

Subrecipient Selection and Monitoring

May 21, 2012

12:30 – 4:00pm

Office of Grants Management
Minnesota Management & Budget

Today's Agenda

- ▶ **Selecting Grantees and Subrecipients**
 - ▶ State and federal requirements
 - ▶ Agency examples and tools
 - ▶ **Monitoring Grantees and Subrecipients**
 - ▶ State and federal requirements
 - ▶ **Recipient Roulette**
 - ▶ **Agency examples and lessons learned**
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Today's Speakers

- ▶ Alyssa Haugen, Office of Grants Management
 - ▶ John Nyanjom, MMB – IC&A
 - ▶ Catherine Wagner, MMB – IC&A
 - ▶ Jeanine Kuwik, MMB – IC&A
 - ▶ Amy Jorgenson, MDH
 - ▶ Sheldon Klugman, Commerce
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OGM Policies – Selecting Grantees

- ▶ OGM Policy 08–02 requires a competitive review of grant opportunities using criteria identified in the Request for Proposals (RFP)
 - Project need and sustainability
 - Probability of achieving results
 - Financial management capacity
 - Knowledge of community being served
- ▶ OGM Policy 08–03 requires broad publication of grant opportunities and detailed RFPs
 - M.S. 15.994 – agency website

OGM Policies – Selecting Grantees

- ▶ OGM Policy 08–06 requires a financial review before awarding a grant more than \$25,000 to a nongovernmental organization.
 - Financial statement
 - IRS Form 990
 - Certified financial audit

- ▶ What to look for?
 - Operating or unrestricted net asset deficits
 - Sufficient funds to support programming and capacity (administrative needs)
 - How organization addressed any prior deficits or financial concerns

OGM Policies – Selecting Grantees

- ▶ OGM Policy 08–07 requires a justification for single and sole source grants. Justification form template is provided by the OGM and must be kept in grant file.
 - Only entity that can perform the grant
 - Demonstrate search used to confirm and reasons why only entity that can perform
 - Prior history as only grantee not sufficient basis



Internal Control and Accountability Unit
Selecting a Sub-recipient: OMB Resources

*John Nyanjom, Internal Control
Specialist*

Minnesota Management & Budget

Agenda

- ▶ Definitions
 - ▶ OMB Circular A-110 – Pre-award requirements.
 - ▶ OMB Circular A-133 Compliance Supplement; Parts 2,4,5 & 6.
 - ▶ Summary and discussion.
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Definitions

- ▶ **Recipient:** an organization receiving financial assistance directly from Federal awarding agencies to carry out a project or program. Includes public/private institutions of higher education, public/private hospitals, and quasi-public/private non-profit organizations such as, community action agencies, research institutes, educational associations, and health centers. May include commercial organizations, foreign or international organizations (e.g. United Nations). Excludes government-owned contractor-operated facilities or research centers.

Definitions, con't

- ▶ **Sub-recipient:** a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency. Guidance on distinguishing between a sub-recipient and a vendor is provided in §___.210.

Definitions, con't

▶ **Sub-recipient characteristics:**

1. Determines who is eligible to receive what Federal financial assistance;
2. Has its performance measured against whether the objectives of the Federal program are met;
3. Has responsibility for programmatic decision making;
4. Has responsibility for adherence to applicable Federal program compliance requirements; and
5. Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Definitions, con't

- ▶ **Vendor:** a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program.

Note: In making the determination of whether a sub-recipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement.

Definitions, con't

- ▶ **Vendor characteristics:**
 1. Provides the goods and services within normal business operations;
 2. Provides similar goods or services to many different purchasers;
 3. Operates in a competitive environment;
 4. Provides goods or services that are ancillary to the operation of the Federal program; and
 5. Is not subject to compliance requirements of the Federal program.
- 

OMB Circular A-110 : What it is

- Find it here:

http://www.whitehouse.gov/omb/circulars_a110/

- Purpose: sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.
 - Sub-part B: details pre-award requirements
- 

OMB Circular A-110 : What it says

- Watch for sub-recipient candidates that have been debarred or suspended.
 - By presidential order, debarment and suspension have government-wide effect.
 - Excluded Parties List System:
<https://www.epls.gov/>
- Certifications and representations can be used where there is an ongoing relationship with the sub-recipient.

OMB Circular A-110 : What it says

- Special conditions may be imposed where sub-recipient has:
 - History of poor performance
 - Is not financially viable
 - Does not have a financial management system that complies with the requirements of OMB Circ. A-110
 - Not conformed to terms and conditions of a previous award
 - Is not otherwise responsible

A-133 Compliance Supplement: What it is

- Find it here:

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011

- ▶ The compliance supplement is based on the requirements of the 1996 Amendments and 1997 revisions to OMB Circular A-133.
- ▶ Part 2: Matrix of Compliance Requirements
- ▶ Part 4: Agency Program Requirements
- ▶ Part 5: Clusters of Programs
- ▶ Part 6: Internal Control.

OMB Circular A-133 : Supplement- Part 6-Eligibility

- ▶ Staff size and competence provides for proper making of eligibility determinations
 - ▶ Realistic caseload/performance targets established for eligibility determinations.
 - ▶ Lines of authority clear for determining eligibility.
 - ▶ Adequate knowledge of and access to computer system and/or database used for eligibility assessment and recording.
- 

OMB Circular A-133 : Supplement- Part 6-Eligibility

- ▶ Conflict-of-interest statements are maintained for individuals who determine and review eligibility.
 - ▶ Verification of accuracy of information used in eligibility determinations.
 - ▶ Documentation of eligibility determinations in accordance with program requirements
 - ▶ Procedures to ensure the accuracy and completeness of data used to determine eligibility requirements.
- 

OMB Circular A-133 : Supplement- Parts 2,4 & 5: Program Specific Requirements

- ▶ Detailed program specific compliance requirements.
- ▶ First, consult Part 2: Matrix of Compliance Requirements to identify applicable compliance requirements
- ▶ For Parts 4 & 5: Each program with an eligibility requirement addresses 3 broad groups:
 - Individuals
 - Groups of individuals
 - Sub-recipients

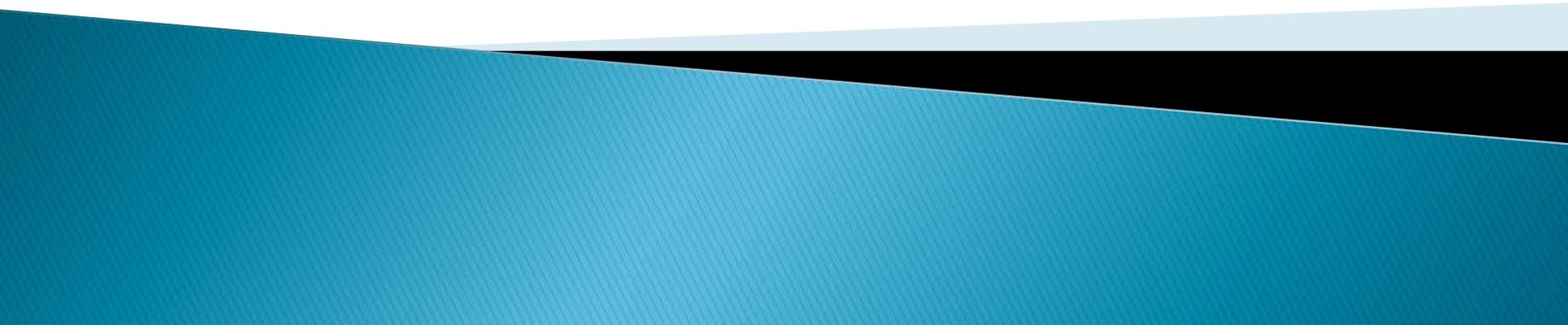
Summary

- ▶ Know your program
 - A good understanding of program goals helps in sub-recipient selection.
 - Use compliance supplement to identify general requirements, resources (e.g. federal regulations)
- ▶ Know your sub-recipients
 - Management (including independence of board of directors)
 - Personnel (experience and competence, resumes, background checks? References?)

Summary con't

- ▶ Know your sub-recipients, con't
 - Legal entity and implications
 - Financial history and current condition (audit reports, Form 990)
 - Program track record
- ▶ Have a process in place for screening sub-recipients.
 - Multi-functional screening team(program, financial, legal)
 - Detailed application process (RFP)
 - Expertise and independence in reviewing applications
 - Document, document, document.

Questions?



Contact Information

- ▶ MMB website
 - <http://www.mmb.state.mn.us/fin/ic>
- ▶ Jeanine Kuwik, Internal Control Director
 - Jeanine.Kuwik@state.mn.us
 - (651) 201-8148
- ▶ John Nyanjom, Internal Control Specialist
 - John.Nyanjom@state.mn.us
 - (651) 201-8174

Tools for Selecting Subrecipients and Grantees

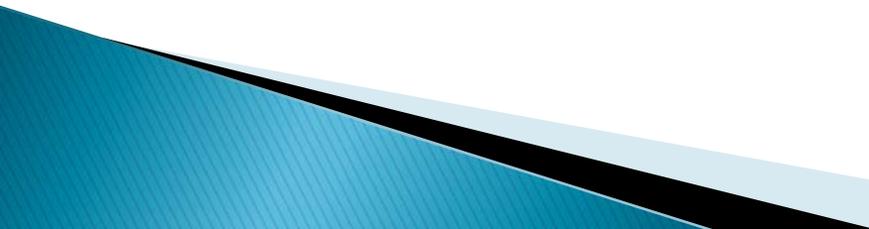
- ▶ Selection – Possible Analysis Questions
 - Public Disclosure
 - Financial Transparency
 - Governance
 - Performance
 - Organizational policies
 - Financial management
 - Fundraising
- 

Tools for Selecting Subrecipients and Grantees

▶ Program Design Considerations

- Has subrecipient identified all major tasks involved in carrying out activity?
 - Does organization understand interrelationship of tasks, and does it have a realistic completion schedule?
 - Are there any stumbling blocks to prompt implementation?
 - Has organization made a careful estimate of necessary resources? Are other funds committed to this project?
- 

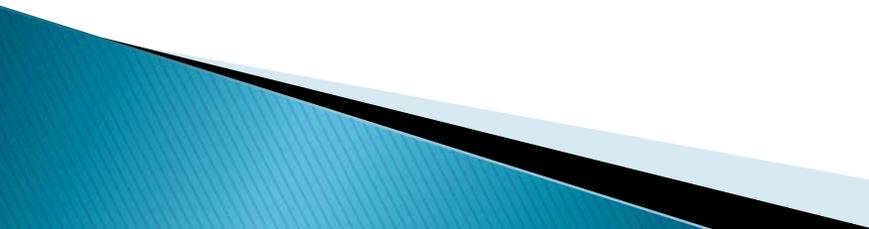
Tools for Selecting Subrecipients and Grantees

- ▶ Organizational Capacity Considerations
 - Has organization undertaken proposed activity before, and what was the result?
 - Does organization have experience with other Federal or State grant programs?
 - Does organization have qualified staff for all necessary functions, and is there adequate staff time available? If not, how will gaps be filled?
- 

Financial Review of Potential Grantees

Amy Jorgenson
MDH Director of Internal Audit
May 21, 2012

Financial review before awarding is important!

- ▶ Want to award state and federal funds to the best organizations possible.
 - ▶ Can give insight into the operations of the organization and how well they manage themselves overall
 - ▶ Organizations having financial struggles may find it difficult to focus on the program your agency is funding
 - ▶ Financial struggles or lack of capacity should not be the *only* reason not to fund a potential grantee however.
- 

Accounting System and Financial Capacity Questionnaire

- ▶ Potential risk factors for an organization
- ▶ Four main areas
 - Applicant Information
 - Accounting System
 - Financial Information
 - Legal Information

Form

ACCOUNTING SYSTEM AND FINANCIAL CAPA

CITY QUESTIONNAIRE

This is the standard form to be used in order to determine the financial capacity of grant applicants. This form is Office of Grants Management Policy 08 -06, Financial Review of Nongovernmental Grantees.

to help the agency comply with

This form should be used for nongovernmental applicant agencies that are requesting, or will receive, more than \$ period.

25 ,000 for the grant

SECTION A: APPLICANT INFORMATION		
1. Organization Name and Address	2. Employee Identification Number	3. Number of Employees Full Time: Part Time:
	4. When did the applicant receive its 501(c) 3 status? (MM/DD/YYYY)?	
5. Is the applicant affiliated with or managed by any other organizations (Ex. regional or national offices)? <input type="checkbox"/> YES <input type="checkbox"/> NO If "Yes," provide details: 5b. Does the applicant receive management or financial assistance from any other organizations? <input type="checkbox"/> YES <input type="checkbox"/> NO If "Yes," provide details:		6a. Total revenue in most recent accounting period (12 months). 6b. How many different funding sources does the total revenue come from (please give a number) ?
7. Does the applicant have written policies and procedures for the following business processes? a. Accounting <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents b. Purchasing <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents c. Payroll <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents		
SECTION B: ACCOUNTING SYSTEM		
1. Which of the following best describes the accounting system? <input type="checkbox"/> Manual <input type="checkbox"/> Automated <input type="checkbox"/> Combination		
2. Does the accounting system identify the deposits and expenditures of program funds for each and every grant separately? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
3. Are time studies conducted for an employee(s) who receives funding from multiple sources? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure <input type="checkbox"/> No Multiple Sources		
4. Does the accounting system have a way to identify over spending of grant funds? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
5. If grant funds are mixed with other funds, can the grant expenses be easily identified? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
SECTION C : FINANCIAL INFORMATION		
1. Did an independent certified public accountant (CPA) ever examine the organization's financial statements? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
2. What is the current amount of unrestricted funds? \$		
3. Has the organization incurred any large or unusual debt in the last 6 months? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
4. What was the reason for the new debt?		
5. What is the funding source for paying back the new debt?		
SECTION D : LEGAL INFORMATION		
1. Are there any current or pending lawsuits against the organization? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
2. If so, would there be an impact on the organization's financial position? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
3. Has the organization lost any funding due to accountability issues, misuse, or fraud? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
4. Are the officials of the organization bonded? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure		
5. If so, please explain the circumstances, including when the issue happened, what preventative steps have been taken, etc.		
SECTION E : CERTIFICATION		
I certify that the above information is complete and correct to the best of my knowledge.		
1. Signature	2. Date / /	
3. Title		

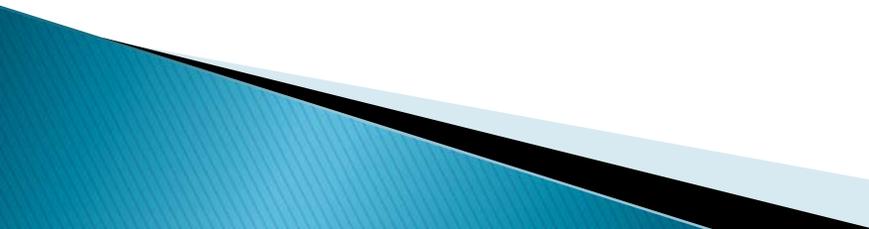
Make sure the organization provides the right financial information

- ▶ The types of documents to review for non profit organizations depends on the size of the applicant's budget:
- ▶ Applicants that are new (in existence less than one year) or have an annual income under \$25,000 should submit their most recent board reviewed financial statements.
- ▶ Applicants that have an annual income under \$750,000 should submit their most recent IRS form 990.
- ▶ Applicants that have an annual income over \$750,000 should submit their most recent certified financial audit.

Possible issues

- ▶ What will your organization do if an applicant does not provide the right financial documents?
 - ▶ When will the financial review take place and who will do it? How long will it take? Where does it fit into the review/recommendation process?
- 

Scoring Considerations

- ▶ Heavy weight should be placed on weak financial position.
 - ▶ Financial information should be as current as possible
 - ▶ Consecutive net operating losses and negative net assets are important considerations.
 - ▶ Also look for strength in the number of funding sources – the more diverse the funding base, the better
- 

Other places to get information

- ▶ <http://www.ag.state.mn.us/Charities/CharitySearch.asp>
- ▶ http://www.smartgivers.org/charity_search_2.html
- ▶ <http://www.guidestar.org/rxg/give-to-charity/review-a-charity.aspx>
- ▶ <http://apps.irs.gov/app/eos/>

Items for discussion with decision makers

- ▶ Be clear about why a certain organization is considered medium or high risk and what your department can do to protect itself if it chooses to grant money to a higher risk grantee
 - ▶ Remember that financial risk is not the only consideration when choosing organizations to fund. They may have proposed a stellar program to implement. Balance the programmatic aspects with the financial when appropriate.
 - ▶ Offer advice on safeguards your agency can perform to mitigate risk
- 

Items for discussion with decision makers (continued)

- ▶ Remember that the financial risk assessment is neither a disqualification or an endorsement of an organization. The assessment is made based on information the potential grantee provides. Organizations that receive low scores for financial risk can run into financial trouble during the course of the grant. The financial risk assessment is a limited look at the organization at a point in time.
- ▶ Have the decision makers provide written justification for the grant file if they choose to make grants to organizations determined to have high financial risk (required by policy 08-06)

Questions?



Risk Assessment Tool for Selecting and/or Monitoring Grantees

Sheldon Klugman
Internal Controls Director
Minnesota Department of Commerce



BREAK

Grant Agreements – Important Control Activity

- ▶ Grant agreements are a key control:
 - Regulatory compliance
 - Monitoring program performance
 - Protections for grantor
- ▶ Higher risk grantee? Consider extra protections in grant agreement:
 - Different payment terms
 - Monitoring requirements detailed in agreement
 - Extra reporting requirements or update meetings

Grant Agreements – Important Control Activity

- ▶ Important Terms and Conditions
 - Federal and state authority for grant
 - Clearly defined purpose and nature of services to be performed
 - Effective dates
 - Clearly defined payment terms and schedule
 - Reporting requirements
 - Federal and state requirements
 - Intellectual Property
 - Termination

Grant Agreements – Important Control Activity

- ▶ Attachments
 - Incorporate and attach documents in agreement
 - Clearly state and explain how changes can be made to budgets and/or workplans if attached

- ▶ Amendments are a key control too!
 - Process amendments before agreement expires
 - Clarify need for amendment and what is changing
 - Legally binding document

OGM Policies – Monitoring

- ▶ All grants need to be monitored...
 - Policy 08–11 – Legislatively mandated grants will be managed and monitored with same oversight applied to other grants.
- ▶ OGM Policy 08–09 requires annual progress reports from the grantee until all funds are expended.
 - Provide templates – narrative components and financial reporting
 - Ask for challenges faced, lessons learned, improvements made during year

OGM Policies – Monitoring

- ▶ 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 of issuance.
 - Build requirements into agreement if needed to receive supporting documents on advances.
 - Periodically evaluate grantee need for advances during monitoring visits – have needs changed over time?

OGM Policies – Monitoring

- ▶ OGM Policy 08–10 requires monitoring visits and a financial reconciliation of grantees expenditures on grants over \$50,000 and annual monitoring if over \$250,000, or OGM approved financial reconciliation plan.
 - Are grantees aware of monitoring requirements?
 - Do grantees know what documents you will be reviewing?
 - Do you have templates for program staff to use during visits?

Monitoring Tools

- ▶ **Develop a Plan**
 - Many approaches – use various examples to develop tool that works for your program
 - Review agreement for terms and conditions to monitor
 - Desk and site visits can work – alternate if possible
- ▶ **Review Monitoring Plans Frequently**
 - Have needs changed?
 - Are we obtaining information we need?
 - Do they help us with the next grant award cycle?

Documenting Monitoring Activity

- ▶ Compliance requires proof of monitoring activities.
 - Grant Program Monitoring Plan – paper version
 - Grant Program Monitoring Tracking Sheet – Excel version
 - Board Minutes Review Template
 - Site or Desk Visit – copies of notes and questions
- ▶ Easy to forget, but important to record!
 - Phone calls/emails – especially decisions and changes to workplans, budgets, amendments



Internal Control and Accountability Unit
Sub-recipient Monitoring: OMB Resources

*Catherine Wagner, Internal Control
Specialist*

Minnesota Management & Budget

Road Map

- ▶ **OMB Circular A-133 Compliance Supplement**
 - **Part 2: Matrix of Compliance Requirements** (Identifies applicable compliance requirements)
 - **Part 6: Internal Control Objectives**
 - **Part 3: Compliance Requirements**
 - **Part 4: Agency Program Requirements** (Contains specific program requirements)
 - & **Part 5: Clusters of Programs**
- ▶ **General Rules**

Who is Subject to Monitoring

Subrecipient VS. Vendor Determinations

- OMB Circular A-133 Subpart B—Audits §___.210.
(a) Federal awards expended as a recipient or a *subrecipient* would be subject to audit under this part. The payments received for goods or services provided as a *vendor* would not be considered Federal awards.

Matrix of Compliance Requirements

- OMB Circular A-133 Compliance Supplement
PART 2 - Identify the types of compliance requirements that apply to your program. (“Y” or be shaded)

Subrecipient Monitoring (M)

OMB Circular A-133 Compliance Supplement PART 6

- Control Objectives
 - Federal award information and compliance requirements are identified to subrecipients;
 - Subrecipient activities are monitored;
 - Subrecipient obtained required audits and audit findings are resolved;
 - Impact of any subrecipient noncompliance on the pass-through entity is evaluated.
- What does OLA say?
 - OLA findings referencing “Subrecipient”

Subrecipient Monitoring (M) (Con't)

OMB Circular A-133 Compliance Supplement PART 6

- Control Activities
 - Communicate all federal award information and applicable compliance requirements to the subrecipients (Prepare the subrecipients)
 - Build applicable compliance requirements into agreements
 - Establish a tracking system to assure timely submission of required reporting
 - Issue management decisions for audit and monitoring findings
 - Follow up on areas of concerns

Subrecipient Monitoring (M) (Con't)

OMB Circular A-133 Compliance Supplement PART 3

▶ Compliance Requirements

- The objectives of most compliance requirements, audit objectives, and suggested audit procedures are generic in nature
- Refer to the referenced citations (e.g., laws and regulations) for the complete statement of the compliance requirements
- A pass-through entity is responsible for:
 - ✓ Award Identification
 - ✓ During-the-Award Monitoring
 - Risk factors (program complexity, amount of awards, subrecipient risk)
 - Monitoring forms
 - ✓ Subrecipient Audits
 - \$500,000 threshold
 - Ensuring subrecipient takes appropriate corrective action on audit findings

Other Compliance Requirement

- ▶ **Source of Governing Requirements – Part 3**
 - ▶ **Terms and conditions of the award – Part 4 (or 5) provides information about compliance requirements specific to a program in Part 3, “Compliance Requirements.”.**
 - ▶ **OGM policies**
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General Rules

▶ **Know your program**

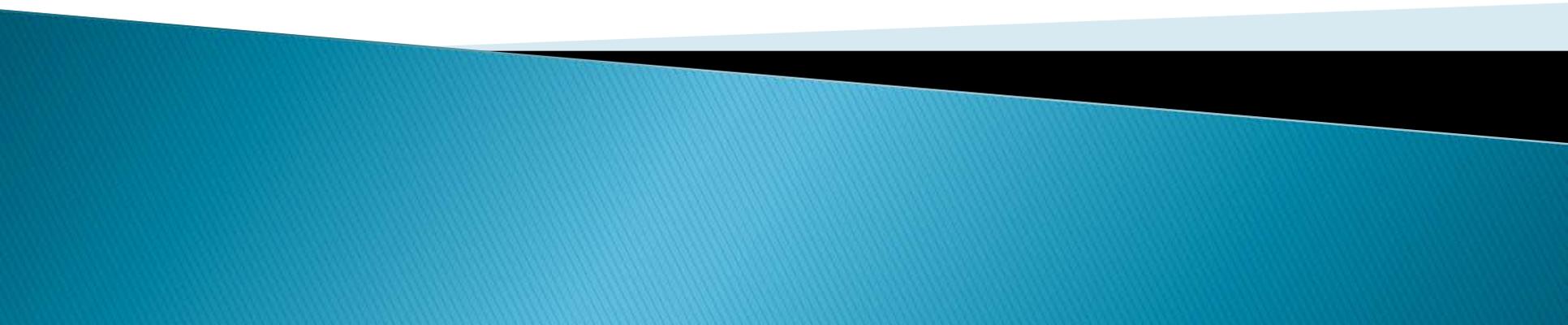
- Use compliance supplement to identify general requirements, resources (e.g. federal regulations)
- If the federal government expects you to monitor your subrecipients, you **MUST** have a monitoring process in place

▶ **Know your sub-recipients**

- Legal entity and implications
- Management & personnel (experience and competence)
- Use a risk-based approach for monitoring

▶ **Follow up, document, work as a team**

Questions?



Contact Information

- ▶ MMB website
 - [http://a b"\[cj #a a V#\]bhYfbU`Wtbfhc`](http://a b)
- ▶ Jeanine Kuwik, Internal Control Director
 - Jeanine.Kuwik@state.mn.us
 - (651) 201-8148
- ▶ Catherine Wagner, Internal Control Specialist
 - Catherine.L.Wagner@state.mn.us
 - (651) 201-8158

Agency Example – Lessons Learned

Sheldon Klugman
Internal Controls Director
Minnesota Department of Commerce

OLA Finding

“ The Department of Commerce did not adequately monitor a local service provider that inappropriately provided \$1.35 million to households who did not meet the eligibility requirements for the crisis emergency benefits they received from the Low- Income Home Energy Assistance Program.”

March 2012

OLA Recommendations

- ▶ The Department of Commerce should recover the ineligible crisis emergency benefits made by the service provider, as required by the federal Department of Health and Human Services.
- ▶ The Department should improve its monitoring procedures to address risks associated with crisis emergency benefits and ensure compliance with program policies and procedures.

Corrective Actions

- ▶ The Department is working with energy vendors (who process eligibility payments made by service providers) on strengthening controls for preventing and detecting issues in the future.
- ▶ The Department is taking steps to implement structural changes. Options being considered include: formal risk assessments, enhanced training and compliance standards, and external audits.

Lessons Learned

- ▶ Thorough and consistent documentation of eligibility requirements is key.
- ▶ Random sampling is a valuable tool. In certain situations, more in-depth sampling methods may be needed (e.g., outlier sampling).
- ▶ Self reporting of incidents is critical.
- ▶ Monitoring techniques such as: desk reviews, on-site inspections, and file content review help ensure appropriate oversight.

Conclusions

- ▶ An ounce of prevention is worth a pound of cure. Control breakdowns consume time, energy, and resources; and distract from other priorities.
- ▶ One size does not fit all. Sub recipients pose different levels of risk based on size, sophistication, history etc. Risk assessments help determine appropriate levels of oversight.

Conclusions Continued

- ▶ Effective risk management involves both programmatic and fiscal oversight.
- ▶ It is ultimately up to program and grant managers to ensure performance goals are achieved with integrity and transparency.

Agency Example – Lessons Learned

Amy Jorgenson
MDH Director of Internal Audit

Today's Key Messages

- ▶ Know and revisit requirements frequently
 - ▶ Develop tools – no one size fits all
 - ▶ Look for new models often – ask others for examples
 - ▶ Document, document, document!
 - ▶ Ask for grantee feedback
 - ▶ Program/financial integration at all stages of grants management
 - ▶ It's not worth the gamble – prepare for and prevent the worst case scenario
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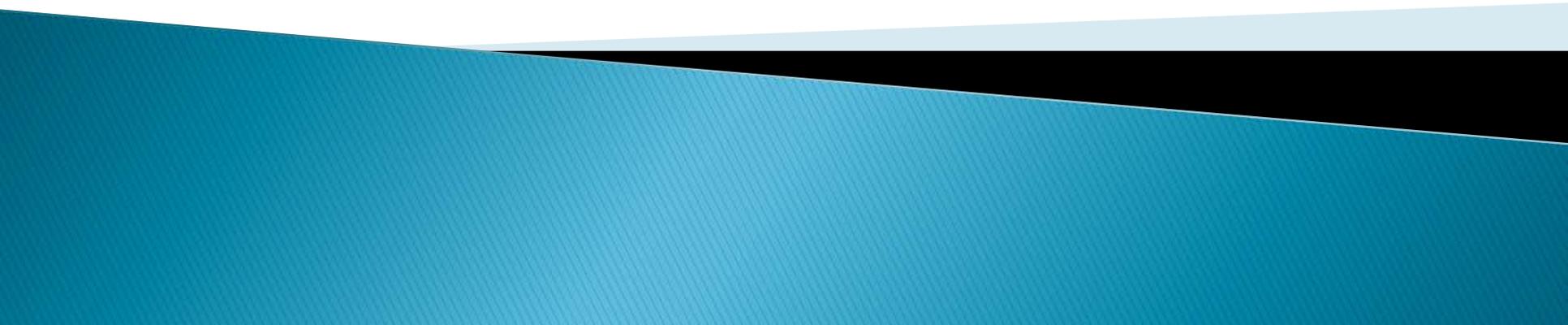
Additional Questions?

Training information and handouts will be posted on Office of Grants Management website:

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Contact: alyssa.haugen@state.mn.us
651-201-2569

Thank You!



EXAMPLE - RISK ANALYSIS FOR GRANT PROGRAMS

Managing CDBG

A Guidebook for CDBG Grantees on Subrecipient Oversight

APPENDIX

RISK ANALYSIS MATRIX

The following list identifies factors that grantees may use to rank the degree of risk associated with a potential subrecipient or application submitted for funding. Grantees may develop ranking and rating criteria based on risk analysis as part of the process for selection of subrecipients.

Project Complexity

Size of dollar amount requested

Use of funds:

For construction or rehab

For operation of facility

For program only

Type of Organization Requesting Funding

Non-profit

For-profit (570.201(o))

Governmental Agency

Complexity of Housing Project

New construction

Rehabilitation

Single unit/multi-unit

Number of units

Subrecipient's prior experience with this size and type project

Economic Development

Complexity of project

Number of jobs to be created or retained

Area benefit

Providing direct grants and loans

Providing technical assistance

Subrecipient's prior experience

Potential Environmental Concerns

Degree of complexity

E.I.S. needed

Other Type of Project

Degree of experience carrying out similar type project

Funding

Other sources of funds indicated, but not committed

Other funds committed

CDBG funds only

Type of Assistance

Grant
Loan

Float Loan

Ability to repay within necessary time frame

Program Income

To be retained to continue with the same activity
To be retained for a different activity
To be returned to grantee

Subrecipient Organization

Newly created entity
Well established, but no prior CDBG or Federal experience
Prior experience with CDBG or other Federal programs
No independent source of funding, i.e., general fundraising

Subrecipient History, If Previously Funded

Ability to deliver project within budget and on schedule
Ability to anticipate and overcome past problems
Any past monitoring issues raised
Any special contract conditions needed

Staffing

Staff experienced with this type activity
Have sufficient staff to carry out project or must hire
Entity has significant staff turnover

Recent Problems

Unresolved monitoring findings
Citizen complaints



Selection/Monitoring Concerns	ANALYSIS QUESTIONS
Public Disclosure	<ul style="list-style-type: none"> • Does nonprofit comply with legal requirements of public disclosure of IRS Form 990? • Do they provide mission statement, board of directors, and financial statements on website? • Is the description of communities or populations and geographic area served clear?
Financial Transparency	<ul style="list-style-type: none"> • Nonprofit is independently audited as required. • Are submitted expense totals (or budget totals) consistent with program needs or expenses?
Governance	<ul style="list-style-type: none"> • Does the Board of Directors annually reviews the nonprofit's mission and supporting strategies? • Does the Board of Directors reviews nonprofits bylaws and other governing documents at least every 3 years? • Does the nonprofit provide an orientation to new board members within one year of initial election that includes a review of board rules and responsibilities. • Does the Board of Directors keep its minutes easily accessible? • Are maximum terms set for board members? • Are board members compensated for services?
Performance	<ul style="list-style-type: none"> • Do the Board of Directors and executive director set performance goals? • Are performance goals measured against set criteria?
Policies	<ul style="list-style-type: none"> • Does the organization have a conflict of interest policy? • Does the organization have procedures for mitigating conflicts? • Does the organization have a whistleblower policy? • Does the organization have a document retention policy?
Financials	<ul style="list-style-type: none"> • Does the board of directors approve budgets and receive regular updates? • Does the organization have sufficient financial health (look at expenses to support programming vs. administrative)? • Does the organization have a positive balance of unrestricted net assets? • Are any reserve funds appropriately balanced between unrestricted and restricted funds? • Does the organization provide loans or loan guarantees for executives or officers?
Fundraising	<ul style="list-style-type: none"> • Is all information provided clearly describe the purpose or programs that funds will be used for? • Is the donor provided with contact information for the organization? • Does the organization have a privacy policy on its website describing how donor information is used?

**Adapted from Charities Review Council, Accountability Standards, available at:
<http://www.smartgivers.org/uploads/standards - final 5.pdf>



Desk Monitoring ACTIVITY	ANALYSIS QUESTIONS
Financial Reporting Form Review	<ul style="list-style-type: none"> - Are the submitted expense totals consistent with the projected monthly expenditures in the approved State funding application and, if not, has an appropriate written explanation been provided? - Are budget revisions if required submitted and pre-approved? - Are budget line item charges in compliance with Federal, State and local fiscal regulations?
Monthly Enrollment Report Review	<ul style="list-style-type: none"> - Is it timely? - Is report consistent with the approved State funding application? - Is the state report consistent with federal reporting? - Is there under-enrollment? - Is a corrective action plan required and in place?
Policy Council Minute Review	<ul style="list-style-type: none"> - Are minutes submitted in a timely manner? - Do the governing body minutes raise significant questions and unresolved concerns? - Has there been significant staff/management turn-over?
Federal Grant Application Review	<ul style="list-style-type: none"> - Does agency have a copy? - Was this document submitted in a timely manner? - Is this document aligned with the approved State funding application?
Community Assessment Review Self-Assessment Review	<ul style="list-style-type: none"> - Does agency have a copy of each document? - Does information validate program design?
Semi-Annual Report Review	<ul style="list-style-type: none"> - Does agency have a copy? - Were goals met?
Program Variation Progress Review (If applicable)	<ul style="list-style-type: none"> - Has progress been measured on outcomes identified in the approved State funding application? - Has been progress been demonstrated in achieving proposed outcomes?
State Corrective Action Plan Review (If applicable)	<ul style="list-style-type: none"> - Has an appropriate corrective action plan for under-enrollment, monitoring findings, etc. been submitted in a timely manner? - Have identified items been corrected within the timeframe identified in the approved plan?
Federal Monitoring Report Review Quality Improvement Report Review (If applicable)	<ul style="list-style-type: none"> - Has/Have corrective action, areas of non-compliance and/or deficiencies as identified been met by the program within the communicated timeline?
External/Internal Complaint Review and Investigation (If applicable)	<ul style="list-style-type: none"> - Have multiple complaints been submitted? - Is there an outstanding complaint that has not been resolved through the local agency's grievance procedure?

ACCOUNTING SYSTEM AND FINANCIAL CAPACITY QUESTIONNAIRE

This is the standard form to be used in order to determine the financial capacity of grant applicants. This form is to help the agency comply with Office of Grants Management Policy 08-06, Financial Review of Nongovernmental Grantees.

This form should be used for nongovernmental applicant agencies that: are requesting, or will receive, more than \$25,000 for the grant period.

SECTION A: APPLICANT INFORMATION		
1. Organization Name and Address	2. Employer Identification Number	3. Number of Employees Full Time: Part Time:
4. When did the applicant receive its 501(c) 3 status? (MM/DD/YYYY)?		
5. Is the applicant affiliated with or managed by any other organizations (Ex. regional or national offices)? <input type="checkbox"/> YES <input type="checkbox"/> NO If "Yes," provide details: 5b. Does the applicant receive management or financial assistance from any other organizations? <input type="checkbox"/> YES <input type="checkbox"/> NO If "Yes," provide details:		6a. Total revenue in most recent accounting period (12 months). 6b. How many different funding sources does the total revenue come from (please give a number)?
7. Does the applicant have written policies and procedures for the following business processes? a. Accounting <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents b. Purchasing <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents c. Payroll <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure If yes please attach a copy of the table of contents		
SECTION B: ACCOUNTING SYSTEM		
1. Which of the following best describes the accounting system? <input type="checkbox"/> Manual <input type="checkbox"/> Automated <input type="checkbox"/> Combination		
2. Does the accounting system identify the deposits and expenditures of program funds for each and every grant separately?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
3. Are time studies conducted for an employee(s) who receives funding from multiple sources?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure <input type="checkbox"/> No Multiple Sources
4. Does the accounting system have a way to identify over spending of grant funds?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
5. If grant funds are mixed with other funds, can the grant expenses be easily identified?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
SECTION C: FINANCIAL INFORMATION		
1. Did an independent certified public accountant (CPA) ever examine the organization's financial statements?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
2. What is the current amount of unrestricted funds? \$		
3. Has the organization incurred any large or unusual debt in the last 6 months?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
4. What was the reason for the new debt?		
5. What is the funding source for paying back the new debt?		
SECTION D: LEGAL INFORMATION		
1. Are there any current or pending lawsuits against the organization?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
2. If so, would there be an impact on the organization's financial position?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
3. Has the organization lost any funding due to accountability issues, misuse, or fraud?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
4. Are the officials of the organization bonded?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure
5. If so, please explain the circumstances, including when the issue happened, what preventative steps have been taken, etc.		
SECTION E: CERTIFICATION		
I certify that the above information is complete and correct to the best of my knowledge.		
1. Signature	2. Date / /	
3. Title		

Accounting System and Financial Capacity Questionnaire

****Instructions****

This form should be completed by someone in the organization who is knowledgeable about the accounting system and processes for accounting for grants, for example, the finance manager or CFO.

This form has two purposes:

- It is a standard form used to determine the capacity of the accounting system and financial capability of all nongovernmental grant applicants that are applying to receive at least \$25,000. It will help us assess whether your organization is likely to need additional technical assistance to properly administer grant funds.
- It helps us comply with the Minnesota Office of Grant Management's Policy 08-06, which requires a review of the applicant's financial status before we award a grant of at least \$25,000 to any nongovernmental organization.

Your organization will not be excluded from receiving funding based solely on the answers to the questions on the form.

Section A: Applicant Information

Enter the indicated information about the organization.

Section B: Accounting System

Enter the indicated information about the accounting system of the organization (or the accounting system of the fiscal agent if appropriate).

Section C: Financial Information

Enter the indicated information. Governmental agencies and tribal governments do not need to complete this section or include financial information in their applications.

The types of documents we need to review for other types of organizations depends on the size of the applicant's budget:

- Applicants that are new (in existence less than one year) or have an annual income under \$25,000 must submit their most recent board reviewed financial statements.

- Applicants that have an annual income under \$750,000 must submit their most recent IRS form 990.
- Applicants that have an annual income over \$750,000 must submit their most recent certified financial audit.

Provide any information on any new debt that has been incurred in the last six months, such as a new mortgage or line of credit. Please describe why the debt was incurred and information on how the debt will be repaid.

Include the amount of unrestricted funds available as of your last Board approved monthly financial statement.

Section D: Legal Information

Provide information on any current litigation and any financial impact it could have on the organization. Please indicate if the officials of the organization are bonded. If your organization has lost funding due to lack of capacity to administer the funds, theft, or misuse, please provide a narrative of the situation and steps that have been taken to strengthen your capacity and/or processes to avoid the problem in the future.



SAMPLE MONITORING PLAN – IDENTIFY AREAS TO MONITOR AND BEST WAYS TO OBTAIN INFORMATION

Instructions: A monitoring plan should be completed for each grant based on the specifications contained in the grant agreement. This worksheet should be used to identify the type of monitoring to be done for the grant and the frequency of the monitoring efforts.

Grant Name/Number		Monitor Assigned:	
Grantee:		Date of Plan:	
Address:		Comments:	
Telephone #:			
Contact:			

Area	Information from Agreement	Comments
Goals / Objectives of Grant		
Expected Outcome		
Outcome Indicators Identified in Agreement		
Data Sources for Indicators		
Method of Data Collection / Analysis		
Frequency of Data Collection / Analysis		
Who's Responsible for Data Collection/Analysis		
Who Will Use The Information		
Other Issues		

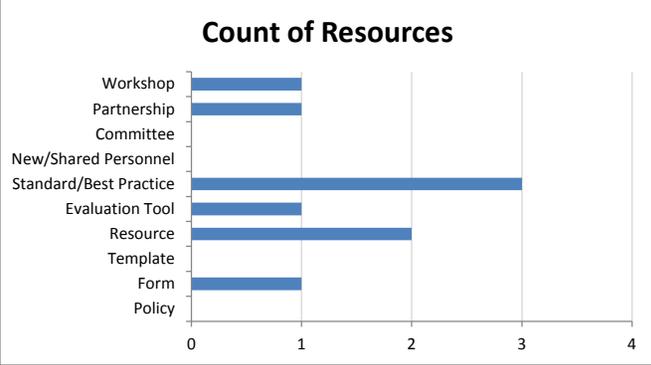
(over)



Risk Factors	Source	Comments
Prior desk review issues		
Input from program staff		
Input from monitoring staff		
Complaints from recipients		
Results of previous on-site reviews		
Audit findings		

	A	B	C	D	E	F	G	H	I	J	K	L	
1	Office of Grants Management												
2	Evaluation Data Tracking Log for Recordkeeping												
3													
4	Directions:												
5	1) In column I right, edit text to describe types of Resources to track.												
6	2) Edit resource definitions as needed on "Resources Defined" worksheet.												
7	3) In column A below, enter new resource events, using number from column H right.												
8	4) Resource name in column B below will auto populate												
9	5) Type in description of resource in column C below												
10	6) Type in date of resource event in column D below. Enter number of participants if applicable in column E.												
11	7) Count of resource events will appear in column J right and in bar chart below.												
12													
13													
14	# from	Name	Description	Date	Number Served								
15	Column H				(if applicable)								
16	5	Evaluation Tool	Prepared client satisfaction survey for MJSP programs	1/6/2012									
17	4	Resource	Posted link to State of Maryland website	1/9/2012									
18	9	Partnership	Formalized agreement with MN Council of Nonprofits	2/1/2012									
19	10	Workshop	Trained DHS monitors on OMB Circular A-87	2/3/2012	12								
20	2	Form	Created monitoring for DEED staff to monitor grantees	2/14/2012									
21	4	Resource	Posted webinar on OGM website	2/17/2012									
22	6	Standard/Best Practice	Posted January crossword puzzle on OGM website	1/1/2012	8								
23	6	Standard/Best Practice	Posted February crossword puzzle on OGM website	2/1/2012	7								
24	6	Standard/Best Practice	Posted March crossword puzzle on OGM website	3/1/2012	13								
25													
26													
27													
28													
29													
30													
31													
32													
33													
34													
35													
36													
37													
38													
39													
40													

	Types of Resources	Count
1	Policy	0
2	Form	1
3	Template	0
4	Resource	2
5	Evaluation Tool	1
6	Standard/Best Practice	3
7	New/Shared Personnel	0
8	Committee	0
9	Partnership	1
10	Workshop	1
		9





Department of Commerce Risk Assessment Tool

Program: _____

Sub recipient: _____

Component	Items	Adequacy of Controls H/M/L
<p>Program Plans</p> <p><i>Focus: Identifying resource needs and establishing performance outcomes.</i></p>	<ul style="list-style-type: none"> • Staffing plans. • Potential conflict of interest concerns. • Performance goals align with grant agreement. (SMART goals) • Funding sources linked to specific performance goals. 	
<p>Service Delivery</p> <p><i>Focus: Providing efficient and reliable services to eligible recipients.</i></p>	<ul style="list-style-type: none"> • Client file content: required forms, worksheets, case notes. • Training employees, subcontractors. • Complaint/appeals mechanism. • Information security access controls/data privacy practices. • Eligibility criteria. • Application processing (scanning, manual). 	
<p>Financial Management</p> <p><i>Focus: Preventing fraud, waste and abuse of funds.</i></p>	<ul style="list-style-type: none"> • Written accounting, purchasing and payroll procedures. • Separate identification of federal and non-federal transactions, allocations and property. • Information retained for required timeframes. • Reconciliations and variance reporting. • Comparison of budget to actual. • Separation of duties. • Payroll records. 	
<p>Program Evaluation</p> <p><i>Focus: Achieving intended performance outcomes.</i></p>	<ul style="list-style-type: none"> • Performance goals achieved within terms of grant agreement. • Compliance reviews. • Independent third party audit of financial statements. • Self- monitoring plans and tools. • Recommendations from previous year. • Any past or current legal/regulatory issues? 	



**Board Minutes Review
TEMPLATE**

Grantee: _____

Date of Meeting: _____ Time: _____ to _____

Meeting called to order: _____ (time) Meeting adjourned: _____ (time)

Meeting chaired by: _____ (name/title)

Total number of seated board members: _____

Total number present: _____

Total number needed or quorum: _____

Quorum was met (yes or no): _____

1. Were meeting notice, agenda, and minutes distributed prior to the meeting? _____ Yes _____ No
How far in advance? _____

2. Was attendance taken? _____ Yes _____ No

Title of person responsible for keeping attendance records: _____

3. Were the minutes of the previous meeting reviewed? _____ Yes _____ No
and approved? _____ Yes _____ No
If applicable, were corrections made to previous minutes? _____ Yes _____ No

4. Executive Director Report
Presentation of Report: _____ Written _____ Oral

Highlights of report as presented:

5. Financial Report N/A
Presentation of Report: _____ Written _____ Oral
Was a financial report prepared and distributed? _____ Yes _____ No

Highlights of report as presented:



**Board Minutes Review
TEMPLATE (Continued)**

6. Committee reports

The Committees presenting reports:

Grantee: _____

Date of Meeting: _____ FFY: _____

7. Program Report

Presentation of Report: _____ Written _____ Oral

Highlights of report as presented:

8. Old/New Business

Highlights, if applicable:

Recommendations for Board Actions/Resolutions:

9. Program Analyst observation/comments, including, but not limited to:
Board member preparedness and participation:

Meeting procedures followed/agenda followed

Adequacy of physical arrangements, (*i.e.*, *tables/chairs, room size, acoustics, translation/interpretation services, etc.*):

Staff present/other present:

Other comments:
