

## **DHHS POLICIES AND PROCEDURES**

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<b>Section IV:</b>	<b>General Administration</b>
<b>Title:</b>	<b>Subrecipient Monitoring Manual</b>
<b>Chapter:</b>	<b>Risk Assessment</b>
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### **Risk Assessment**

Accurate risk assessment is critical to the success of a division's subrecipient monitoring effort. Most divisions that enter into financial assistance agreements have numerous subrecipients. Monitoring all subrecipients in an identical manner can result in either overly-burdensome and intrusive monitoring of subrecipients that are very unlikely to be out of compliance or insufficient monitoring of subrecipients that are likely to require additional assistance in achieving compliance in all areas. Either approach can jeopardize services to citizens and risk the loss of federal funds.

Basically, assessing risk involves evaluating the effectiveness of an entity's internal control system in preventing and detecting noncompliance in regards to state and federal guidelines. A risk assessment is used to determine the priority of subrecipients to be reviewed and the level of monitoring to be performed. Risk assessment should not be viewed as a one-time event. Significant turnover in the subrecipient's personnel, a change in the quality or timeliness of required reports, or information received from another funding division may all necessitate a review to determine if a revised risk assessment is warranted.

In determining risk, divisions should evaluate items such as the size of the agency, the length of time the agency has been a subrecipient of the division, the amount of funding awarded to the agency, the complexity of the funding sources awarded, the variety and complexity of the programs being funded, and the results of previous experience with the agency. If the division has had a long, successful relationship with the subrecipient, the subrecipient has had clean audits and all reports have been filed accurately historically, the subrecipient would be evaluated as a low risk. If the subrecipient is new to the division and the division's programs, but has had successful relationships with other Department of Health and Human Services (DHHS) divisions or is part of a large, successful organization such as a university, the subrecipient may be evaluated initially as a medium risk. A small, start-up non-profit agency operating a new program would likely be evaluated as a high risk, at least until some history was established. Attachment A presents a sample of risk assessment tools.

A subrecipient's "track record" with other divisions and the risk assessment ranking assigned by another division are valuable information for a monitor. However, the monitor must always consider the complexity of the funding sources and programs being funded by the

monitor's division in determining the risk assessment. It is quite likely that the same subrecipient will have different risk assessment levels assigned by different divisions.

The monitoring plan for each subrecipient should be tailored to correspond to the programs operated and funding received by the subrecipient and the subrecipient's assessed level of risk. For each of the required compliance areas, this manual suggests various procedures to be followed at each level of risk.

*For questions or clarification on any of the information contained in this policy, please contact [Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*