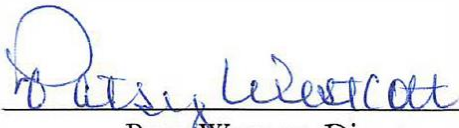


State of Alaska
Department of Labor and Workforce Development

Division: Employment and Training Services	Policy: 07-527.1
Subject: Pre-Award Risk Assessment and Due Diligence	Pages: 3
Reference: Federal Regulation 2 CFR 200.331	Effective: 2/4/2016 Revised: 3/13/19
Approved:  Patsy Westcott, Director	<u>3/13/19</u> Date

1. Parties Affected

This policy applies to grant recipients that receive public funds through the Division of Employment and Training Services (DETS) and DETS staff.

2. Background

Per 2 CFR 200.331 awarding agencies are required to evaluate grant applicants to determine the potential level of risk for noncompliance with the administration of a subaward. Risk assessment models are used to factor an organizations past performance history, results of single audit reports, current economic conditions, loss of essential personnel, loss of accreditation, rapid growth, new activities, changes to products or services, and organizational restructuring. Based on the information provided in the risk assessment, subrecipients are assigned a risk level of low, medium, or high. Special conditions that correspond to the degree of risk may be applied to the award, for example, an organization with a medium or high risk level may be subject to a more stringent grant negotiation review.

3. Policy

A pre-award risk assessment and due diligence review is required for organizations who are identified to receive state or federal funds through a grant award issued by DETS. In the event an organization receives multiple grants during a fiscal year, only one pre-award risk assessment and due diligence review is conducted.

The **pre-award risk assessment** is conducted by using a questionnaire. The responses to the questions and the submission of requested policy documents will assist DETS staff in completing the pre-award risk assessment.

The pre-award questionnaire and policies are not required for grants issued to other state or municipal agencies, with exception of agencies that received a negative performance evaluation for grant activities that occurred in the past three years.

Due diligence is to be conducted by DETS staff to verify an organizations' compliance with having:

- a. an active DUNS number, only applicable to federal funding;
- b. a current Alaskan business license;
- c. federal or state debarment issuance;
- d. complied with state regulations including those from Occupational Safety and Health Administration, Workers Compensation, Unemployment Insurance, and Wage and Hour laws;
- e. active certificates of insurance including general liability, workers compensation, employers' liability, and automobile liability;
- f. a current indirect rate or de-minimis rate, as applicable to federal funding requirements; and
- g. passed federal or state single audit reviews. If a state single audit is not required by federal or state regulation then a financial statement may be requested from the grant applicant for financial review purposes.

In the event the organization does not provide complete answers to the pre-award questionnaire, provide requested policy or procedure documents, or is not in compliance with due diligence requirements, the organization may be determined non-compliant with this policy and the issuance of the grant award will be suspended until all issues are resolved.

4. Responsibilities

Organizations receiving grant awards are responsible for completing the pre-award questionnaire, responding to the due diligence review and providing requested documents within 30 days of the initial request from DETS.

DETS staff are responsible for reviewing the information, determining the organizations risk level, and notifying organizations within five business days of receipt of any issues and concerns regarding pre-award assessment or due diligence. DETS will provide technical assistance to resolve issues, as needed.

5. Definitions

- a) **Award** is all of the documents included in the contractual agreement between DETS and a subrecipient, and includes Reimbursable Services Agreements (RSAs) with other state agencies where funds are provided for services to the public.
- b) **Grant applicant** is an organization that is applying for a grant.

- c) **Grant subrecipient** is the organization or entity receiving funds as specified in a grant agreement or RSA.
- d) **Negative Performance Evaluation** is an assessment a grant recipient's performance towards the scope of work and budget. At the conclusion of a grant award a performance evaluation is conducted by the program coordinator and grants administrator. The performance evaluation will determine if the organization met the scope of work and budget requirements or if an organization experienced issues that resulted in concerns whether the organization can effectively administer an award.
- e) **Pre-Award Questionnaire** is a document that poses questions to be answered by the subrecipient pertaining to the program and financial aspects of the organization.
- f) **Pre-Award Risk Assessment** provides a framework for evaluating risks posed by a potential grant recipient.
- g) **Single Audit Report** is a document issued by a Certified Public Accountant in which the accountant expresses an opinion regarding the fair presentation of the financial statements of an organization after conducting a formal financial review.