**AIP Grant Risk Assessment Process**

Per ADS 303.3.9, the recommendation or selection of an application for award by the Selection Committee does not guarantee the award. The COP or her designee make the final determination on the award and must be fully satisfied the applicant has the capacity to adequately perform on the award.The Grants Manager is responsible for conducting the risk assessment and documenting the findings in the Pre-Award Risk Assessment Matrix. The Grants Manager will place the potential grantee in the most appropriate risk category (lower risk, medium risk and higher risk). The risk assessment will determine what measures (e.g. additional monitoring procedures, special terms and conditions) need to be taken to establish appropriate monitoring procedures.

The risk assessment primarily focuses on if the potential grantee has the administrative, operational, and management skills to successfully complete the grant. A pre-award risk assessment is not required for a 100% In-Kind grant.

The first step in any pre-award risk assessment is for the applicant to complete the Grantee Self-Assessment (this can also be included as part of the RFA or APS), in which the applicant identifies information about their own capacity including previous grants experience, information about financial systems, and any sort of policies/procedures, etc. The form also allows the opportunity for AIP to understand how the applicant views their own capacity and provides a document to cross reference when conducting the risk assessment. For example, if contradictory information emerges from the findings of the risk assessment from what was stated in the grantee self-assessment, the findings should be discussed with the applicant in more detail.

A formal risk assessment usually entails a visit to the applicant’s office, although a visit may be made at any time during the application process. During this visit, the Grants Manager and other AIP team members, as applicable, will meet with the applicant’s staff to learn more about the administrative and financial management systems, including overall systems, financial management practices and procedures, timesheets, travel, operations, monitoring and evaluation, etc. The Grants Manager will solicit and obtain:

* Copy of last annual financial report, income/losses report (balance) approved by licensed audit firm (if available);
* Grantee Self-Assessment (if not previously obtained)
* Copy of the organization's charter and by-laws (if first time applicant). If necessary, the Grants Manager may request at this stage the applicant to submit a list of members of the Board of Directors, summary of their role and functions in the organization, segregation of duties, and the applicable organizational policies, or other similar information instead of the full charters and by-laws.;
* Signed copies of the required certification package (if not previously obtained).

 Findings of the pre-award risk assessment will be compared with responses provided by the applicant within the grantee self-assessment.

The decision that a visit to the applicant’s organization to perform a pre-award risk assessment is not necessary must be made on the basis that sufficient information regarding the applicant has been collected, reviewed, and found satisfactory. This must be approved in writing by the COP or her designee. Sources of information could include, but are not limited to:

* Documentation provided to AIP by the applicant (audit reports, operations manual, travel and personnel policies, procurement policies, etc.);
* The applicant’s Self-Assessment;
* Reference checks performed by the Grants Manager or designee, and the technical advisors, if involved in the grant, and;
* Applicant’s history of receiving past USAID-funded grants or cooperative agreements. AIP must validate the applicant’s past performance reference information based on existing evaluations to the maximum extent possible, and make a reasonable, good faith effort to contact all references to verify or corroborate the following:
* How well an applicant performed;
* The relevancy of the work performed under the program;
* Instances of good performance;
* Instances of poor performance;
* Significant achievements;
* Significant problems; and
* Any indications of excellent or exceptional performance in the most critical areas.

 The information provided must allow Checchi to determine whether the applicant:

* Has systems that comply with USAID’s accountability and reporting requirements, including 2 CFR 200, Subpart E as applicable. If AIP determines the applicant's administrative and financial systems are not in compliance with USAID requirements, the applicant must adopt and implement the systems recommended by AIP to be eligible for a grant award, or propose and implement other mitigating measures;
* Has the ability to comply with the award conditions, taking into account all existing and currently prospective commitments of the applicant;
* Has a satisfactory record of performance. Past relevant unsatisfactory performance is ordinarily sufficient to justify a finding of non-responsibility, unless there is clear evidence of subsequent satisfactory performance, and;
* Has a satisfactory record of integrity and business ethics and is otherwise qualified and eligible to receive a grant under applicable laws and regulations.

Depending on whether the applicant has existing relationships with USAID or it is new to USAID, or whether it is US or a non-US NGO, different documents are required for a risk assessment as indicated below:

**Non-US Organizations that have been grantees or contractors under USAID or other US Government acquisition or assistance instruments.** In addition to references and the applicant’s Self-Assessment, the project may rely on the following information in order to make a risk assessment for a non-U.S. organization that has been previously determined responsible by USAID or another U.S. Government Agency:

* Audits performed in accordance with USAID regulations;
* Signed copy of the applicable statutory and regulatory certifications in ADS 303.3.8;
* Quality of the applicant’s history of performance on similar projects, including compliance with the terms and conditions of the funding agreement, and;
* Other information as may be necessary and appropriate.

**Organizations new to USAID or organizations with outstanding audit findings.** Before making any decision, the Grants Team shall conduct a thorough pre-award risk assessment. At minimum, the assessment must be based on the same considerations as in the paragraph above. The project must request the following information from organizations that fit in this category, when appropriate:

* Copies of the applicant’s audited financial statements for the last three-year period, which a certified public accountant or other auditor satisfactory to USAID has audited, if applicable and possible;
* Projected budget, cash flow, and organization charts, if possible; and
* Copies of applicable policies and procedures (for example, accounting, purchasing, property management, personnel), if the Grants Manger determines they are necessary.

Depending on the result of the risk assessment, the Grants Manager will make one of the following recommendations to the COP or her designee:

* The grant application is approved as presented;
* The grant application is not approved; or
* The grant application is approved in a reduced amount and/or specific conditions are imposed to mitigate risks.

The Grants Manager, in consultation with the COP, will determine the best grant instrument following the completion of the risk assessment. The project may consult with the HO if unsure how to proceed with a certain applicant.

The pre-award risk assessment will state what steps, if any, are necessary to bring the applicant's administrative and financial systems into full compliance with AIP and USAID standards for control and accountability of funds (i.e. specific conditions). Prior to disbursing the first advance or reimbursement tranche, the Grants Team will confirm whether the grantee has adopted and/or implemented the recommended systems and procedures, if any, in order to exercise effective control over, and accountability for, funds, property, and other program assets.

As a mandatory part of the pre-award risk assessment, the Grants Team must verify that the applicant does not appear as a terrorist or other denied party listed in OFAC Solution software and a copy of the verification must be included in the grant file for each grant. Additionally, three reference checks should be conducted prior to the execution of any grant agreement.

**High Risk Grantees and Specific Conditions.** Some local organizations and institutions may be considered as potential grantees but classified as high-risk grantees due to limited institutional capacity to manage funds. When partnering with these organizations, AIP will consider the potential risks associated with each grantee and work to mitigate these risks to the maximum extent possible. AIP staff will seek opportunities to provide direct support to these grantees including trainings, regular oversight, regular site visits, and hands-on assistance in areas such as financial management, organizational development and/or technical implementation.

Another way to mitigate risk is to choose the size and type of the grant agreement carefully. For example, a best practice for very high-risk grantees’ first grant is for certain parts of their grant to be provided in-kind, like procurement of goods, such that the grantee is not directly managing a large amount of funds. In addition, required participation in training activities is often mandated in the grant agreement as a specific condition.

The Grants Manager and relevant technical staff will work closely with high-risk grantees to develop and negotiate budgets to make sure the budget is reasonable and sufficient for the activity to be funded. For grantees without verifiable rates or experience creating an activity budget, AIP may use Checchi’s rate determination guidelines, the local compensation plan, and/or market data for salaries and frequent recurring costs to streamline the budgeting and negotiating process.

As a risk mitigation measure, AIP may impose specific conditions as defined in ADS 303.3.9.2, which can include requirements such as more frequent financial reporting, additional technical assistance, training, or others. In such instances, the conditions will follow the requirements outlined in ADS 303 and will be documented in the grant file and detailed in the grant agreement. Whenever possible, specific conditions must be for as limited a time period as necessary to mitigate the identified risks. Once the condition has been satisfied and its conditions have been fully met, the AIP COP or her designee may approve removing the condition via written modification to the award.