The Nexus of ERM and Grants Accountability

2019 Annual Grants Conference
Maryland Governor’s Grants Office

October 21, 2019

Suzanne F. Auerbach
Risk Lead and Special Assistant
Office of Federal Assistance Management (OFAM)

Vision: Healthy Communities, Healthy People
Over $180 million to Maryland through grants, loans, and scholarships:

Approximately,

- $65 million to health centers
- $56 million to Ryan White HIV/AIDS programs
- $40 million for maternal and child health
- $11 million for health professions training grants, loans, and scholarships
- $9 million for the Opioid Crisis Response

Source: www.data.hrsa.gov
Objectives

• Present case study of enterprise risk management principles within a grants management context.

• Offer risk management tools, techniques and tips that can be applied in a grants risk management context.
Risk Management Refresher

Risk – The effect of **uncertainty** on objectives.

**Risk Management** - A series of coordinated activities to direct and control challenges or threats to achieving an organization’s goals and objectives.

**Enterprise Risk Management** –

- Addresses the full spectrum of an organization’s external and internal risks by understanding their combined impact as an interrelated portfolio, rather than addressing them only within silos.
- Provides insight on how to effectively prioritize resource allocations to ensure successful mission delivery.

TIP: A problem is a risk that has materialized. But, a risk may or may not become a problem.

OMB Memorandum A-123
Grants Management Risk Portfolio

**External**
- Budget and Policy Environment
- Natural and Man-made Disasters
- Cyber-Security
- Recipients
- Applicants and Reviewers
- Waste, Fraud and Abuse
- Shared Services
- Emerging Risks and Trends

**Internal**
- Strategic Management
- Grants Operations
- Human Resources
- Systems
- Acquisitions/Contracts
- Organizational Culture
- Reputation
- Continuity of Operations
Grants Risk Management Cycle

Planning

Pre-award/Award

Oversight and Monitoring

Close Out
Grants Risk Management Maturity

- Immature
- Emerging
- Conforming
- Advanced
- Optimal
Immature, Pre-2009

- Budget (~$5 billion) small comparable to other grant making HHS agencies
- Lack of agency-wide grants oversight SOPs
- Putting out fires, not preventing fires
ARRA, ACA significantly increases funding, visibility, and grants management workload

GAO studies critical of highly visible HRSA programs
A Decade of Growth for HRSA Federal Assistance

*Includes Grants, Cooperative Agreements, Scholarships and Loans.
Emerging Risk Management Activities

- Strategic focus on GAO/OIG studies
- Staffing increases for grants management and program integrity activities
- SOP on grants program oversight created
- Grants management training for program staff created
- Enhanced financial integrity reviews
- Grants management webinars created
Conforming: 2014 - 2018

- New Associate Administrator
- Changing Federal Grants Management Landscape
- Growing Focus on Enterprise Risk Management
Changing Landscape In Federal Grants Management

§200.205 Awarding agency review of risk posed by applicants; §200.352 Requirements for pass-through entities; review of sub-recipient risk.

Results-based accountability in grants

Streamlining grants management

2014
- Uniform Guidance
- GAO’s Green Book

2015
- Digital Accountability and Transparency Act (DATA Act)
- Fraud Reduction and Data Analytics Act

2016
- OMB Circular A-123 Revised
- Grants Oversight and New Efficiency (GONE) Act

2018
- OMB Memorandum M-18-16

2019
- President’s Management Agenda/CAP Goal #8
- HHS Reimagine
- Close-out of Federal Awards
- HHS Reinvent Grants
- Standards for effective internal controls

HRSA
Office of Federal Assistance Management
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Growing Focus on Enterprise Risk Management
Grants Risk Management Activities

**Strategic**
- Organizational structure and capacity
- Organizational awareness of risk
- External partnerships
- Assessment and Evaluation

**Operational/Compliance**
- Policies and Procedures
- Monitoring and Oversight
- Training and Technical Assistance
## Organizational Awareness of Risk

<table>
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<tr>
<th>Internal</th>
<th>External</th>
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<tbody>
<tr>
<td>• Lack of documentation of policies and practices</td>
<td>• Delayed Federal appropriations</td>
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<td>• Complex funding opportunity process</td>
<td>• Public Health Emergencies</td>
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<td>• Challenging schedules for award issuance</td>
<td>• Changing policy environment</td>
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<td>• Systems – many and related</td>
<td>• Diversity of Portfolio</td>
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<td>• Communication/coordination between business and program staff</td>
<td>• Competition/Reviewer Conflict of Interest</td>
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<td>• Organizations with under-developed infrastructure/capacity</td>
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<td>• Recipient/sub-recipient financial competency, internal controls</td>
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**TIP:** Translate existing concerns to “Risks”; introduce risk terminology.
Organizational Awareness of Risk (Continued)

Pre-Award
- Completeness and Eligibility Review
- Financial Disclosure and Conflict of Interest
- Financial Assessment
- Program Review
- Budget Review

Award
- Standard Terms and Conditions
- Grantee Specific Terms and Conditions
- Program Specific Terms and Conditions
- Risk Based Monitoring
- Technical Assistance

Post Award
- Progress and Performance reviews
- Routine communication
- Financial Assessment
- Site Visits
- Special Reviews and Audits
- Close-out

TIP: Think of current process/internal controls within a risk management framework
Monitoring and Oversight

**Target time and staff toward:**

- Organizations posing highest risk;
- Then to moderate risk organizations.

**Limit time and staff monitoring for:**

- Low risk organizations.
Grants Risk Management Study

• **Objectives**: Assess current grants management cycle; identify risks and opportunities; develop tool for analysis and monitoring; provide strategic and operational recommendations.

• **Methodology**: Literature review, interviews, work flow mapping, benchmarking, analysis

• **Study Period**: Aug 2017-Aug 2018
Altitude: Depth of Risks

- HHS
- HRSA
- HRSA Grants Office
- Recipients/Sub-Recipients
- Applicants and Reviewers
- Population Health
Landscape: Breadth of Risks

Program and Grants Management

Grants Management Lifecycle

Specific Grants Management Function
Risk Concepts Considered

• Big Little Concerns: Risk vs Problem
• The Cascade Effect: Root Cause vs Impact, Risk Ownership
• Opportunity Risk or Risk Mitigation
• Risk Appetite and Tolerance
## Risk Register

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Potential Impact</th>
<th>Risk Level</th>
<th>Response Type</th>
<th>Existing Internal Control Description (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs would not inform or coordinate with OFAM on program changes potentially due to: 1) Varying working relationships between OFAM and program staff may hinder collaboration. 2) Program staff may have limited time to draft the NOFO. 3) Programs may not be aware of how NOFO changes impact OFAM.</td>
<td>1) NOFOs submitted into clearance are not in compliance with grants policies. 2) OFAM’s processes are delayed or disrupted.</td>
<td>Moderate</td>
<td>Acceptance</td>
<td>DGP’s NOFO kick-off meeting with programs; OFAM staff performs a top-to-bottom review of NOFOs; DGP’s checklist for NOFO review; Annual compliance supplement; Resource and Planning Meeting; OGC review of NOFO.</td>
</tr>
</tbody>
</table>

**TIP**: Develop risk management tools, risk statements, and risk categories to frame your view.
Heat Map (Risks) and Cool Map (Opportunities)
Advanced: 2018-Current (Still getting there)

- New HRSA and grants management leadership
- Assessing our progress and the path forward
Reflection – Our Journey So Far

• Positive findings in GAO and OIG reports; few new recommendations, many closed.
• Better understanding of applicant, recipient, and program risks
• Launch of innovative approaches to mitigate and track risks
• Greater cultural awareness of risk management
• Increased focus on data collection, analysis, dashboards
Reflection - Challenges and Lessons Learned

- Tone at the top and throughout is necessary.
- Competing priorities
- Ripple effect of risk internally (process) and externally (applicant → recipient)
- Balancing risk appetite/tolerance and fiscal accountability
- Organizational silos
Next Leg of the Journey

• Continue to increase organizational awareness within grants context
• Ensure grants risk management becomes a strategic, routine practice integrated into:
  ✓ Strategic planning
  ✓ Budget formulation
  ✓ Performance measurement
  ✓ Performance management
  ✓ Management controls
Resources

• Uniform Guidance, 2 CFR 200
• OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control
• Government Accountability Office (GAO) Green Book and High Risk List
• Playbook: Enterprise Risk Management for the Federal Government
• Association for Federal Enterprise Risk Management
• National Grants Management Association
• HRSA Data Warehouse
Contact Information

Ms. Suzanne F. Auerbach
Risk Lead and Special Assistant
Office of Federal Assistance Management
Health Resources and Services Administration (HRSA)
Email: sauерbach1@hrsa.gov
Phone: 301-443-0292
To learn more about our agency, visit

www.HRSA.gov

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