
Financial Monitoring Techniques



Bonnie M. Janicki – Corporation for National Community Service

Ensuring Compliance and Minimizing Audit Issues Through Monitoring

or

“what you don’t know CAN hurt you”

Session Objectives

- Understand grantee's responsibilities
 - Increase knowledge of monitoring principles & focus areas
 - Identify and understand frequently found issues
 - Understand various methods, tools, and available resources
 - Be able to apply monitoring knowledge and information to reduce compliance and audit issues
-

Session Outline

- Introduction
 - Key Principles & Focus of Monitoring
 - Small Group Exercises
 - Questions & Answers
 - Wrap Up
-

Key Principles and Focus of Subgrantee Monitoring

- Purpose of Monitoring
 - Grantee Responsibilities
 - Effective Monitoring Strategies
 - Risk Assessment & Monitoring Methods
 - General Areas to Review
 - Frequent Monitoring and Audit Issues
-

Purpose of Subgrantee Monitoring

- Understand and assess financial and management systems and capabilities
 - Ensure compliance with rules, regulations, and requirements
 - Safeguard federal funds against fraud, waste, and abuse
 - Help identify potential audit issues
 - Identify technical assistance and training needs
 - Identify needed improvements
 - Follow up on issues or corrective actions
-

Grantee Responsibilities

- Grantee *Retains Overall Responsibility*

- ↳ Even though grantee is subgranting federal funds ↳

- Appropriate award documents and requirements
 - Program, financial, and management oversight
 - Award monitoring and compliance
 - Issue identification, reporting, and resolution
 - Possible liabilities and cost disallowances
-

Effective Monitoring Practices

- Subgrant – Develop detailed agreement that defines expectations and roles of both parties
 - Accountability and Reporting – Clarify expected level and requirements
 - Training and Technical Assistance – Identify needs and invest time to orient and train subgrantees; provide training on requirements consistently and continuously; provide assistance as needed
 - Best Practices – Identify and share to increase effective management
 - Risk Assessment – Conduct pre-award and post-award to identify levels of risk
 - Monitoring Methods – Conduct continuous and scheduled as appropriate
-

Risk Assessment & Monitoring Methods

Risk Assessments

- Pre-award and Post-award
- Consider Risk Factors and Identify Level of Risk

Monitoring Methods

- Consider Need, Level of Risk, Available Resources, and Frequency
- Utilize Range of Activities
 - Continuous / Routine and Scheduled
 - Office-Based / Off-Site and On-Site

(Examples - desk reviews, phone calls, emails, financial reports, audit and other report reviews, approval requests, memos, letters, meetings, conferences, trainings, technical assistance, on-site reviews)

Categories of Monitoring & Audit Issues

Questioned Costs

- Check for unallowable, unnecessary, unsupported

Compliance

- Check for non-compliance with grant or regulatory requirements or policies and procedures

Internal Controls

- Check for weaknesses that affect safeguarding of funds and grant compliance such as in systems, policies, procedures, and practices
-

General Areas to Review

- **Financial Accounting System** - Adequate, generally accepted accounting principles
 - **Award and Regulatory Requirements** - Understanding, compliance
 - **Policies and Procedures** – Written, adequate, followed
 - **Internal Controls and Segregation of Duties** - Adequate
 - **Expenditures** – Appropriately documented, recorded, allocated, allowable
 - **Personnel Time and Activities** - Appropriately documented and allocated
 - **Match (cash and in-kind)** – Appropriately documented, recorded, allocable
 - **Financial Reports** – Internal and external; drawn from and supported by accounting records
 - **Member Files** – Complete, eligibility, time records, service, forms
 - **Source Documentation** – Clear, retained, sufficient audit trail for all transactions
-

Frequent Monitoring & Audit Issues

ADMINISTRATIVE COSTS

Budgets and Reports

- ❑ Missing documentation
- ❑ Difference in financial reports and accounting records (don't track back or reconcile)
- ❑ Costs not included or approved in budget
- ❑ Drawdowns in excess of cash needs
- ❑ Duplicative costs
- ❑ No comparison of budgeted to actual expenditures
- ❑ Major variances between budgeted and actual expenditures

Questioned or Unallowable Costs

- ❑ Missing or improper documentation
- ❑ Costs paid before or after grant period
- ❑ Non-compliance with applicable cost principles

Expenditures

- ❑ Not properly documented, recorded, or tracked
-

Frequent Monitoring & Audit Issues *cont.*

Travel, Contractor, and Consultant Costs

- ❑ Not justified or supported
- ❑ Consulting rate exceeds maximum allowed
- ❑ Reimbursement inappropriate

Segregation of Costs

- ❑ Not segregated by direct/administrative, by grant, or grant year

Lobbying and Public Relations

- ❑ Public Service Announcements (PSAs)

Training Costs

- ❑ Exceeded 20%

Administrative Costs

- ❑ Exceeded 5%
- ❑ Charged to program costs
- ❑ Indirect costs charged an unapproved, outdated, or inappropriate rate

Accounting System

- ❑ Entries, transactions, and amounts not supported by source documentation
-

Frequent Monitoring & Audit Issues *cont.*

Audit Reports

- ❑ A-133 and other subgrantee audits not received, tracked, reviewed, or followed-up

Non-Compliance

- ❑ Federal rules, regulations, and requirements
- ❑ Grant requirements and provisions
- ❑ Own policies and procedures

Sub-Recipient Monitoring

- ❑ Inadequate oversight
- ❑ Not ensuring sub-recipient is not barred from doing business with the government

Systems and Controls, Separation of Duties, Internal Controls

- ❑ Inadequate

Reconciliations

- ❑ Not performed or not performed on a timely basis

Property

- ❑ No property management system
 - ❑ Lack of information about inventory
 - ❑ Property listing incomplete
-

Frequent Monitoring & Audit Issues *cont.*

Personnel Costs

- ❑ Staff time sheets/records not signed/certified by individual or supervisor
- ❑ Staff time not properly documented and allocated to various activities (cost centers)
- ❑ Charges and costs not based on actual after-the-fact records, but on budgeted or pre-established amounts or percentages
- ❑ Time records do not comply with applicable OMB cost principles

Match (Cash and In-Kind)

- ❑ Shortfall
- ❑ Source not identified
- ❑ Not properly documented, recorded, or tracked
- ❑ Missing or improper source documentation
- ❑ Allocation – systems did not track
- ❑ Valuation – reasonableness – relation to award
- ❑ Inadequate system of tracking match expenditures

Financial Reports

- ❑ Examples: Financial Status Reports (FSRs), Periodic Expense Reports (PERs)
 - ❑ Delinquent – not submitted or late
 - ❑ Inaccurate -- math errors, mistakes from previous periods, needed revisions
 - ❑ Don't reconcile with or track back to accounting records
 - ❑ Report budgetary data rather than actual expenditures
 - ❑ Report same amount each report or 1/12th of one year's budget
-

Frequent Monitoring & Audit Issues *cont.*

MEMBER COSTS

Living allowances

- ❑ Eligibility for service – citizenship, high school diploma, age verification
- ❑ Criminal background checks
- ❑ Missing, incomplete, or improper timesheets
- ❑ Timesheets not signed by member or site supervisor
- ❑ Improper living allowances – excess, hourly basis, after exiting, employee

Stipend

- ❑ Failure to pay at current rate
- ❑ Misapplication of FICA

Education awards *(also see above)*

- ❑ Service hours – unsupported, insufficient, before or after award, time records and WBRS inconsistent

Member files

- ❑ Incomplete or missing records, documentation, or forms
-

Frequent Monitoring & Audit Issues *cont.*

KEY OVERRIDING ISSUE:

↙ **DOCUMENTATION** ↘

- Needed for All Financial Entries
 - Common Problems:
 - Does not support charges or transaction
 - Missing
 - Inadequate
 - Improper
 - Records or files not retained
-

Small Group Exercise

Topics:

- **Financial Reporting**
- **Match**
- **Personnel Costs**
- **Member Costs**
- **Documentation**

Exercise Questions:

1. **What issues could be identified with your identified topic?**
2. **What are the implications of the issues identified?**
3. **How would you detect the issues? What monitoring approach(es) would you use to detect the issues?**
4. **What would be needed to prevent or correct the issues?**

Questions & Answers

Electronic copies of this material can be found at The
Resource Center

<http://nationalservicerresources.org/>

Search for Financial Accountability Seminar

Thank You for Joining Us

*Please Complete and Return Your
Evaluation Forms*

