***Risk-assessment and sub-recipient monitoring strategies***

In order to perform risk assessments of subrecipients to determine the appropriate level of monitoring to be performed, a number of different criteria could be considered.

Items the Council may want to consider

*Risk Assessment Questions:*

1. General assessment:
   * Is the entity new to managing grant funds?
   * What is the rate of staff turnover at the entity?
   * What is the extent of new personnel, particularly in the grants area?
   * To what extent has the subrecipient developed or implemented new or substantially changed systems?
2. Legal assessment:
   * Is the entity involved in any active lawsuits?
   * Is the entity currently suspended or debarred or have they been suspended or debarred in the past?
3. Monitoring/audit assessment:
   * Were there any findings or violations from a prior audit?
   * Has any on-site monitoring been performed in the recent years and, if so, what were the results of those monitoring visits?
   * Has there been any federal awarding agency monitoring and, if so, what were the results, even if related to a different award?
4. Financial system assessment:
   * Does the entity have an effective financial management system in place?
   * Does the accounting system identify the receipts and expenditures of program funds separately for each award?
5. Overall fiscal assessment:
   * Is the specific grant large in terms of percentage of overall funding for the entity?
   * Has the entity been untimely in the request for reimbursement with other federal awards?
6. Financial stability assessment:
   * Has the state or any other authority placed the entity in a special financial status?
   * Has the entity been able to meet its cash needs?
7. Programmatic assessment:
   * How complex is the work the entity is performing? Some items to consider are:
     + Based on the work performed does the entity need to comply with procurement requirements?
   * Is the entity meeting current reporting requirements?
   * Is the entity meeting its annual measurable objectives and/or performance objectives?

The results of this risk assessment process will provide the basis for developing a work plan and individual subrecipient monitoring strategies. This includes identifying which grantees will be monitored, the method of monitoring (on-site or remote), programs and areas to be monitored, type of monitoring (in-depth or limited), areas of technical assistance and training needed, resources needed, and projected timeframes.

**Risk assessment and monitoring tools**

Once the pass-through entity has determined the process to assess risk, the pass-through entity should consider developing tools to help with the risk assessments. These tools could include:

* *Subrecipient Monitoring Plan:*The pass-through entity could establish a grant-based subrecipient monitoring plan.  Such a plan would document the following components:
  + Monitoring plan objectives
  + Description of the risk analysis and results
  + Classification of each subrecipient's risks
  + Monitoring activities and monitoring schedule for each subrecipient based on assessed risks
  + Pass-through entity's planned response to any findings, including anticipated actions to be taken in response to findings, and individual's responsibility to ensure proper action is taken, and the expected timeframe
  + Trainings that the pass-through entity intends to provide to subrecipients
* *Subrecipient Checklists:*These checklists, unique to each subrecipient, would address and document the process of subrecipient management and monitoring. This checklist would be used to track the various to-do items the pass-through entity would need to complete in order to accumulate information during both the pre-award process and the post-award phase.  The checklist could also serve as documentation for having performed the required monitoring activities.  For example, the checklist could cover the following items (this is not an all-inclusive list):
  + Name of the organization
  + CFDA number
  + Suspension and debarment check
  + Agreement – the data elements included 45 CFR 75 (75.352)
  + Scope of work to be performed by the subrecipient
  + Monitoring plan
  + Monitoring activities documentation (dates, who performed)
  + Monitoring results
  + Follow-up documentation
* *Risk Assessment Checklist:* The pass-through entity should consider developing a checklist to document the risk assessment process and record the rationale for assigning subrecipients into certain risk categories.  The pass-through entity would need to create a document to accumulate all the risks assessed for each subrecipient to be able to determine the particular level of monitoring for each subrecipient. The pass-through entity could use a point system for the various assessed risks and create a document using some of the risk assessment questions identified. The results of this process will help pass-through entities determine the appropriate monitoring activities for each subrecipient. The higher risk-rated subrecipients should be monitored more extensively than the lower risk-rated subrecipients.

While the aforementioned processes and risk considerations are not all inclusive, they should give the pass-through entity a starting point for how to perform risk assessments.