

**New Mexico Environment Department
Surface Water Quality Bureau
Contractor/Sub-grantee Pre-Award Risk-Based Assessment**

Policy:

It is the policy of the New Mexico Environment Department - Surface Water Quality Bureau, recipient of federal grants to implement a risk assessment evaluation of all sub-grantees prior to making federal sub-grant awards per the Code of Federal Regulations § 2 CFR 200.205. As the Administering Agency for federal grant funds, NMED-SWQB is under obligation to proactively monitor contracts & sub-awards to ensure compliance with federal and state laws and regulations governing the programs to be administered. To this end, an accurate risk assessment of each sub-award's programmatic and financial status provides critical information to help insure the effective delivery of program services.

Purpose:

Assist the NMED-SWQB staff in effectively monitoring risks associated with the compliance monitoring of federal grants. Our focus is to insure that all grant programs meet the following requirements: adhere to the grantor's guidelines and agreements, remain within budget, carry out the scope of services, and insure that proper internal controls are in place.

Procedure:

Based on the sub-grantee Evaluation for Internal Controls Questionnaire and actions of the sub-grantee agency, NMED-SWQB staff shall rate each category below. Scores will then be added to determine if the level of risk is high, medium or low.

Risk Assessment:

A score of **57 – 100** requires intensive follow-up and improvement based on a thorough evaluation of the grant project and execution of the approved action plan, a score of **31-56** requires evaluating areas that need improvement and improving those areas based on the approved action plan, while a score of **30 or less** generally identifies that the program is at lower risk for potential waste, mismanagement, non-compliance or fraud.

Pre-Award Risk Assessment

| | | | |
|---|---|-------------------|--|
| Subrecipient Name: | Project Year: From the date of the signed agreement: | | |
| Federal Award Identification Number(s) or ALN (CFDA) Number: | 0-12 Months = Year 1 | Risk Level Year 1 | |
| Program Name(s): | 13-24 months = Year 2 | Risk Level Year 2 | |
| Risk Assessment Completed Date: | 24-36 Months = Year 3 | Risk Level Year 3 | |
| Project Period(s): | 37+ Months = Year 4 | Risk Level Year 4 | |
| Total Score: | 0 | | |
| Risk Assessment: | Low Risk | | |

| | | | | | | | | | |
|---|--|--------------------|------------------|--------------------|----------------|---------------|---------|--|--|
| 1. Eligible to Conduct Business with the State (answering yes to any of these questions results in ineligibility to receive funds) | Yes/No | | | | | | | | |
| Is the entity on the federal debarment list (www.sam.gov)? | No | | | | | | | | |
| 2. Amount | | | | | | | | | |
| Agency set the Criteria for determining size of grant: | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;"><u>Small</u></td> <td style="width: 25%; text-align: center;"><u>Medium</u></td> <td style="width: 25%; text-align: center;"><u>Large</u></td> </tr> <tr> <td style="text-align: center;">\$0 - \$100k</td> <td style="text-align: center;">\$100K-\$750k</td> <td style="text-align: center;">>\$750k</td> </tr> </table> | <u>Small</u> | <u>Medium</u> | <u>Large</u> | \$0 - \$100k | \$100K-\$750k | >\$750k | | |
| <u>Small</u> | <u>Medium</u> | <u>Large</u> | | | | | | | |
| \$0 - \$100k | \$100K-\$750k | >\$750k | | | | | | | |
| Amount of the award (If award amount is unknown, an estimated award amount should be used.) | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> | | | | | | | | |
| | | | | | | | | | |
| 3. Funding of Entity | | | | | | | | | |
| Agency set funding criteria: | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;"><u>Small</u></td> <td style="width: 25%; text-align: center;"><u>Medium</u></td> <td style="width: 25%; text-align: center;"><u>Large</u></td> </tr> <tr> <td style="text-align: center;"><15%</td> <td style="text-align: center;">15%-60%</td> <td style="text-align: center;">>60%</td> </tr> </table> | <u>Small</u> | <u>Medium</u> | <u>Large</u> | <15% | 15%-60% | >60% | | |
| <u>Small</u> | <u>Medium</u> | <u>Large</u> | | | | | | | |
| <15% | 15%-60% | >60% | | | | | | | |
| What percentage of funding would this grant be for the entity in comparison to the entity's total funding? | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> | | | | | | | | |
| | | | | | | | | | |
| 4. Accounting System | | | | | | | | | |
| Type of accounting system used by the entity | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Automated</td> <td style="width: 25%; text-align: center;">Manual</td> <td style="width: 25%; text-align: center;">Combo</td> </tr> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> | Automated | Manual | Combo | | | | | |
| Automated | Manual | Combo | | | | | | | |
| | | | | | | | | | |
| 5. Project Complexity | | | | | | | | | |
| Rate the complexity of the program | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: center;">Not Complex</td> <td style="width: 15%; text-align: center;">Slightly Complex</td> <td style="width: 15%; text-align: center;">Moderately Complex</td> <td style="width: 15%; text-align: center;">Highly Complex</td> </tr> <tr> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> </table> | Not Complex | Slightly Complex | Moderately Complex | Highly Complex | | | | |
| Not Complex | Slightly Complex | Moderately Complex | Highly Complex | | | | | | |
| | | | | | | | | | |
| <p>Projects with complex compliance requirements have a higher risk of non-compliance. In your determination of complexity consider</p> <ul style="list-style-type: none"> ▶ Numerous programmatic requirements and/or must strictly adhere to regulations ▶ Matching funds or Maintenance of Effort are required ▶ Various types of program reports are required ▶ The entity further subcontracts out the program | | | | | | | | | |
| 6.I. Entity Risk (Questions Must Be Answered for <u>All</u> Grants) | | | | | | | | | |
| | Yes/No | | | | | | | | |
| a. Is the entity receiving an award for the first time from the State? | | | | | | | | | |
| b. Will the entity be receiving funds prior to expenses being claimed? | | | | | | | | | |
| c. Does a conflict of interest exist between the applicant and Department issuing the grant? | | | | | | | | | |
| d. Does the program leader have more than 3 years of experience in managing the scope of services required under this program? | | | | | | | | | |
| e. Do the entity's financial and programmatic staff who will oversee this grant have more than one year prior federal grant award experience? | | | | | | | | | |
| f. Has the entity been in business for less than 3 years? | | | | | | | | | |
| g. Does the entity anticipate subcontracting or subgranting the grant onto one or more entities? | | | | | | | | | |
| h. If applicable, is there any indication that the subrecipient may have difficulty meeting the required match? | | | | | | | | | |

| 6.II. Entity Risk (Questions Must Be Answered for Medium and Large Grants) | Yes/No |
|--|--|
| a. Does the entity have prior experience with similar programs? | |
| b. Does the entity maintain policies which include procedures for assuring compliance with the terms of the award? | |
| c. Does the entity have an accounting system that will allow them to completely and accurately track the receipt and disbursements of funds related to the award? | |
| d. If applicable, does the entity have a system in place which can track employee time spent on multiple programs? | |
| e. If applicable, does the entity have a procurement system or procedures in place that meet the minimum federal requirements for procurement? | |
| f. If applicable, has the entity worked with selected subcontractors previously? | |
| g. If applicable, does the entity have an adequate system or procedures in place for tracking and evaluation of in-kind match? | |
| i. If the entity received over \$1,000,000 in federal funds from all sources total last year, was a single audit conducted on the entity per 2 CFR 200.501. | |
| j. Did the entity have one or more audit findings in their last single audit regarding program non-compliance and/or significant internal control deficiency? | |
| k. Are there currently any unresolved audit issues? | |
| l. Does the entity carry insurance that meets the states minimum requirements? | |
| m. Other issues that may indicate risk of non-compliance? (<i>List issues in the box below. If more than one, list point value next to each one, add points together and put total into the green point-value box.</i>) | |
| <i>Examples of other issues:</i> (1) having new or substantially changed systems or software packages, i.e. accounting, payroll, reporting, technology, administration; (2) turnover in personnel, i.e. business, award management, program; (3) external risks including: economic conditions, political conditions, regulatory changes & unreliable information; (4) loss of license or accreditation to operate program; (5) new activities, products, or services; (6) organizational restructuring; (7) where indirect costs are included, does the organization have adequate systems to segregate indirect from direct costs. | |
| 7. Prior Grant Award Experience (must be completed for All sizes of grants) (Not for a new entity.) | Yes/No |
| a. Were performance and financial reports submitted timely for prior grant awards? (<i>i.e. within the agency specified timeframe</i>) | |
| b. Were financial reports accurate for prior grant awards? | |
| c. Did the entity stay on budget in prior years? | |
| d. Did the entity adhere to all terms and conditions of prior grant awards? | |
| e. Was reasonable progress made towards performance goals for prior grant awards? | |
| f. Did the entity and its staff members respond to State requests timely during prior grant awards? | |
| g. Does the entity plan to carry multiple projects? | |
| h. Do the results of monitoring procedures at the entity in prior years indicate any areas of concern or higher risk? | |
| Low = 0 - 85 Moderate = 86 - 170 High = 170 and higher | TOTAL RISK POINTS: 0 |

Additional notes and ongoing risk assessment concerns for entity:

I declare and affirm that all the information listed above is to the best of my knowledge and belief and is in all things true and accurate.

Project Officer: _____ Date: _____

Program Manager: _____ Date: _____

Bureau Chief: _____ Date: _____

Low Risk: Most of the following attributes should be present to be considered low risk

- ▶ Small grant amount
- ▶ Entity has complied with the terms and conditions of prior grant awards
- ▶ No known financial management problems or financial instability
- ▶ High quality programmatic performance
- ▶ No, or very insignificant, audit or other monitoring findings
- ▶ Timely and accurate financial and performance reports
- ▶ Program likely does not have complex compliance requirements
- ▶ Entity has received some form of monitoring (e.g., single audit, on-site review, etc.)

Moderate Risk

- ▶ New business
- ▶ Small entity handles a complex grant with multiple requirements
- ▶ A disclosed conflict of interest exists

High Risk

- ▶ History of unsatisfactory performance or failure to adhere to prior grant terms and conditions
- ▶ Financial management problems and/or instability; inadequate financial management system
- ▶ Program has highly complex compliance requirements
- ▶ Significant findings or questioned costs from prior audit
- ▶ Large award amount

Monitoring Plan Guidelines

Low Risk:

If the program scores are in the low level category the following will occur: Analyst will continue to monitor the program progress and performance along with all financial reports for accuracy, timeliness and compliance per standard monitoring practices and state/federal

- ▶ The program will receive at least one standard site-visit during a twelve month period.

Moderate Risk:

If the program scores are in the medium level category the following will occur: the Analyst, through the approval of the Bureau Chief, will identify factors that contribute to the medium risk score. The Analyst will provide a follow-up report to the sub-grantee, fiscal agent and Program Coordinator that outlines areas of non-compliance as well as areas of needed improvement. The sub-grantee shall respond to the SWQB with a Corrective Action Plan no less than 15 calendar days of receipt of the advisement letter.

- ▶ Depending upon the severity of the score within the range, the assessment and follow-up may be conducted by way of a desk audit and/or an additional site-visit for the year. Additionally, the sub-grantee may be required to submit more frequent progress, performance and financial reports to SWQB as directed.
- ▶ The SWQB will provide technical assistance upon the request of the sub-recipient

Monitoring plan requirements may be subject to change and/or additional requirements may be imposed depending on the individual circumstances.

High Risk

If the program scores are in the high level category the following will occur: the Analyst, through the approval of the Bureau Chief, will identify factors that contributed to the high risk score. The Analyst will provide a follow-up report to the sub-grantee, fiscal agent and Program Coordinator that outlines areas of non-compliance as well as areas of needed improvement. The sub-grantee shall respond to the SWQB with a Corrective Action Plan no less than 15 calendar days of receipt of the advisement letter.

- ▶ Depending upon the severity of the score within the range, the assessment and follow-up will be conducted by way of program site-visits. Site-visit schedules will range from monthly to quarterly as deemed necessary by the SWQB.
- ▶ Invoices must be submitted on a monthly basis.
- ▶ Conference calls for status checks will be randomly conducted.
- ▶ Additional grant/fiscal management training requirements will be imposed.
- ▶ The SWQB will provide technical assistance upon request of the sub-grantee.

Monitoring plan requirements may be subject to change and/or additional requirements may be imposed depending on the individual circumstances.