

Risk Assessment Factors



Subrecipient Risk



Environmental Factors



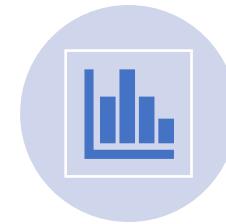
Program and
Fiscal Risk
Evaluation



Audit Results



History



Reporting



Inherent Risk

Subrecipient Risk - Internal Control Questionnaire

Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring
<ul style="list-style-type: none">• Experience with grants, key personnel turnover• Code of ethics, board oversight, frequency of board meetings	<ul style="list-style-type: none">• Policies and procedures• Banking policies• Credit card or letter of credit use	<ul style="list-style-type: none">• Reconciliations and financial monitoring• Safeguarding assets and separation of duties• Bonding and insurance	<ul style="list-style-type: none">• Records retention• Distribution of financial policies and reports	<ul style="list-style-type: none">• Accounting software• Financial stability

Common Risk Areas for Non-Compliance

- Procurement
- Inadequate internal controls
- Equipment/inventory
- Time and effort for personnel costs
- Period of performance
- Support for Match
- Cash management
- Supplanting or “dual purpose” purchases
- Ethics issues
- Waste or abuse of funds



On-site Visits are Valuable!



Case Study #1 – Red Flags and Delayed Monitoring

[U.S. DHS Office of Inspector General report, Ohio Law Enforcement Terrorism Prevention Program 2004-2006](#)

Questioned costs totaled nearly \$5 million in five categories:

- Unsupported Allocations;
- Transactions Outside the Performance Period;
- Misclassification of Expenditures;
- Unsupported Transactions; and
- Unrelated to Grant Activity





Red Flags

- Multiple letters of credit and bank accounts
- Commingling of grants and other financial transactions
- Credit card reimbursement from statements
- Unable to readily provide records or lack of essential records
- Director's salary driven by funding levels



OIG Findings – Payroll Expenditures

\$2.8 million in Questioned Costs

- Lack of Timesheets
- Timesheets obtained did not meet compliance requirements
- Allocated Health Insurance to program based on time records
- Health Insurance documents were unable to be provided

OIG Findings – Non-payroll Expenditures

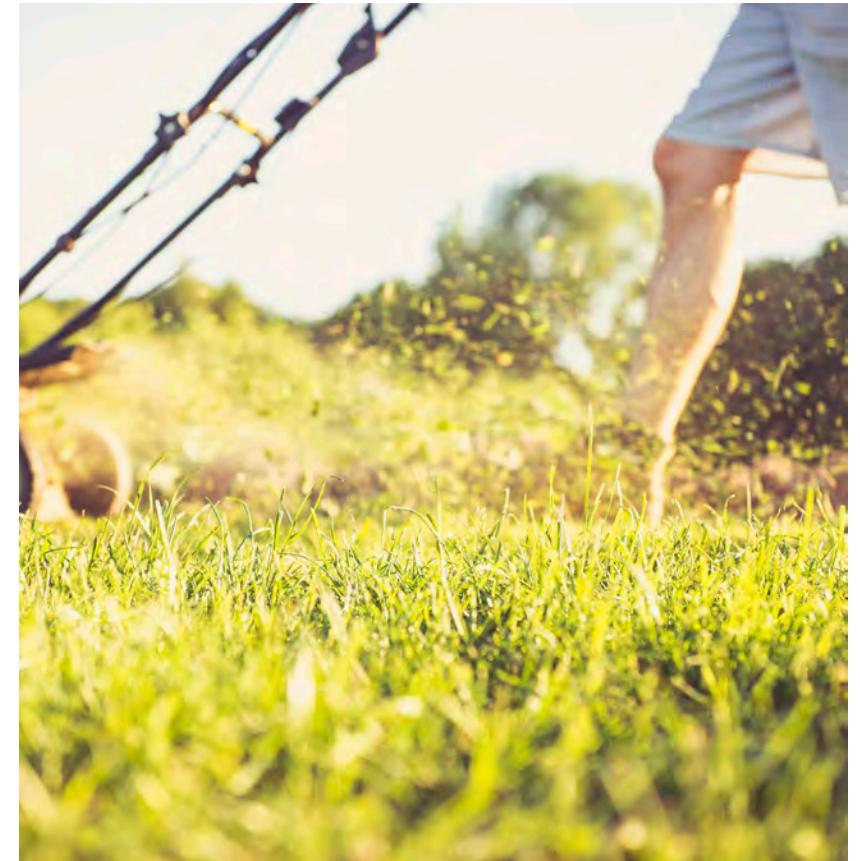
\$1.9 in Questioned Costs

Unsupported Allocations-\$365K

- Utilities and Building Maintenance
- Unable to Support the Allocation to the Grant

Transaction Outside the Performance Period-\$789k

- Internet Service/Maintenance Agreements
(prepayment for three years)





OIG Findings – Non-payroll Expenditures (continued)

Misclassification of Expenditures- \$345k

- Administrative Costs were classified in other categories
- Expenses may not have been questioned had they been properly classified

Unsupported Transactions- \$269k

- No or insufficient supporting documentation
- No prior authorization for International Travel

OIG Findings – Non-payroll Expenditures (continued)

Unrelated to Grant Activity- \$222k

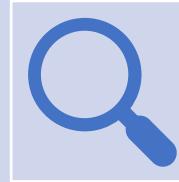
Unable to determine how costs benefited the grant
(i.e., promotional items, plaques, lapel pins, etc.)



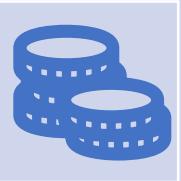
How did this happen?



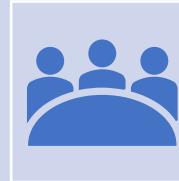
Lack of federal grants experience



Focus on the project, not documenting costs



Organization not accustomed to handling large federal awards



Systemic issues with the award process

Case Study #2 – Lack of Partnership and Monitoring Coverage

US DHS, Office of the Inspector General report, *Ohio's Management of Homeland Security Grant Program*

- Procurement practices by 14 subrecipients led to ***\$3,559,066.76 questioned cost***
- Also noted Ohio did not conduct enough monitoring

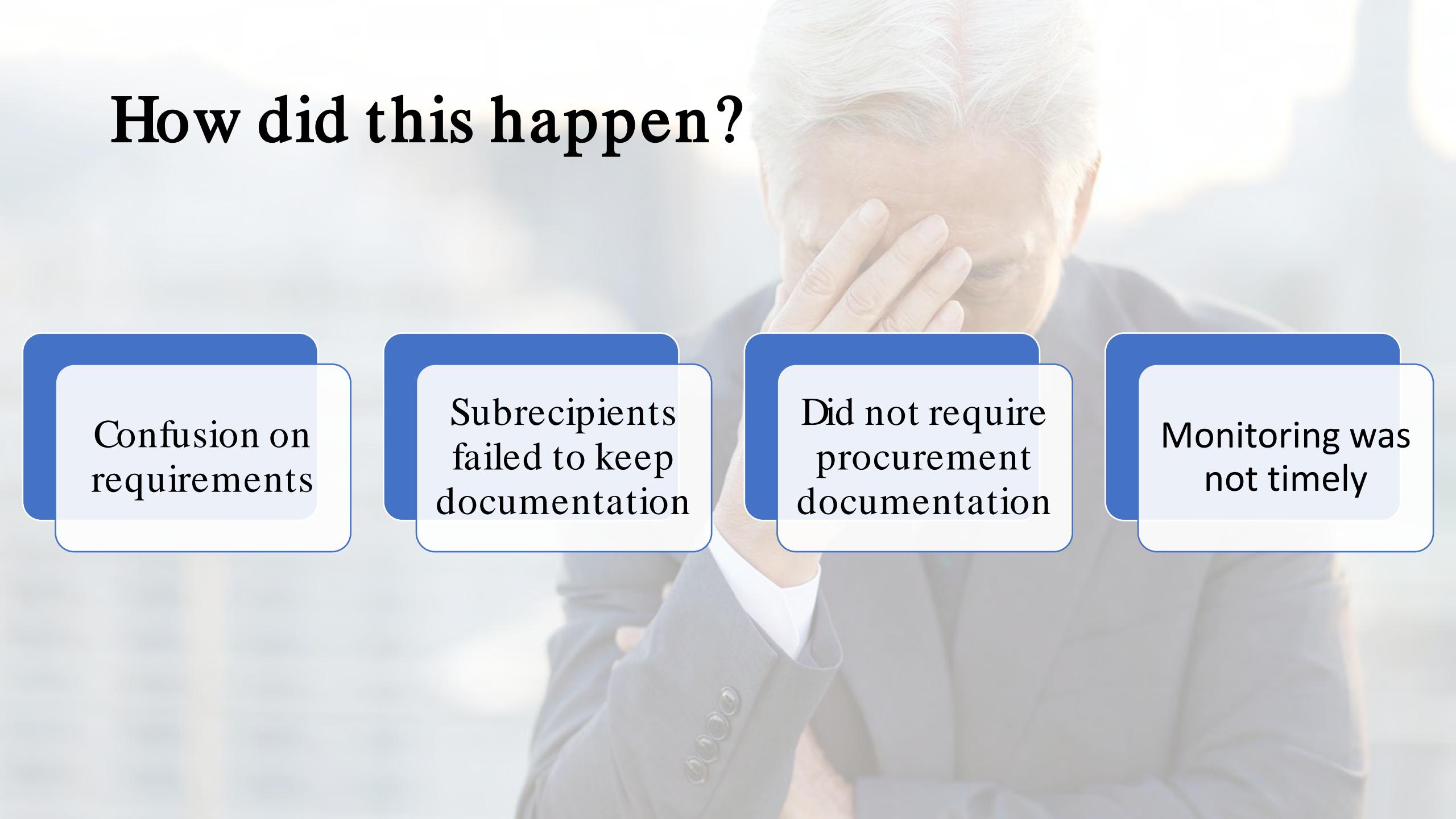




OIG Findings

- Using state's term schedule, GSAschedule, and joint procurement programs
- Failing to get quotes for small purchases
- Claiming sole source without justification or support
- Sole source via emergency with no clear support
- Failing to perform a cost analysis

How did this happen?

A man with light-colored hair, wearing a dark suit jacket, a white shirt, and a tie, is shown from the chest up. He is covering his eyes with his right hand, with his fingers partially covering his forehead and eyes. His head is tilted slightly downwards. The background is a soft, out-of-focus light color.

Confusion on requirements

Subrecipients failed to keep documentation

Did not require procurement documentation

Monitoring was not timely



Lessons Learned

- Set-up clear guidance and directives
- Conduct grant workshops, technical assistance, and trainings
- Set-up pre-approval processes
- Conduct timely on-site monitoring visits
- Set-up a clear risk-based monitoring plan
- Develop a thorough Administration Plan
- Increase the amount of documentation received before payment



When bad things happen?

Key Elements of a Corrective Action Plan



Root cause



Clear steps to resolve issues



Timelines and accountability



Follow-up procedures and documentation

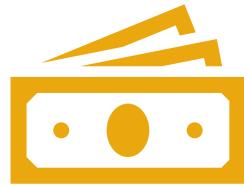
2 CFR 200.208

Specific Conditions

Additional project monitoring



Reimbursement rather than advance



Require technical or management assistance



Evidence of performance to proceed to the next phase



Prior approvals



More detailed financial reports

