

Risk Assessment

The purpose of risk assessment is two-fold.

1. To estimate the likelihood an Area Agency on Aging (AAA) will not or has not met compliance standards with federal, state and departmental rules, regulations, policies and procedures.
2. To reduce or eliminate the identified risk.

Risk is the likelihood a AAA will not or has not met compliance standards with federal, state and departmental rules, regulations, policies and procedures in the areas of Contract Management, Fiscal Accountability, Program Management, Performance Analysis, and the Ombudsman program.

Risk assessment is the process of reviewing the elements of AAA activity and assessing the mechanisms used by a AAA to determine its risk in meeting federal, state and departmental rules, regulations, policies and procedures.

Risk exposure elements common to all AAAs are:

- Financial – All areas susceptible to error, default, or illegal activity which affect the financial statements, and the integrity, safekeeping and monitoring of assets to ensure accountability for the expenditure of public funds.
- Regulatory - The AAA maintains compliance with rules and regulations mandated by local, state and federal authorities.
- Environmental - External circumstances and resources are managed to maximize stability and efficiency of a AAA.
- Service provision - Services are provided in compliance with all local, state and federal requirements, policies and procedures and clients are served through the most appropriate and effective means.

Options for solutions to reduce risk are focused on identified risk issues. It is understood DADS Access and Assistance – Area Agencies on Aging (DADS A&I/AAA) staff provide on-going technical information and assistance to AAA staff during the processing of reports (request for reimbursements, budgets, performance measure testing, etc.) received from the AAA, and questions received through the Help Desk. This type of assistance is outside the scope of the Options for Solutions to Reduce Risk process. Standard options available to the Department to reduce AAA risk factors are:

1. Additional desk reviews
2. Required corrective action plans
3. Written technical assistance instructions
4. Technical assistance to AAA staff on specified issues provided at the Department, on-site at the AAA, at an off-site training or meeting, or through a conference call
5. On-site monitoring, and

6. Training developed for AAAs based on trends identified through DADS day-to-day operations and oversight.

The use of options to reduce risk is not limited to the highest scoring AAAs. Options can and should be used by Department staff whenever a specific risk is identified and the use of an option is warranted.

When a risk factor is applicable to multiple AAAs, a network-wide solution may be required. The most common method of network-wide options available to the Department to reduce common risk factors are:

1. Technical Assistance Memorandum
2. Program Instructions
3. Network Training
4. Network conference call

Process Overview

The informal risk assessment process is ongoing. The formal review of the assessments of all 28 area agencies is conducted annually. Throughout the state fiscal year DADS A&I-AAA and Ombudsman staff collect and compile information relevant to the risk assessment.

DADS A&I-AAA key function areas include: Contract Administration, Fiscal and Program Oversight, and Performance Measurement. The State Ombudsman Office contributes an assessment of risk for each AAA Ombudsman Program.

DADS A&I-AAA staff review risk factors in all key function areas for all AAAs during the state fiscal year. Each DADS A&I-AAA and Ombudsman Coordinator contributes to the risk analysis through the use of the risk assessment tool. *Attachment A* contains the copies of the current risk assessment tools. Each risk assessment tool lists the risk factors, risk factor components, risk measures and weighting of each risk factor. The tool allows each Coordinator to quantify risk in his/her functional area of expertise through the assignment of weighted numerical risk measures relevant to factors of each functional area.

Different risk factors may be applicable at different periods of the year and new risk factors may be identified at any time. The tool also provides the Coordinator with the opportunity to list concerns not specifically listed on the tool.

Risk may be reported in the state fiscal year the AAA assessment is completed or held until all AAA assessments are complete. Examples of this process are:

- The Fiscal Coordinators review requests for reimbursement as part of an ongoing process. The Fiscal Coordinators are the only reviewers of the request for reimbursement. An assessment of risk on each AAA is tracked weekly and reported each year.
- The Quarterly Performance Report (QPR) is submitted by the AAAs in the month following the end of the quarter. The Performance Analyst reviews the QPRs for state performance measure variances. The Performance Analyst is the only reviewer

for state performance measures. The annual review of performance is posted in the annual risk assessment in the completed state fiscal year.

- The AAA contract closeouts are received the end of November and are reviewed by three reviewers, Fiscal Coordinators, Program Coordinators, and Reports Coordinator. The Program Coordinators and Reports Coordinator conducts close out reviews at the completion of the fiscal review. The reporting of risk is held until all reviewers have completed the closeout process. The risk assessment based on the prior year closeout reports is reported in the current year risk assessment.

The DADS A&I-AAA and Ombudsman staff enter the numerical risk score of each functional area for each AAA into a matrix containing all AAAs, prior to the last day of the month following the end of the state fiscal quarter. The risk assessment coordinator reviews the matrix to ensure all Coordinators have entered information. The risk assessment coordinator generates a worksheet listing the AAAs in order of scoring from highest to lowest and updates worksheets comparing current risk assessment to prior years. Examples of the AAA Risk Assessment-SFY and historical high risk reports are included in *Attachment B*.

The identified risk factors for each of the five highest scoring AAAs are listed on the AAA History of Risk report. Options used to reduce risk for all AAAs are also listed on the report. The report compiles the number of repeated issues, areas of risk, and the number of times an option was used to reduce risk. An example of the report is included as *Attachment C*.

The A&I-AAA section maintains a Monitoring, Performance Measure Testing (PMT), and Desk Review Schedule, see *Attachment D*. The schedule is based on a three year review cycle.

The A&I-AAA and Ombudsman staff conduct the formal review of all compiled information the second month following the end of the state fiscal year. The review focuses on the five highest scoring AAAs. The review includes the information gathered in *Attachments A, B, C and D*.

After reviewing the five highest scoring AAAs, coordinators may address any concerns they have regarding other AAAs. Staff who are unable to attend the risk assessment meeting are expected to provide copies of their risk assessment tool prior to the meeting.

Risk Assessment Outcomes

Based on the formal review staff determines if action needs to be taken and, if needed, which option to reduce future risk will be used.

Risk Assessment Documentation

All risk assessment documentation and workbooks are filed electronically. Documentation of AAA risk is filed by the staff member assessing the risk. The documentation location is G:\AAA\{Fiscal Year}\{AAA Name}\Risk Assessment\{Key Function Area}\document. Documentation may be in the form of e-mails, workbooks, scanned document, notes, etc.

The risk assessment tools (*Attachment A*) location is G:\OASO\Risk Assessment\{Fiscal Year}\{Key Function Area}. The matrix of all risk assessments (*Attachment B*) is located in G:\OASO\Risk Assessment\{Fiscal Year}\Table of MeansSFY.xls. The history of risk (*Attachment C*) workbook location is G:\OASO\Risk Assessment\ HistoryOfAAARisk.xls. The monitoring, PMT, and desk review schedule (*Attachment D*) location is G:\OASO\Monitoring_PMT_Area Plan schedule.xls.