

Critical Ecosystem Partnership Fund Guidelines for Completing Project Risk Assessments

Introduction

This risk assessment model has been developed to assess whether a proposed recipient of a grant of more than \$20,000 is low, medium, or high risk so that appropriate monitoring and audit procedures can be applied.

The programmatic and financial risk assessment worksheets are not required for grants of \$20,000 or less unless the recipient cumulatively has grant funding for active projects from CEPF in excess of \$20,000. Regional Implementation Teams (RITs) will directly award all grants of \$20,000 or less in new regions opened for investment beginning in 2007. Each RIT will be directly responsible for evaluating the programmatic and financial risk of their grant awards and may use this risk assessment model as a tool to guide their assessments. All grants awarded with CEPF funding must be in compliance with the policies and procedures outlined in the CEPF Operational Manual, including all safeguard and social policies.

The assessment is divided into two parts to separate the programmatic assessment, which would be performed by the RIT, from the financial assessment, which a Conservation International (CI) finance staff member would conduct. Accordingly, there are two separate worksheets as follows:

- Programmatic Risk
- Financial Risk

Both worksheets pose a series of questions targeting the quality of the project design, the environment in which the organization works, the organization's internal financial control structures, and prior reporting capabilities (if the organization has had a prior CI grant). In both cases, a series of items are addressed to which the reviewer assigns a numerical value based on a determined points scale. These values are summed for each assessment to determine an overall risk ranking to be used by CEPF in determining what monitoring steps will be required to mitigate both the programmatic and financial risk. For grants of \$20,000 or less, RITs must require a final programmatic completion report and financial report and may reserve the right to require additional reporting on a case-by-case basis.

The assessment concludes with a Risk Ranking Summary Worksheet that shows the total risk rating for each part of the assessment. This will classify a given project as low, medium, or high risk on both a programmatic basis as well as a financial basis. Depending upon the organization's overall risk ranking total, the reviewers will require specific reporting requirements as detailed in the table below to adequately monitor the organization during project implementation. The specific reporting requirements are contractual obligations integrated into the Grant Agreement for each grantee.

The following sections provide additional detail on the four risk worksheets, the Risk Ranking Summary Worksheet, and how they are to be completed.

RISK ANALYSIS PROCEDURES

Section I – Programmatic Risk Worksheet

The programmatic risk assessment evaluates the quality of the project design and external conditions that could affect the organization's ability to complete its grant responsibilities. Considerations include the organizations experience and capacity, the proposed project's link to the Ecosystem Profile, the quality of the project design, safeguard issues, and the political climate in the region in which grant funds will be maintained.

Regional Implementation Teams complete the Programmatic Risk Worksheet, as they are the ones leading review of project proposals and communicating with potential grantees. They are also very familiar with the external environment surrounding the proposed project area and the other grant projects being funded as part of the larger strategy.

The assessment carries a maximum risk rating of 110 points. This rating will be used to determine any programmatic requirements to be placed on a particular grantee to ensure that the programmatic risk is mitigated. Quarterly or semi-annual progress reports will be required of all grantees depending on their rating.

Section II - Financial Risk Worksheet

This worksheet develops a risk ranking for an organization's control risk and financial reporting. It is meant to evaluate the adequacy of an organization's internal controls. This section assesses accounting controls described in the organization's responses to the Accounting Questionnaire for Critical Ecosystem Partnership Fund Grant Recipients.

A member of the CI Finance Staff completes this worksheet by selecting the appropriate item for each category. After rating all categories, the values are added and a score is placed at the end for a Total Financial Risk Ranking.

The following table is used to align risk levels and requirements for grants over \$20,000.

Total Dollar Amount		
Risk	\$20,001 - \$99,999	> \$100,000
Low	Financial reports due quarterly Progress reports due semi-annually	
	Audit if available	Annual Audit Required
Medium	Financial reports due quarterly Progress reports due semi-annually	
	Audit if available	Annual Audit Required
High	Financial reports due quarterly Progress reports due quarterly	
	Annual Audit Required	

CI reserves the right to request copies of the general ledger or receipts from any grantee in order to more closely monitor a project. Each year CI conducts selected financial and programmatic site visits and verifies coverage based on the risk levels and the dollar amounts.

Project Risk Assessment

SECTION I. PROGRAMMATIC RISK WORKSHEET

Organization:

Grant Number:

Assessment Performed By: _____ Date:

This worksheet develops a risk ranking for the programmatic risk related to the proposed grant project. It evaluates the quality of the project design, external conditions, and grantee institutional capacity that could affect the organization's ability to complete its grant responsibilities. Considerations include the organizations experience and capacity, the proposed project's link to the Ecosystem Profile, the quality of the project design, safeguard issues, and the political climate in the region in which grant funds will be maintained.

Regional Implementation Teams (RIT) complete this worksheet by selecting the appropriate item for each category. After rating all categories, the values are added and a score is placed at end for a Total Programmatic Risk Ranking.

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1. *Organization's Experience* – Relevant experience in the type of project proposed and location for proposed project.

Risk Level Organization's Experience

- ___0 Organization has a successful history of work in this project type and location.
- ___5 Organization is relatively new or is an offshoot of an experienced organization.
- ___10 Organization is new and inexperienced.
-

2. *Prior Experience With the Organization* - Program staff experience and knowledge levels of the organization.

Risk Level Prior Experience with the Organization

- ___0 Program Staff are very familiar with the organization and its principal officers.
- ___3 Program Staff have limited knowledge of the organization and its principal officers, but the grantee has a solid reputation in the field.

___6 Program Staff have limited familiarity with the organization and its principal officers.

3. *Management Turnover* – Frequency of Management turnover.

Risk Level Management Turnover

- ___0 Not aware of any significant management turnover.
___5 Organization has had a history of changes in management or internal struggles.
___10 A key manager has recently been removed or resigned; or the organization elects new management annually and prior management is not available for consultation.
-

4. *Link to Ecosystem Profile* – Proposed project’s link to the strategy articulated in the Ecosystem Profile.

Risk Level Link to Ecosystem Profile

- ___0 The proposed project has a clear link to the Ecosystem Profile and is well articulated in the proposal.
___3 The proposed project has a clear link to the Ecosystem Profile but is poorly articulated in the proposal.
-

5. *Project Design Elements* – Proposed project’s Purpose statement and Output strategy.

Risk Level Project Design Elements

- ___0 The proposed project has a clearly stated Purpose and a logical Output strategy to deliver that Purpose.
___5 The proposed project has a clearly stated Purpose, however, the Output strategy is questionable as to whether it will deliver the full impact of the stated Purpose.
___10 The proposed project has a potentially over-ambitious Purpose and Output strategy.
-

6. *Safeguard Policies* – Assessment of the Safeguard Policies.

Risk Level Safeguard Policies

- ___0 The Safeguard Policies have been fully addressed in the project proposal. Impacts are limited and Applicant has experience and capacity to implement safeguard measures.
- ___5 The Safeguard Policies have been addressed in the project proposal. There are some impacts with adequate measures proposed, but Applicant has limited experience implementing safeguard measures.
- ___10 There are significant impacts that are being addressed, but would require close attention and monitoring during implementation.
-

7. *Local Communities* – Assessment of Local Community Impacts.

Risk Level Local Communities

- ___0 There are no local communities in the project area or there are no potential conflicts between communities and project activities.
- ___5 There are some local communities in the project area but potential conflicts are few and addressed through project design and safeguard measures, if needed.
- ___10 There are many local communities in the project area. Potential for conflicts and adverse impacts are present.
-

8. *Stakeholder Consultation* – Extent of stakeholder participation in the design process.

Risk Level Stakeholder Consultation

- ___0 Stakeholders have been very involved in the project design process.
- ___3 There has been some involvement of stakeholders in the design process.
- ___6 There is little evidence of stakeholder participation in the design process.
-

9. *Sustainability Issues* – Long-term sustainability of the project objectives.

Risk Level Sustainability Issues

- ___0 The project clearly expresses the external risks associated with the project and describes how these risks will be mitigated. Also explains how project benefits will be sustained beyond the life of the project.

- ___3 The project clearly expresses the external risks associated with the project and describes how these risks will be mitigated. However, there is little explanation as to how the project benefits will be sustained beyond the life of the project.
- ___6 The project makes a limited attempt to assess the external risks associated with the project and does not clearly articulate how project benefits will be sustained.
-

10. *Political Risk* – Risk due to the political climate of the country(ies) in which grant funds will be maintained.

Risk Level Program Risk

- ___0 Relatively stable.
___5 Somewhat risky.
___10 High risk.
-

11. *Program Risk* – Risk due to the type of program being administered.

Risk Level Program Risk

- ___0 Program is relatively risk free; organization can operate openly.
___5 Program is risky; organization may be harassed by authorities or local factions.
___10 Program is high risk; program may be shut down by the government.
-

12. *Reporting Capabilities* – Organization’s ability to provide quality programmatic reports.

Risk Level Reporting Capabilities

- ___0 All proposal submissions have contained comprehensive information, been delivered on time, and have proven a high degree of organizational capacity.
___5 All proposal submissions have contained reasonably complete information, been delivered close to, or, on time, yet have indicate a potential lack of organizational capacity.
___10 All proposal submissions have required substantial consultation and assistance, delivery has not always been timely, and organizational capacity is in question.
-

13. *Additional Considerations* - exposure due to other considerations the Grant Manager is aware of.

Risk Level Additional Considerations

___0 No additional considerations which may affect the grant.

___1 3 6 9 Additional considerations (communication difficulties or satellite offices or activities) which may affect the grant are: (Please describe the situation and circle the appropriate ranking).

TOTAL RISK RANKING FOR PROGRAMMATIC RISK

===== (Total should not exceed 110 points)

FINANCIAL RISK WORKSHEET

Organization:

Location:

CI funding source (eg CEPF, GCF, USG, etc):

Proposed Award Amount:

Start Date:

End Date:

Type of Organization: US or Foreign

Organization's Fiscal Year:

Completed by:

Date:

Reviewed by:

Date:

This worksheet develops a risk ranking for an organization's controls and financial reporting. It is meant to evaluate the adequacy of an organization's internal controls. This section assesses accounting controls described in the organization's responses to the Accounting Questionnaire for Grant Recipients.

A member of the CI Finance Staff is to complete this worksheet by selecting the appropriate item for each category. After rating all categories, the values are added and a score is placed at end for a Total Financial Risk Ranking.

-
1. *Organizational context* – exposure due to the location, size, or relative newness of the organization

Risk Level Country or countries of operation

- 0 location is not inherently risky
- 1-3 location is facing low to moderate risk
- location is highly unstable; grant considered to be inherently **HIGH** risk

Risk Level Size of organization

- 0 organization has > 30 employees
- 1 organization has between 16-30
- 2 organization has between 11-15 employees
- 4 organization has between 5-10 employees

5 organization has fewer than 5 employees

Risk Level Age of organization

0 organization is older than 10 years

1 organization is 3-10 years old

3 organization is < 3 years old

Other organizational factors to note

- Recipient is foreign government entity: grant is rated high risk by definition: N Y
- Potential for conflict of interest or appearance of conflict of interest
(Eg: Member of organization is affiliated with CI; related to a CI employee; past employee of CI, etc)

Describe:

Steps to be taken to address this:

2. *Dollar Value of Proposed Grant* - exposure due to the size of this proposed grant.

Risk Level Size of Proposed Grant

0 0 - \$49,999

1 \$50,000 - \$99,999

2 \$100,000-249,999

4 \$250,000-499,999

6 Over \$500,000

Risk Level Proposed grant's portion of operating budget

0 <10%

1 10-30%

2 30-50%

- 4 50-75%
- 6 >75%

3. *Prior Experience with CI* – Exposure due to prior grant experience with CI

Risk Level Prior Experience with CI

- 0 The organization has had successful financial management results in previous CI grants.
- 2 The organization has had reasonable financial management results in previous CI grants with a few minor problem areas.
- 3 The organization is a first-time grantee
- 5 The organization has had poor financial management results in previous CI grants.

4. *Sources of Financial Support* - exposure due to the organization's lack of experience with U.S. Government, foreign government or multi-lateral funding.

Risk Level Sources of Financial Support

- 0 Significant U.S. Government/foreign government or multi-lateral funding. (>500K)
- 1-3 Some U.S. Government/foreign government or multilateral funding
- 5 No U.S. Government/foreign government or multilateral funding (at the time of the submission of the questionnaire.)

5. *Accounting System and Procedures* - exposure due to a weak accounting system and undocumented accounting procedures.

Risk Level Accounting System and Procedures

- 0 System of accounting appears to incorporate strong system of controls, including self balancing accounts (double entry), integrated system of accounts and the preparation of periodic financial reports.
- 1-3 System of accounting, as described indicates an average or weak system of controls.
- 4 System of accounting is not yet established - proposed accounting procedures describe a strong system of controls.

- 5 System of accounting is not yet established - proposed accounting procedures describe an average or weak system of controls. (Follow up required for organizations with weak controls - see Additional Considerations at the end of this form).
-

6. *Separation of Duties* - exposure due to the lack of separation of duties.

Risk Level Separation of Duties

- 0 adequate separation of duties - approval, custody of assets, and recording of transactions are properly segregated.
- 3 Due to size, segregation of duties is not possible. Based on organization's circumstances, current procedures are deemed adequate.
- 5 Organization has weak system of segregation of duties.
-

7. *Approval of Transactions* - exposure due to the lack of proper approval of transactions.

Risk Level Approval of Transactions

- 0 Transactions are properly approved by a responsible organization official.
- 5 Transactions are not approved by a responsible official, or there are no established procedures for securing prior approval of transactions.
-

8. *Supporting Documentation* - exposure due to the lack of maintaining invoices, vouchers and timesheets.

Risk Level Supporting Documentation

- 0 Invoices, vouchers and timesheets are maintained for all payments.
- 1-4 Circumstances may preclude maintaining invoices, vouchers and timesheets. These circumstances appear reasonable and should not pose a significant audit risk.
- 5 Circumstances may preclude the maintenance of invoices, vouchers and timesheets vouchers and timesheets. These circumstances may pose a significant audit risk.

9. *Audit Coverage* - exposure due to the lack of prior audits.

Risk Level Audit Coverage

- 0 Organization has regular (or recent) Government Auditing Standards Audits performed by an external auditor.
 - 1 Organization has regular (or recent) generally accepted auditing standards (or equivalent) audits performed by an external auditor.
 - 5 Organization does not have regular GAAS or GAGAS audits performed by an external auditor.
 - 10 Organization has never had an external audit.
-

10. *Monitoring Findings and Resolution* - exposure due to unresolved prior findings.

Only answer one of the following sections as appropriate:

10.a) First-time grantee that DID NOT submit the following financial information:

- 5 Financial Reports
- 5 Audit Report.

10.b) First-time grantee that submitted audits in conjunction with the Accounting Questionnaire.

Risk Level Audit Findings and Resolution

- 0 No findings identified in the audit.
- 3-5 Material/significant findings which relate to the organization's ability to administer a CI grant (i.e. deficiencies in internal controls, reconciliation functions, subgrantee monitoring, compliance with grant requirements, etc.).

10. c) Organizations from whom monitoring of previous CI grants have been received and reviewed but resolution has not yet been initiated.

Risk Level Monitoring Findings and Resolution

- 0 No prior monitoring findings.

Monitoring has been performed and indicates:

- 1 Non-material findings.
- 3-5 Material findings.

10. d) *Organizations for whom resolution has been initiated.*

Risk Level Monitoring Findings and Resolution

- 0 Grantee has satisfactorily responded to findings and agrees to implement corrective action.
 - 1-3 Resolution process has been initiated and grantee is expected to initiate corrective action.
 - 10+ Organization has ignored the resolution follow up letter, resists findings, or fails to implement corrective action.
-

11. *Subgrant/Subgrantee Monitoring* - exposure due to the organization's inability to properly monitor subgrantees.

Risk Level Subgrantee Monitoring: Procedures

- 0 No Subgrantee for this grant.
- 1 Subgrantee monitoring procedures deemed above average.
- 3-4 Subgrantee monitoring procedures deemed average.
- 5 Subgrantee monitoring procedures deemed below average or organization has little or no prior experience monitoring subgrantees.

Risk Level Subgrant Monitoring: number and size of grants

- 0 No subgrants for this grant.
 - 1 Few and/or small subgrants.
 - 3-5 Multiple subgrants and/or significant subgrants.
-

12. *Additional Considerations* - exposure due to other considerations Finance is aware of.

Risk Level Additional Considerations

 0 No additional considerations that may affect internal controls.

Indicate any additional considerations that may affect the internal controls of the organization. Describe the situation and indicate an appropriate risk ranking.

TOTAL POINTS FOR FINANCIAL RISK

=====

Additional Notes:

FINANCIAL RISK SUMMARY

Based upon the totals points (from previous page), place a check mark next to the appropriate risk ranking and refer to the financial risk chart for monitoring requirements.

- 0 to 25 **Low Risk**
- 26 to 50 **Medium Risk**
- >50 **High Risk**

RISK RANKING SUMMARY WORKSHEET

Organization: _____

Grant Number & Amount: _____ Date: _____

This worksheet is used to develop the final risk ranking for the organization. Transfer the worksheet totals from the two detailed worksheets onto this summary worksheet. Worksheet totals should not exceed those indicated below:

Risk Ranking

Description

TOTAL RISK RANKING FOR PROGRAMMATIC RISK

Should not exceed 110 points

TOTAL RISK RANKING FOR FINANCIAL RISK

Based upon the above totals, place a check mark next to the risk model's assessment of the organization.

PROGRAMMATIC RISK

FINANCIAL RISK

_____ 0 to 12 Low Risk

_____ 0 to 25 Low Risk

_____ 13 to 50 Medium Risk

_____ 26 to 50 Medium Risk

_____ 51 to 110 High Risk

_____ > 50 High Risk

Based upon the organization's total risk ranking, place a check mark on the next page for the type of organization and the monitoring to be performed.

PROGRAMATIC & FINANCIAL RISK CHART FOR GRANTS > \$20,000

Total Dollar Amount		
Risk	\$20,001 - \$99,999	> \$100,000
Low	Financial reports due quarterly Progress reports due semi-annually	
	Audit if available	Annual Audit Required
Medium	Financial reports due quarterly Progress reports due semi-annually	
	Audit if available	Annual Audit Required
High	Financial reports due quarterly Progress reports due quarterly	
	Annual Audit Required	

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TYPE OF ORGANIZATION

- _____ U.S. Grantee
- _____ Foreign Grantee