



# Risk Assessments for Grants

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[www.admin.state.mn.us/ogm](http://www.admin.state.mn.us/ogm)



# Office of Grants Management

- Began operations in September 2007
- **Mission:** To standardize, streamline and improve state grant-making practices and to increase public access to information about state grant opportunities.
- State Statutes:
  - 16B.97 – Grants Management
  - 16B.98 – Grants Management Process



# Overview of OGM

- Interact with state agencies
  - Review grant agreements
  - Competitive grant process
  - Grant management process improvement events
  - Policy application/interpretation
  - Best Practices– Internal Controls and Risk Assessments
- Inform Public – Build Relationships
  - Public Grants Website
  - Minnesota Council of Nonprofits/MN Council Foundations



*Jeanine Kuwik*

Director IC&A

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Internal Control Specialist

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Internal Control Specialist



# Who we are

- The Internal Control and Accountability Unit has four employees (soon to be six)
- Responsibilities dictated by MS 16A.057
  - **Adopt statewide internal control standards and policies**
  - **Coordinate agency training and assistance**
  - Share internal audit resources
  - Monitor Office of the Legislative Auditor reports
  - Report on the system of internal controls and internal auditing biennially



# Today's Agenda

- Pretest
- Grant Policies and Grant Monitoring
- Introduction to COSO
- Exercise – Controls and Grant Policies
- Internal Control Framework
- Practice Exercise – Internal Controls
- Preparing a risk assessment
- Exercise - Risks by Grant Type
- Group Discussion



# Pretest

- Grant policies establish a framework for best practices in state grants management
- Internal controls are everyone's responsibility

# Office of Grants Management

- Grant Policies



# OGM Policies

- Comprehensive grants management policies apply to all Executive branch agencies, boards, commissions, councils, authorities, and task forces.
- 13 Policies – Aid government organizations and nonprofits by creating guidance and expectations
- View all policies  
[http://www.admin.state.mn.us/ogm\\_policies\\_and\\_statute.html](http://www.admin.state.mn.us/ogm_policies_and_statute.html)



## Policy 08-01 – Conflict of Interest

- “Every state employee and grant reviewer shall be responsible for identifying where an actual or perceived conflict of interest exists and for informing appropriate parties.”
- Self-disclosure is facilitated by using a disclosure form that all state employees or grant reviewers must complete before participating in the review process.



# Actual or Perceived Conflict

- **An actual conflict** of interest occurs when a decision or action would compromise a duty to a party without taking appropriate action to eliminate the conflict.
- **A perceived conflict** of interest is any situation in which a reasonable third party would conclude that conflicting duties or loyalties exist.



# Individual Conflict of Interest

- Any situation in which a state employee or grant reviewer's judgment, actions, or non-action could be interpreted as something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.



# How to mitigate conflicts of interest?

- 1) All grant reviewers must sign a conflict of interest disclosure form for each grant review.
- 2) Upon any indication or inquiry that a conflict of interest may exist the matter must be shared with the employee or grant reviewer's supervisor or appropriate agency official.
- 3) Have a conversation about the situation with the reviewer. Ask questions to clarify potential conflicts.

# How to mitigate conflicts of interest?

- 4) If a conflict exists, avoid conflict by:
  - Reassigning duties to another reviewer
  - Removal of reviewer during discussion or decision affecting that grantee or applicant
  
- 5) All internal parties must be made aware of actual or perceived conflict.
  
- 6) Keep documentation of conflict, steps taken to clarify the situation, and final decision in grants records.



# Organizational Conflict of Interest

- Grantee is unable to render impartial assistance or advice
- A grantee's objectivity in carrying out the grant is or may be impaired
- A grantee or potential grantee has an unfair competitive advantage



# Possible Actions to Mitigate Organizational Conflict of Interest

- Revise a grantee's duties
- Ask the grantee to submit an organizational conflict of interest mitigation or avoidance plan
- Grantee is disqualified from subsequent grant awards if it failed to improperly disclose a conflict
- Current grantee's grant agreement is terminated



# Competitive Review & RFPs

- OGM Policy 08-02 requires a competitive review of grant opportunities using criteria identified in the Request for Proposals (RFP)
- OGM Policy 08-03 requires broad publication of grant opportunities and detailed RFPs
- OGM Policy 08-07 requires a justification for single and sole source grants. Justification template is provided by the OGM and must be kept in grant file.



# Grant Agreements & Payments

- OGM Policy 08-04 requires use of a written grant agreement for all grants.
- OGM Policy 08-12 requires the use of a fully executed grant amendment to document changes to a grant agreement.
- OGM Policy 08-08 states that reimbursement is the preferred method for grant payments. If advances are issued, they must be reconciled within 12 months.



# Grant Monitoring & Reconciliation

- OGM Policy 08-06 requires a financial review before awarding a grant more than \$25,000 to a nongovernmental organization.
- OGM Policy 08-09 requires annual progress reports from the grantee until all funds are expended.
- OGM Policy 08-10 requires monitoring visits and a financial reconciliation of grantees expenditures on grants over \$50,000. Annual over \$250,000.



# Additional Policies

- Policy 08-05 - OGM serves as central contact for public comments concerning fraud and waste in state grants.
- Policy 08-11 – Legislatively mandated grants will be managed and monitored with same oversight applied to other grants.
- Policy 08-13 – State agencies must consider a grant applicant’s performance on prior grants from that agency.



# Policy Exception Requests

- Agencies may apply for an exception from a state grants management policy.
- Complete form on OGM website and submit to OGM.
- Exception request is reviewed by the OGM, Grants Governance Committee, and Department of Administration. Valid for a maximum of five years.

# Office of Grants Management

- Grant Monitoring
- Continuous Improvement



# Overview of Grant Monitoring

- GRANT MONITORING:
  - A group of activities designed to routinely collect information about all aspects of a grant project
- WHY?
  - Learn about grant progress
  - Provide feedback to grantee
  - Facilitate continuous improvement
  - Determine best use of scarce resources
  - Improve accountability
  - Identify concerns for future grant programs
  - Ensure fiscal and program compliance



# Building a Monitoring Plan

- Life of a Grant
  - Pre-Award
  - Grant Award
  - Active Grant Period – monitoring/managing
  - Grant Closeout
- Can you think of possible risks during each life stage?
- A risk assessment approach to grants will help maximize effectiveness of your grant monitoring and reporting.



# Federal and State Requirements

- State –OGM Policies, agency policies, requirements for specific grant programs

Federal -

1. Codification of Governmentwide Grants Requirements by Agency

<http://www.whitehouse.gov/omb/grants/chart.html>

2. Grants Management Circulars

[http://www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html)



# Resources Available

- Training
  - A-133 Audit on April 2 – watch OGM or Internal Controls website for registration.
- OGM Web Resources and Training
  - OMB Cost Principles
  - A-110 and A-102, “The Common Rule”
  - Awarding and Monitoring Federal Sub Awards
  - And growing...



# Which monitoring activity is best?

- Grant application review
- Reviewing financial and progress reports
- Financial reconciliations
- Answering questions
- Providing technical assistance
- Monitoring visits
- Other visits with grantee



# Keep in mind...

- One size does not fit all
- Borrowing good ideas to create your own unique approach is highly recommended
- No need to reinvent the wheel
- Creating a good monitoring program is iterative and depends on continuous improvement

# Creating a plan

<b>Info. Needed</b>	<b>Obtain Info. In:</b>						
<b>Federal Reqs</b>	Grant Application	Progress Report	Financial Report	Audit	Monitoring Visit	Phone/ Email	Financial Rec
<b>State Reqs</b>							



# Develop a Work Plan

- How much staff time is needed to monitor?
- Who will monitor?
- What is the annual monitoring schedule?
- Travel, TA, other expenses?
- How will monitoring information be shared among staff?
  
- Use the Risk Assessment to identify grantee risk factors, size of grant, relationship with grantee, other concerns.



# Create Supporting Documents

- Questionnaires for monitoring visits
- Monitoring checklists
- Policy and procedure documents
- Letter/memo templates



# Training

- Have a plan in place
- What skills are needed?
- Do staff have those skills?
- Comfort level?
- Policy and procedure discussions
- New employee orientation
- Ongoing training – identify experience in different areas and share lessons learned, techniques



# Preparing the Grantee

- Grantees should understand entire monitoring process before grant begins
- Begins with grant agreement
- Share any documents with them
- Explain why the information is needed
- Discuss what you expect of them and what they can expect from you



# Track and Document Findings

- Determine how documentation should take place
- Clear and easy formats
- Someone outside the program could easily understand the grant status
  
- Watch for red flags – identify next steps if:
  - Letters of complaint
  - Late, inaccurate or incomplete reports
  - Considerable staff turnover
  - Failure to predict or understand financial crisis
  - Failure to implement work plan



# Learning and Evaluation

- What is the grantee learning?  
How do they incorporate what they learn?
- What are you learning?  
How are you making use of that knowledge?
- How will findings impact risk assessments, next steps?



# Continuous Improvement

- Effective monitoring and use of risk assessments for grant programs is an organizational learning effort.
- Discoveries may lead to a Lean event, use of Six Sigma or other continuous improvement tools, empowering those in the process to improve it
  - [www.lean.state.mn.us](http://www.lean.state.mn.us)



# How Lean works

- Engages the people who work in the process to improve the process
- Designed to bring measurable and sustainable improvements
- Characterizes activities as value-added or non value-added
- Focus on eliminating the non value-added and maintaining correct controls

## Value added

vs.

## non-value added

**It is an action that a customer would be willing to pay for**

Provides an essential transformation to a product or service

Done correctly the first time

Avoid future rework, checking, or verification

**Unpredictable activity – sometimes adds value, other times does not**

Requires more time, effort, resource than necessary

Causes delays in the process

Doesn't add value for the customer or meet state needs



# Watch for Overprocessing

- Multiple inspections (no quality at the source)
- Multiple signatures/authorizations
- Different ways to produce the same product (no standardized work)
- Batching work



# Need for Standard Work

- Standard work is a foundation of all continuous improvement efforts
- To maximize the performance of any process, clear definitions of who is responsible and how the task should be done must be established and maintained.
- Develop standard work for monitoring plans, risk assessments, and evaluation tools.



# What is Standard Work?

- A simple, written description of the safest, highest quality, and most efficient way known to perform a particular task.
- 
- The only acceptable way to do a task.
- Includes the amount of time allotted for the task to be acted on.
- Focuses on the employee, not the equipment or materials
- Reduces variation, increases consistency



# Continuous Improvement

- Revisit Risk Assessments and Grant Monitoring tools often.
- People who work in the process, know the process best (strengths and weaknesses). Maximize their creativity and knowledge.
- Do they have the tools, training, and permission to systematically improve their process?
- Are our current processes, forms, tools working or what do we (or our grantees) need to succeed?

# Additional Questions?

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