) | No |
| 2 | Award Open greater than 4 Years | No |
| 3 | Awards With Unobligated Balances greater than 2 Years after Start Date | No |
| 4 | Number of No-cost Extensions Approved | 1-2 |
| 5 | Number of FFR Delinquencies in Past Year | 1 untimely |
| 6 | Number of Progress Report Delinquencies in Past Year | 0 untimely |
| 7 | FFATA Reporting Compliance | Compliant or Not Required |
| 8 | Independent Audit on Record | No - Total grantee funding < \$750K |
| 9 | Most Recent Single Audit Opinion (FAC) | Unqualified or N/A |
| 10 | Potential Excess Cash | No |
| 11 | Issue for Resolution greater than 1 Year Old - Programmatic Site Visit | No |
| 12 | Issue for Resolution greater than 1 Year Old - Financial Monitoring Visit | No |
| 13 | Reported Program/Grant Implementation Concerns | None Reported |
| 14 | Subawards /Subcontracts | No |
| 15 | Grantee Has not Received In-Depth Monitoring in Last 4 Years (Programmatic or OCFO) | Monitored in last 4Ys or does not meet dollar/number of awards threshold |

Award Information

| Grant Number | Grant Manager | Award Amount | Award Balance | End Date | Monitoring Priority | Monitoring Decision | Financial Monitoring Decision |
|---|---------------|--------------|---------------|----------|---------------------|---------------------|-------------------------------|
| <div style="display: flex; justify-content: space-between;"> Program Office: BJS Program Office: SMART </div> | | | | | | | |

Print/Save to

6. Array the scores and determine risk categories

| ScoreCard | | | | | | | | | |
|-----------------|---|---------------|---|--|-----------------------------|-------------------------------|-------------------------|---------------------------------|---|
| 2015-DS-BX-1111 | Grantee Y | 123123123 | Small Town | OK | 80,000 | BJA | BJA FY 15 Sol | Discretionary Grant | |
| 8/1/2015 | 7/31/2016 | James Conner | | 1 | 1 | | | | |
| Start Date | End Date | Grant Manager | High Risk Grantees | No. of Active Awards in Program Office | No. of Active Awards in OJP | Date of Last OCFO Desk Review | Date of Last OCFO Visit | Date of Last Programmatic Visit | |
| Current Quarter | | | | | Previous Quarter | | | | |
| ID | Risk Indicator Title | Risk Score | Risk Value | Risk Score | Risk Value | Risk Score | Risk Value | Risk Score | Risk Value |
| 1 | Award Type | 2 | Discretionary | 2 | | 2 | | 2 | |
| 2 | Grantee Type | 0 | State | 0 | | 0 | | 0 | State |
| 3 | State Adminstrating Agency (SAA) | 2 | Yes | 2 | | 2 | | 2 | Yes |
| 4 | Award Amount (with the exception of SAAs) | 0 | < \$250K | 0 | | 0 | | 0 | 80000 |
| 5 | JAG Disparate Jurisdiction | 0 | No | 0 | | 0 | | 0 | No |
| 6 | Confidential Funds | 0 | No | 0 | | 0 | | 0 | No |
| 7 | Matching Funds | 0 | No | 0 | | 0 | | 0 | No |
| 8 | Fiscal Integrity Review Referral | 0 | No | 0 | | 0 | | 0 | No |
| 9 | Grants With No Financial Clearances (not scored on current fiscal year grants until second quarter) | 0 | No | 0 | | 0 | | 0 | No |
| 10 | New Grantee (Past 3 FY) | 0 | No | 0 | | 0 | | 0 | No |
| 11 | New Program | 0 | No | 0 | | 0 | | 0 | No |
| 12 | DOJ High Risk Grantee | 0 | No | 0 | | 0 | | 0 | No |
| 13 | Award Open greater than 4 Years | 0 | No | 0 | | 0 | | 0 | No |
| 14 | Awards With Unobligated Balances greater than 2 Years after Start Date | 0 | No | 0 | | 0 | | 0 | No |
| 15 | Number of No-cost Extensions Approved | 0 | 0 | 0 | | 0 | | 0 | 0 |
| 16 | FFR Timeliness | 0 | 0 untimely | 0 | | 0 | | 0 | 0 untimely |
| 17 | Progress Report Timeliness | 0 | 0 untimely | 0 | | 0 | | 0 | 0 untimely |
| 18 | FFATA Reporting Compliance | 0 | Compliant OR Not Required | 0 | | 0 | | 0 | Compliant OR Not Required |
| 19 | Active Withholding of Funds (with the exception of FFR/Prg Rpt related holds) | 0 | No | 0 | | 0 | | 0 | No |
| 20 | Program Income Reported on Latest FFR (with the exception of JAG/JABG) | 0 | No | 0 | | 0 | | 0 | No |
| 21 | Potential Excess Cash (with the exception of JAG/JABG) | 0 | <= \$0 | 0 | | 0 | | 0 | <= \$0 |
| 22 | Controlled Equipment Expenditure | 0 | No | 0 | | 0 | | 0 | No |
| 23 | Issue for Resolution greater than 1 Year Old - Programmatic Site Visit | 0 | No | 0 | | 0 | | 0 | No |
| 24 | Issue for Resolution greater than 1 Year Old - Financial Monitoring Visit | 0 | No | 0 | | 0 | | 0 | No |
| 25 | Reported Program/Grant Implementation Concerns | 0 | None reported | 0 | | 0 | | 0 | None reported |
| 26 | Conference Costs | 0 | None reported | 0 | | 0 | | 0 | None reported |
| 27 | Subawards /Subcontracts | 0 | No | 0 | | 0 | | 0 | No |
| 28 | Current Ongoing OIG Audit | 0 | No | 0 | | 0 | | 0 | No |
| 29 | Grant Has Received Programmatic Site Visit/EPDR (Past 2 FY) | 0 | No | 0 | | 0 | | 0 | No |
| 30 | Grant Has Received OCFO Financial Monitoring Visit (Past 2 FY) | 0 | No | 0 | | 0 | | 0 | No |
| 31 | Grantee Has not Received In-Depth Monitoring in Last 4 Years (Programmatic or OCFO) | 0 | Montioned in last 4Y's or does not meet dollar/number of awards threshold | 0 | | 0 | | 0 | Montioned in last 4Y's or does not meet dollar/number of awards threshold |
| 32 | Independent Audit on Record | 0 | Yes | 0 | | 0 | | 0 | Yes |
| 33 | Most Recent Single Audit Opinion (FAC) | 0 | Unqualified or N/A | 0 | | 0 | | 0 | Unqualified or N/A |
| 34 | Pre Award Risk Rating - High | 0 | No | 0 | | 0 | | 0 | No |

Current Priority Score: 4

Monitoring Priority: Low

Monitoring Decision and Priority History

7. Evaluate and adjust

Risk-based monitoring plan - Set a monitoring target based on resources and risk assessment

- Address the content and substance of the program
- Qualitative and quantitative reviews to assess grant performance, innovation, and contribution to the field.

7. Evaluate and adjust - Monitoring

- Substantive, intensive work with recipients by mail, e-mail, or phone
- Desk Reviews
- In-depth Monitoring (Onsite Visits)
- Coordinated in-depth financial and programmatic site visits for highly complex grant recipients

7. Evaluate and Adjust - Monitoring

Grant Monitoring includes three elements:

1. Programmatic

- Addresses the content and substance of the program

2. Financial

- General review of financial reports and an evaluation of grant expenditures compared to the approved budget

3. Administrative

- Compliance with grant terms and conditions and reporting requirements

- Results should feed back into risk assessment.

7. Evaluate and Adjust -Higher Risk Subrecipients

- Identify those that are higher risk
- Consider additional procedures for Higher Risk Recipients
 - Additional documentation required to draw funds
 - More frequent communication and monitoring
 - Holding funds until corrective actions have been satisfactorily completed

7. Evaluate and Adjust - Training and Technical Assistance

- Risk assessment and monitoring results should inform training and technical assistance efforts.
- Measure the effect of training and technical assistance and adjust the risk assessment and monitoring as needed.

Questions?