



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



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Memorandum

To: Chris Henderson
Departmental Recovery Act Coordinator

Through: Pamela K. Haze *Pamela Haze*
Acting Assistant Secretary – Policy, Management and Budget

From: Debra E. Sonderman, Director *Debra E. Sonderman*
Office of Acquisition and Property Management

Subject: Recovery Oversight Advisory – Risk Assessments of Recovery Act
Recipients (ROO-ROA-MOA-9003-2009)

Thank you for the opportunity to review and comment on the subject Recovery Oversight Advisory. The Office of Acquisition and Property Management (PAM) acknowledges that the unique requirements associated with American Recovery and Reinvestment Act (ARRA) financial assistance programs, such as expedited awarding timeframes, large dollar values, and extensive reporting requirements, pose greater risks to those programs than non-ARRA programs. In response to those concerns, PAM is taking action to provide risk assessment tools to bureaus and offices as part of the application screening process.

PAM, in close collaboration with the Office of Financial Management and the Office of Inspector General (OIG), is developing a uniform risk assessment checklist for Department-wide use with all ARRA financial assistance applications. This checklist uses the criteria the OIG will employ to conduct evaluations of bureau financial assistance programs, and weighs each risk factor as low, moderate or high.

Risk factors will include the following:

- Dollar value of the grant or financial assistance program;
- Recipient audit history;
- Single Audit Opinion on major program compliance;
- Significant deficiencies in internal control over compliance;
- Findings of non-compliance for Federal awards;
- Number of years the Department has administered the grant program;
- Program complexity;
- Measurable outputs for performance monitoring;
- The number of years the recipient has received the grant award; and

- “Triggering events” that may affect the recipient’s ability to comply with ARRA reporting and Single Audit Act requirements (i.e., changes in the recipient’s organizational structure or pending corrective actions).

Point values will be assigned to each risk level, with the overall recipient risk factor determined by the total score. The level of monitoring will be directly related to recipient risk. Bureaus and offices will be required to implement monitoring plans for awardees that provide for more stringent monitoring of moderate- to high-risk recipients. Monitoring activities include, but are not limited to, on-site visits, telephone surveys, and recipient visits to program activities. Departmental policy currently requires regular recipient financial and program reporting which is separate from the reporting requirements of the ARRA. Bureaus and offices may elect to require more frequent financial and program reporting for higher risk recipients.

PAM will require bureaus and offices to conduct a secondary screening of all applicants through the Audit Clearinghouse database to verify audit history and status of corrective actions.

Bureaus and offices are strongly discouraged from granting ARRA awards to recipients who are determined to be high risk after the initial evaluation. In the event such awards are made, bureaus and offices must implement stringent monitoring plans and devote adequate resources to ensure vigilant oversight. Moreover, the Departmental ARRA guidance recently issued by this office prohibits ARRA financial assistance awards to suspended or debarred entities.

We are committed to ensuring the responsible use of ARRA funding and transparency in our oversight efforts by taking proactive measures to prevent waste, fraud and abuse. Please feel free to contact me if you have any questions or need additional information.