



Frequently Asked Questions

Financial Risk Assessment Questionnaire

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What is the purpose of the Financial Risk Assessment Questionnaire?

The purpose of the Financial Risk Assessment Questionnaire is to help CDPHE determine the appropriate level of monitoring and technical assistance an organization may need and to meet its responsibility of [§200.332 Requirements for pass-through entities](#).

Who should complete this form?

The Financial Risk Assessment Questionnaire should be completed by the person with the most knowledge of the entity's accounting system.

An agency applies for multiple grants from CDPHE each year. Does the agency have to complete this form each time?

This form needs only be completed once in a 12-month period. However, if any of the information contained in the questionnaire changes over the course of the year, the agency must update the form and submit the updated form with the new application or proposals. The updated form is valid for 12 months from the time it is signed and dated.

When completing the Financial Risk Assessment Questionnaire, is CDPHE looking at our agency on the national, regional or local level?

The Financial Risk Assessment Questionnaire should be completed by the level of the agency CDPHE is contracting with on the project. The agency requested to complete the form is the one that is:

- ✓ Preparing and submitting invoices to CDPHE
- ✓ Monitoring the programmatic work
- ✓ Submitting all required reports/deliverables to CDPHE
- ✓ Has the internal controls to ensure compliance with contract language, state rules, and the Federal Uniform Guidance

Q1: What is the total annual operating budget?

The total annual operating budget is a combination of known expenses, expected future costs, and forecasted income over the course of a year. Annual operating budgets are completed in advance of the accounting period, which is why they require estimated expenses and revenues.

Q3: How many years has the agency been doing business?

A legal entity is an association, corporation, partnership, proprietorship, trust, or individual that has legal standing in the eyes of law. A legal entity has legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued in its own right, and to be held responsible for its actions.

Q4: What is FTE?

The Full Time Equivalent (FTE) - is the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees.

On an annual basis, an FTE is considered to be 2,080 hours, which is calculated as:

$$\begin{aligned} & 8 \text{ hours per day} \\ & \times 5 \text{ work days} \\ & \text{per week} \times 52 \\ & \text{weeks per} \\ & \text{year} \\ & = 2,080 \text{ hours per year} \end{aligned}$$

When a business employs a significant number of part-time staff, it can be useful to convert their hours worked into full time equivalents, to see how many full-time staff to which they equate. The FTE concept is used in a number of measurements that compare headcount to revenues or square footage. Please refer to the following example:

There are 2,080 working hours in the year, and the GHI Company staff works 22,880 hours during that year. When 2,080 working hours are divided into 22,880 hours, the result is 11 FTEs.

The 2,080 figure can be called into question, since it does not include any deductions for holidays, vacation time, sick time, and so forth. Alternative measures of FTE that incorporate these additional assumptions can place the number of hours for one FTE as low as 1,680 hours per year.

If a business intends to use 2,080 hours rather than some lower figure as the basis for its FTE calculations, this is considered a theoretical standard; that is, an amount that can only theoretically be met by someone who works through all holidays, takes no sick time, and does not take any vacation time.

Q5: What are significant changes in key personnel or accounting systems?

Key positions are relevant to the size of an entity. A significant change in key personnel would be an individual critical to the agency or project. A change in the accounting system may be the software package that maintains the financial information, changes to the method of accounting, and significant processes or policies.

Q6: What is the agency's fiscal year end?

The fiscal year end is the completion of a one year or 12 month accounting period. An agency's fiscal year may differ from the calendar year and may not close on December 31st due to the nature of the agency needs.

Q7: Does the agency have employee fidelity bond/insurance coverage?

A fidelity bond is a form of insurance protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. Fidelity bond usually insures an organization for losses caused by dishonest acts of its employees.

Q11: What is a fiscal agent?

A fiscal agent is an established Internal Revenue Service (IRS) 501(c)(3) tax-exempt organization that agrees to accept donations/funding/grants on behalf of a group that does not have IRS tax exemption. Under this arrangement, a charitable group can get more funding to perform its mission. The fiscal agent acts on behalf of another party performing various financial duties.

A fiscal agent differs from a Lead Agency in that a lead agency applies for funding from CDPHE, for partnership with another community agency. The lead agency will subcontract the partnering agency(cies) on the project to receive their funding through the lead agency. The partnering agencies commit to helping advance the goals of the proposed application.

Q12: What is a subaward?

A subaward is a document written under the authority of, and consistent with the terms and conditions of an award (a grant, contract or cooperative agreement), that transfers a portion of the project of the prime award to another organization. An award given to an organization who then gives it to another organization.

Q14: What is an audit under Generally Accepted Auditing Standards (GAAS)?
GAAS are the minimum standards used for auditing private companies and includes General Standards, Standards of Fieldwork and Standards of Reporting.

Q15: What is a Single Audit?

A Single Audit is an organization-wide financial statement and federal awards' audit of a non-federal entity major federal programs for an agency that expends \$750,000 or more of federal funds in one year.

An agency that receives an Office of Management and Budget (OMB) Single Audit will have their major programs audited and any audit findings will be reported to the Federal Audit Clearinghouse (<https://harvester.census.gov/facweb/default.aspx/>) as part of the Single Audit reporting package.

Q16. What is GAAP?

Generally Accepted Accounting Principles (GAAP) are a common set of accounting principles, standards and procedures that companies follow when they compile their financial statements. There are many principles, some of which are:

- ✓ **Consistent information** - Is prepared using the same methods each accounting period.
- ✓ **Reliable information** - Is verifiable and objective.
- ✓ **Relevant information** - Helps a decision maker understand a company's past performance, present condition, and future outlook so that informed decisions can be made in a timely manner.
- ✓ **Accrual basis accounting** - Which adheres to the revenue recognition, matching, and cost principles discussed below, captures the financial aspects of each economic event in the accounting period in which it occurs, regardless of when the cash changes hands.
- ✓ **Cost principle** - Assets are recorded at cost.
- ✓ **Matching principle** - The costs of doing business are recorded in the same period as the revenue they help to generate.
- ✓ **Revenue recognition principle** - Revenue is earned and recognized upon product delivery or service completion, without regard to the timing of cash flow.

Q18: What is source documentation to support costs?

Documentation to support costs incurred consists of original records containing the details to substantiate a transaction entered into an accounting system such as bank statements, cash register tape, credit card receipt, packing slip, sales order, invoice, time card, etc. Supporting documents are typically retained for use as evidence when auditors later review a company's financial statements and need to verify that transactions have, in fact, occurred.

More information about source documentation and examples may be found on the Invoice Documentation Checklist IA 01 2021.

Q20: What is a review process?

A review process is an assessment or examination of documents to ensure accuracy or institute change if necessary. During the process one may look to make sure expenses are recorded in the correct reporting period, expenses are allowable, allocable and are reasonable, and that the cost is supported by documentation.

Q21: What are Internal Controls?

Internal Controls are procedures or processes put into place to safeguard assets and ensure the accuracy of reporting. Proper internal controls are key to ensure that appropriate controls are in place and performed. Internal Controls include but are not limited to segregation of duties, adequate documentation/records, effective information systems, formal ethical policies and procedures, clearly defined job roles and responsibilities, cash disbursements, cash receipts, and inventory.

Internal controls come in many forms and may include the following examples: A board of directors oversees the entire organization and provides governance over the management team. Auditors routinely examine all processes looking for risks that can be corrected with new controls or by modifying existing controls, processes are in place so that more than one person is involved in each process, access to computer records is restricted, and assets are secure when not being used.

Q22: What is a cost reimbursement contract?

A cost reimbursement contract is a contract under which allowable and reasonable costs incurred by a contractor/grantee/subrecipient during the period of performance are reimbursed in accordance with the terms of the contract.

- ✓ **An allowable cost** - an expense that is included in the executed contract and approved budget.
- ✓ **A reasonable cost** - a price that is consistent with what a reasonable person would pay in the same or similar circumstances for the same business or for the same or similar item.

As a reminder it can take up to 45 days to receive reimbursement from CDPHE once invoice has been reviewed and accepted.

Q23: Does the agency have a time and effort reporting system?

A time and effort reporting system supports the distribution of an employee's salary or wages among awards (funding sources) or splits time between Federal and non-Federal activities, specific activities or objectives if the employee works on more than one project.

Q24: What is an oversight committee/board and do they review financial reports?

An oversight committee or board are members elected to govern an entity and look after the stakeholders' interests. Members of an oversight committee/board might not be engaged in the day to day operations of an entity. An oversight committee/board can set company or agency policy, direct the overall direction of the entity, monitor performance including finances, or be advisory in nature.