
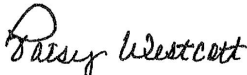


State of Alaska
Department of Labor and Workforce Development

Divisions: Alaska Workforce Investment Board (AWIB), Employment and Training Services (DETS)	Policy: 07-527.2
Subject: Pre-Award Risk Assessment and Due Diligence	Pages: 3
Reference: Federal Regulation 2 CFR 200.331	Effective: 2/4/2016 Revised: 6/19/2020
Approved:  _____ Louise Dean, Executive Director, AWIB	<u>6/30/2020</u> Date
Approved:  _____ Patsy Westcott, Director, DETS	<u>6/30/2020</u> Date

1. Parties Affected

This policy applies to Alaska Workforce Investment Board (AWIB) and Division of Employment and Training Services (DETS) staff, and subrecipients of public funds from AWIB and DETS.

2. Background

Per [2 CFR 200.331](#), awarding agencies are required to evaluate subaward applicants to determine the potential level of risk of noncompliance with the administration of a subaward. Risk assessment models are used to factor an organization’s past performance history, results of single audit reports, current economic conditions, changes in essential personnel, loss of accreditation, rapid growth, new activities, changes to products or services, and organizational restructuring. Based on the risk assessment analysis, 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 subaward. For example, an organization with a medium or high risk level may be subject to greater technical assistance reviews during grant performance.

3. Policy

A pre-award risk assessment and due diligence review is required for organizations to receive state or federal funds through a subaward issued by AWIB/DETS. In the event an

organization receives multiple subawards during a fiscal year, only one pre-award risk assessment and due diligence review is necessary.

Pre-award risk assessment information, procedures, and policies are collected from the applicant via questionnaire and supplemented with AWIB/DETS experience, if any, with the applicant.

Due diligence is conducted by AWIB/DETS staff to verify an organization's compliance with having (not required for state or municipal agencies):

- a. an active DUNS number, only applicable to federal funding;
- b. a current Alaska business license;
- c. federal or state debarment issuance;
- d. complied with state regulations including those implementing 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 vehicle liability;
- f. a current indirect rate or de-minimis rate, as applicable to federal funding requirements; and
- g. past 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 subaward applicant.

In the event an 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 subaward will be suspended until all issues are resolved.

4. Responsibilities

Organizations receiving subawards 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 AWIB/DETS.

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

5. Definitions

- a) **Negative performance evaluation** is a negative assessment of a subrecipient's performance towards the subaward's scope of work and budget. At the conclusion of a subaward period of performance, the program coordinator and grant administrator conduct a performance evaluation. The evaluation determines whether the organization met subaward scope of work and budget requirements, or experienced issues that raise concerns whether the organization can effectively administer a subaward.
- b) **Pre-award questionnaire** is a set of questions pertaining to the program and financial aspects of a subaward applicant organization.
- c) **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.
- d) **Subaward** is all of the documents included in the contractual agreement between AWIB/DETS and a subrecipient, and includes Reimbursable Services Agreements (RSAs) with other state agencies where funds are provided for services to the public.
- e) **Subaward applicant** is an organization that is applying for a subaward.
- f) **Subrecipient** is the organization or entity receiving funds as specified in a subaward agreement or RSA.