



Risk Assessments

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Agenda for Today



- What is risk?
- Why we care about risk
- Risk in the Uniform Guidance
- U.S. Department of Education (ED) and risk
- Options for risk assessments
- How to use risk assessments

What is Risk?

- “The possibility that something bad or unpleasant (such as an injury or a loss) will happen.” (*Merriam Webster Dictionary*)
- “Risk is the possibility that an event will occur and adversely affect the achievement of objectives.” (*GAO, Green Book*)
- A measure of the likelihood of a grantee achieving overall program objectives, including financial reporting and compliance, within defined requirements related to statutes, regulations, and grant management practices. (*U.S. Department of Education, Grants Bulletin, 14-06*)

Why care about risk?



- Limited resources
- Avoid problems before they occur (risk mitigation)
- Best use of resources to meet objectives of program
- Best use of resources to avoid negative consequences

What is Risk Management? (GAO)



“Risk management can be described as the continuous process of assessing risks, reducing the potential that an adverse event will occur, and putting steps in place to deal with any event that does occur.”

What is a Risk Assessment

“A measure of the likelihood of a grantee achieving overall program objectives, including financial reporting and compliance, within defined requirements related to statutes, regulations, and grant management practices.”

(U.S. Department of Education- Grants Bulletin 14-06)

Parallels: ED and SEAs (Pass-Through Entities)

Both ED and SEAs should have the following practices:

- Risk Assessment
- Risk Mitigation
- Risk-based Monitoring

Uniform Guidance, Grantees and Subgrantees

Grantees, as pass-through entities, must:

- Assess risk of subrecipients.
- Monitor to ensure the subaward is used appropriately and in compliance requirements (§200.331(d))
- The monitoring plan should be based on the results of the risk assessment. (§200.331(d) and(e))
- The risk assessment and monitoring should address both financial and programmatic considerations

§200.331(b), (c) and (d)

Uniform Guidance Suggested Risk Factors



1. Prior experience with the same or similar subawards
2. Audits, including whether or not have been audited, and audit findings
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring.

ED's Guidance on Risk Assessments and Monitoring



Grants Bulletin 14-06, requires the following:

- Utilize risk assessment
- Include a risk rubric
- Include risk indicators for compliance and meeting performance standards
- Weigh risk indicators
- Focus on the most critical risks
- Prioritize allocating resources to grantees posing greatest risk
- In evaluation of risk, consider past performance of grantees, and the size of the award.

OSEP's Differentiated Monitoring and Support (DMS) and Risk



- OSEP implemented DMS in April 2016
- At heart of DMS is risk assessment- Organizational Assessment:
 - Compliance
 - Results
 - Special Focus Area (Correctional Education)
 - Fiscal
 - State Systemic Improvement Area (SSIP)

Fiscal Part B Factors

- Turnover in Leadership
- Audits-Corrective Actions
- Size of Award
- Maintenance of State Financial Support
- Unresolved Fiscal Monitoring Findings
- Lapsed funds-611 or 619
- Late Liquidation Requests

Engagement Decision Tree



Results				
Determination Matrix Percentage	Any factors that may contribute to elevated risk	TA accessed	Additional Information	Final IT recommendation re: level of monitoring and TA
Compliance				
Determination Matrix Percentage	Any factors that may contribute to elevated risk	TA accessed	Additional Information	Final IT recommendation re: level of monitoring and TA
Special focus: Correctional ED				
Organizational Assessment Score	Any factors that may contribute to elevated risk	TA accessed	Additional Information	Final IT recommendation re: level of monitoring and TA
Fiscal				
Organizational Assessment Score	Any factors that may contribute to elevated risk	TA accessed	Additional Information	Final IT recommendation re: level of monitoring and TA
SSIP				
	Challenges or barriers to implementation	TA accessed	Additional Information	Final IT recommendation re: level of monitoring and TA

State Risk Assessment: Example 1



Compliance Area	Low Risk	Medium Risk	High Risk
Single Audit Review	The LEA has no findings or warnings.	The LEA has one or more areas of concern. Follow up is required.	The LEA has an audit finding related to the use of IDEA funds.
AFR/APR review	The AFR/APR is submitted on time. No concerns are noted by State staff.	The AFR/APR is submitted late. Follow up for minimal concerns, questions, or correction is required.	The AFR/APR is submitted late or is not submitted. Substantial obvious errors for correction are noted by State staff.
Application for Funding	The application is submitted on time and approved with no revisions.	The application is submitted on time and requires minimal revision, or the application is late.	The application is substantially late and requires revision prior to approval.

State Risk Assessment: Example 1

(Continued)



Compliance Area	Low Risk	Medium Risk	High Risk
Excess Costs	The LEA has submitted the excess costs calculation, demonstrating eligibility for IDEA funds.	The excess costs calculation is incomplete, incorrect, or not submitted on time.	The excess costs calculation is incomplete, incorrect, or not submitted on time.
Maintenance of Effort	The LEA has met MOE, and demonstrates the ability to meet MOE in the application year.	The LEA has met MOE, and demonstrates the ability to meet MOE in the application year.	The LEA has not met MOE and has been required to repay.
Time and Effort	The LEA provides certification on request.	Certification does not match other documentation, is incomplete, or is not submitted within 30 days of request.	The certification is not available.
Inventory Management	The inventory list includes all required information and is submitted on request.	Inventory list is incomplete or does not contain all required elements.	No inventory list is available.

State Risk Assessment: Example 1

(Continued from slide 15)



Compliance Area	Low Risk	Medium Risk	High Risk
CEIS	The LEA plan and report are submitted on time. Additional documentation is submitted by request.	The LEA plan or report is not submitted on time. Additional documentation is incomplete or not submitted within 30 days of request.	The LEA submits a plan or report, but not both. Documentation of services and expenditures is not available.
Equitable Services (Private School Proportionate Share)	The LEA is providing services as described in the plan. The required amount has been set aside.	The LEA has not identified all eligible schools. Documentation is incomplete or not submitted within 30 days of request.	The LEA does not have supporting evidence of service, or expenditure, or meetings held with all eligible private schools.
Allowable Costs	The LEA provides documentation of allowable expenditures.	Documentation is incomplete or not submitted within 30 days of request.	The LEA is unable to provide documentation that expenditures are allowable (allowed, reasonable, and allocable).

State Risk Assessment: Example 2



Variables	Yes	No	Score	Risk Value
Self Assessment				10
Maintenance of Effort				5
Late Submission of Part B Application and/or Annual Report				5
Audit findings for two consecutive years				5
Inaccurate reporting of expenditures and carryover				5
Issues related to timely use of, obligation, and liquidation of funds				5
New Special Education Director and/or business manager				5
TOTAL SCORE				40

State Risk Assessment: Example 3



Risk Area	Notes	Possible Points
Fiscal Status	Caution, Watch, Emergency	30
Un-auditable Status		25
School Status	New, Closed/Closing/Suspended	50
Single Audit	Findings in listed areas	21
Expenditure Report	# of Resubmissions	15
Monitoring	Findings in specific area	21
Other Reviews	Grants Management, SPED, PACT	3

How to Use Risk Assessment



- Determine who needs to be monitored.
- Determine level and mechanism of monitoring.
- Determine need for LEA specific TA.
- Determine need for Statewide need for TA and guidance.

Tell Us About Your Risk Assessment



- Do you have a risk assessment?
- How is it different or the similar to examples?
- What have you learned from your risk assessment?

QUESTIONS AND COMMENTS

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