

CHECKLIST:

Improve Transparency and Public Trust with a Pre-Award Risk Assessment

The efficient and effective use of taxpayer funds is of utmost importance in today's environment.

When it comes to allocating grants or funds to potential grantees (organizations and individuals), a thorough evaluation process becomes crucial to help create transparency, accountability, and successful outcomes. This comprehensive evaluation process is known as the Pre-Award Risk Assessment.

PRE-AWARD RISK ASSESSMENT

A pre-award risk assessment is a systematic evaluation process conducted prior to awarding grants or funds. The assessment's purpose is to identify potential risks, determine the need for specific grant conditions, and confirm the level of monitoring necessary to verify applicant compliance with grant requirements, laws, and regulations.

WHY AGENCIES CONDUCT PRE-AWARD RISK ASSESSMENTS

Many agencies struggle to effectively assess risks during the pre-award phase of grants management, which can lead to project failures, financial losses, and wasted resources. When taxpayer funds are allocated without proper risk assessment, there are other inherent risks, including fraud, mismanagement, and misuse of funds — all of which lead to the erosion of public trust and negative impacts on projects or programs. Pre-award risk assessment can help mitigate these risks, safeguard taxpayer funds, and help ensure their efficient utilization.

Benefits of conducting a pre-award risk assessment include:



Identifying High-Risk Grantees

Agencies can identify high-risk grantees with a history of financial mismanagement, noncompliance with regulations, or questionable practices. By catching these potential risks in a pre-award risk assessment, agencies can avoid granting funds to these grantees and can instead allocate finances to entities with a lower likelihood of mishandling funds.



Maintaining Public Trust

Pre-award risk assessments provide transparency in how taxpayer funds are allocated because they allow agencies to demonstrate that they carefully vetted recipients before allocating grant funds. Pre-award risk assessments gather and assess data on grantees' history of responsible financial management and adherence to regulations, enabling agencies to make data-driven decisions during the grantmaking process. This commitment to accountability verifies that grantmaking decisions are objective and that funds are allocated to grantees that are most qualified to utilize them, strengthening the overall integrity of the grant system.



Enhancing Project Success and Program Effectiveness

Pre-award risk assessments allow agencies to identify grantees' capabilities and risks so they can put specific conditions and strategies in place to mitigate risks. This reduces the likelihood of project failures, delays, or cost overruns, making sure that taxpayer funds are utilized effectively to achieve the intended outcomes.



Strengthening Financial Management

Through pre-award risk assessment, agencies can ensure that funds are allocated to grantees that have sound financial systems and adequate accounting policies and procedures in place, reducing the risk of financial mismanagement or insolvency. Strengthening financial management practices contributes to the long-term sustainability of funded projects.



Promoting Fairness and Equity

By evaluating grantees based on objective criteria, such as their capacity, past performance, and compliance history, agencies can make informed decisions that prioritize deserving applicants. This reduces the chances of favoritism or bias in the grant allocation process.

IMPLEMENTING A ROBUST PRE-AWARD RISK ASSESSMENT

Develop a Comprehensive Risk Assessment Framework

that outlines the criteria for evaluating potential grantees. This framework should include factors like financial stability, organizational capacity, past performance, governance, and compliance history.

Implement a Standardized Application Process

to collect relevant information around each applicant's associated risk. This could include financial statements, project plans, references, and disclosure forms.

A clear and structured application process ensures consistency in evaluating applicants.

Assess Financial Stability of potential grantees by reviewing financial statements, cash flow projections, and credit history. Throughout the assessment, look for indicators of financial health like positive cash flow, manageable debt levels, and sound financial management practices while also surveying for prior suspensions, debarment status or presence on the Department of Treasury's Do Not Pay (DNP) Business Center.

Vet the Organizational Background of potential grantees by evaluating OMB's Federal Awardee Performance and Integrity Information System (FAPIIS) to identify instances of grantee's criminal, civil, and administrative proceedings in connection with federal awards; administrative agreements issued in lieu of suspension or debarment; non-responsibility determinations; contracts terminated for fault; defective pricing determinations; and past performance evaluations.

Examine the Accounting System by reviewing the steps grantees have taken to comply with Uniform Guidance financial management requirements. Understand how the grantee's system will produce reports and account for receipt and expenditures of funds to comply with award terms and conditions.

Evaluate Organizational Capacity and Past Performance

of the potential grantee to effectively manage grant funds and deliver on project objectives. Consider factors like staff expertise, infrastructure, partnerships, and resources available to execute the proposed project. Additionally, examine the past performance of potential grantees by evaluating their record with similar grants or prior federal awards. Look for successful outcomes like timeliness of reporting, implementation, adherence to reporting requirements, and any instances of noncompliance or mismanagement.

Assess Governance Structure and Compliance History

of the potential grantee to include review of board composition, conflict of interest policies, ethics guidelines, and any previous legal or regulatory violations.

Examine audit reports and findings from single audits, and review information from OMB-designated repositories for government-wide financial integrity qualifications (as mandated by the Payment Integrity Information Act of 2019 and public contract law).


Utilize Risk Assessment Tools or software that can help streamline the process and provide a quantitative analysis of risk. These tools can automate data collection, perform risk calculations, and generate risk scores or ratings for each applicant.

Practice Thorough Due Diligence on potential grantees, which may involve conducting site visits, interviews, reference checks, and background checks. This step provides additional insights into the applicant's operations, integrity, and capacity to deliver on the proposed project.

Establish a Risk Ranking System that categorizes applicants based on their level of risk. This can help prioritize resources and encourage an increased focus on high-risk applicants. A risk ranking system will help to justify further scrutiny, additional risk mitigation measures, and placement of specific conditions (as applicable).

Document Findings and Decision-Making throughout the pre-award risk assessment process for each applicant. This includes summarizing the evaluation criteria, identifying risks, and providing a rationale for the final decision. Maintaining clear and consistent documentation ensures transparency and accountability in the decision-making process.





Pre-award risk assessments are critical to safeguarding taxpayer funds, building public trust and confidence, and creating positive project outcomes.

Talk to [BDO's Public Sector practice](#) where our thought leaders and seasoned professionals bring a wealth of experience that enables us to tailor our approach and adapt quickly to your needs.

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