

**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

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

<b>1. Eligible to Conduct Business with the State (answering yes to any of these questions results in ineligibility to receive funds)</b>				<b>Yes/No</b>
<a href="http://www.sam.gov">Is the entity on the federal debarment list (www.sam.gov)?</a>				No
<b>2. Amount</b>		<u>Small</u>	<u>Medium</u>	<u>Large</u>
<b>Agency set the Criteria for determining size of grant:</b>		\$0 - \$100k	\$100K-\$750k	>\$750k
Amount of the award ( If award amount is unknown, an estimated award amount should be used. )				
<b>3. Funding of Entity</b>		<u>Small</u>	<u>Medium</u>	<u>Large</u>
<b>Agency set funding criteria:</b>		<15%	15%-60%	>60%
What percentage of funding would this grant be for the entity in comparison to the entity's total funding?				
<b>4. Accounting System</b>		<u>Automated</u>	<u>Manual</u>	<u>Combo</u>
Type of accounting system used by the entity				
<b>5. Project Complexity</b>		<u>Not Complex</u>	<u>Slightly Complex</u>	<u>Moderately Complex</u>
Rate the complexity of the program				
<p>Projects with complex compliance requirements have a higher risk of non-compliance. In your determination of complexity consider</p> <div style="display: flex; justify-content: space-between;"> <div> <p>► Numerous programmatic requirements and/or must strictly adhere to regulations</p> <p>► Matching funds or Maintenance of Effort are required</p> </div> <div> <p>► Various types of program reports are required</p> <p>► The entity further subcontracts out the program</p> </div> </div>				
<b>6.I. Entity Risk (Questions Must Be Answered for <u>All</u> Grants)</b>				<b>Yes/No</b>
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 <b>Medium and Large Grants</b> )		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 <b>All sizes of grants</b> ) (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?		
<b>Low = 0 - 85   Moderate = 86 - 170   High = 170 and higher</b>		<b>TOTAL RISK POINTS: 0</b>

**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: \_\_\_\_\_

<b>Low Risk: Most of the following attributes should be present to be considered low risk</b> <ul style="list-style-type: none"> <li>▶ Small grant amount</li> <li>▶ Entity has complied with the terms and conditions of prior grant awards</li> <li>▶ No known financial management problems or financial instability</li> <li>▶ High quality programmatic performance</li> <li>▶ No, or very insignificant, audit or other monitoring findings</li> <li>▶ Timely and accurate financial and performance reports</li> <li>▶ Program likely does not have complex compliance requirements</li> <li>▶ Entity has received some form of monitoring (e.g., single audit, on-site review, etc.)</li> </ul>
<b>Moderate Risk</b> <ul style="list-style-type: none"> <li>▶ New business</li> <li>▶ Small entity handles a complex grant with multiple requirements</li> <li>▶ A disclosed conflict of interest exists</li> </ul>
<b>High Risk</b> <ul style="list-style-type: none"> <li>▶ History of unsatisfactory performance or failure to adhere to prior grant terms and conditions</li> <li>▶ Financial management problems and/or instability; inadequate financial management system</li> <li>▶ Program has highly complex compliance requirements</li> <li>▶ Significant findings or questioned costs from prior audit</li> <li>▶ Large award amount</li> </ul>
<b>Monitoring Plan Guidelines</b>
<b>Low Risk:</b> 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 <ul style="list-style-type: none"> <li>▶ The program will receive at least one standard site-visit during a twelve month period.</li> </ul>
<b>Moderate Risk:</b> 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. <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ The SWQB will provide technical assistance upon the request of the sub-recipient</li> </ul> <p>Monitoring plan requirements may be subject to change and/or additional requirements may be imposed depending on the individual circumstances.</p>
<b>High Risk</b> 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. <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ Invoices must be submitted on a monthly basis.</li> <li>▶ Conference calls for status checks will be randomly conducted.</li> <li>▶ Additional grant/fiscal management training requirements will be imposed.</li> <li>▶ The SWQB will provide technical assistance upon request of the sub-grantee.</li> </ul> <p>Monitoring plan requirements may be subject to change and/or additional requirements may be imposed depending on the individual circumstances.</p>