

Section 10.1.2: High-Risk Tiers

The High Risk Designation Coordinator (HRDC) uses a four-tier system to classify subrecipients when making high-risk designations. Examples, issues, and potential recommended actions at each tier level are included below.

Tier Level	Example Issues	Potential Recommended Actions for Tier Level
I	Subrecipients that are not responsive to requests for corrective action plans or other documentation to address audit findings in Single and subgrant audit reports, financial monitoring reports, or programmatic monitoring reports. AUTOMATIC: Subrecipients that have open Single and grant audit reports that have been open more than 6 months after the issuance of the audit report.	Subrecipient may be subject to increased financial or programmatic monitoring. Subrecipient may be required to submit additional ad-hoc financial and/or programmatic reports to ensure issues are addressed and appropriate controls are implemented. Subrecipient may be required to submit monthly status reports regarding corrective action efforts to address Single and subgrant audit findings.
II	Substantial amount of questioned costs identified through audits or monitoring. Subrecipients that have open Single and subgrant audit reports that have been open more than one year after the issuance of the audit report.	Any Tier I action may be imposed, plus: Subgrant funds may be frozen for the subgrant(s) affected. Pending discretionary subgrant applications within any State of Arizona agency may not be awarded. Special condition may be added to new subgrants to disburse funds on a reimbursement only basis. Collection of questioned costs may be pursued through Treasury Offsets.
III	Subrecipients that have open Single and subgrant audit reports that have been open more than two years after the issuance of the audit report. Ongoing investigation or audit with significant preliminary issues related to State of Arizona agency subgrant funds.	Any Tier I or Tier II actions may be imposed, plus: All State of Arizona subgrant funds shall be frozen. Pending discretionary subgrant applications within any State of Arizona agency shall not be awarded without a special condition to withhold funds (no obligation or drawdowns) until issues are resolved.

IV	Court has determined that the organization fraudulently used State of Arizona subgrant funds.	All State of Arizona subgrant funds shall be frozen.. Collection of questioned costs may be pursued through treasury offset or court.. Subrecipient and/or specific subgrantee officials may be recommended to the HRDC, Designated Grant Procurement Code Lead, and/or ADOA Director for suspension or debarment for formal government-wide suspension or debarment.
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