



Financial Monitoring of Subgrantees

Corporation for
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SERVICE 



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You need to know . . .

The information in this session is based on CNCS and Federal laws, rules, and regulations; CNCS grant terms and provisions; and generally accepted accounting and financial principles and practices.

Some state commissions, national grantees, or parent organizations may impose additional requirements.



Welcome . . .

- Introduction of trainer and CNCS staff
- Program types represented
 - Senior Corps, AmeriCorps, SIF, NCB, 9/11, MLK
- Questions
 - As we go . . . ask clarifying questions and provide your experiences
 - Questions at the end as time permits
- We will do small group activities as time permits



Activity

See Activity 1

While settling in, please complete the

True – False Activity

(Answers will not be graded, but we will review them at the end of the session)



Session Objectives

1. Understand monitoring purposes and grantee's responsibilities
2. Increase knowledge of monitoring principles and key review areas
3. Understand risk-based approach to monitoring
4. Identify and understand frequently found issues
5. Understand various methods, tools, and available resources



Session Outline

- Purpose of monitoring
- Grantee responsibilities
- Keys to effective monitoring
- Risk assessments
- Monitoring methods and tools
- Basic areas to review
- Frequent issues
- Small group activities
- Monitoring resources



Purpose of Financial Monitoring

- ❑ Ensure compliance with rules, regulations, and requirements
- ❑ Safeguard Federal funds against fraud, waste, and abuse
- ❑ Help identify actual and potential issues
- ❑ Identify technical assistance and training needs
- ❑ Ensure follow-up on issues and corrective actions



Grantee Responsibilities

Even though grantee is subgranting Federal funds

Grantee Retains Overall Responsibility

- Appropriate award documents and requirements
- Program, financial, and management oversight
- Award monitoring and compliance
- Issue identification, reporting, and resolution
- Possible liabilities and cost disallowances
- Possible repayment of unallowable or disallowed costs



Keys to Effective Monitoring

- ❑ **Subgrant** – Develop detailed agreement that defines expectations and roles of both parties
- ❑ **Accountability and reporting** – Clarify expectations on frequencies and requirements
- ❑ **Training and technical assistance** – Identify needs and invest time to orient and train subgrantees; provide assistance as needed
- ❑ **Best practices** – Identify and share effective practices with others to increase effective management
- ❑ **Risk assessment** – Conduct pre-award and post-award assessments to identify levels of risk and monitoring priorities
- ❑ **Monitoring methods** – Conduct continuous and scheduled monitoring using appropriate methods and tools



Risk Assessment

- ❑ A careful, consistent process to examine factors that could cause financial or other harm to your programs
- ❑ Consider risk factors and identify level of risk or monitoring priorities
- ❑ Consider factors in: organizational, award, financial, compliance, program and other areas
- ❑ Consider risks prior to making award and during award period
- ❑ Consider appropriate methods/techniques to minimize and monitor risks through a risk-based monitoring system



Risk-Based Monitoring System

A written approach for assessing risks of subgrantees and determining appropriate strategies for monitoring them

- ❑ Establish appropriate risk factors to be considered
- ❑ Assign weights to various factors
- ❑ Review factors for each subgrantee
- ❑ Establish risk level for each subgrantee, e.g., H, M, L or 1, 2, 3
- ❑ Review and adjust risk levels as changes occur
- ❑ Consider need, priorities, available resources, and frequency for monitoring
- ❑ Determine appropriate monitoring strategy and develop a plan for each subgrantee



Risk Assessment Factors (examples)

- ❑ Organization, key financial and management experience with CNCS grants – staff & other changes
- ❑ Results of financial system survey/assessment
- ❑ Timeliness & accuracy of financial reports
- ❑ Meeting budgeted and minimum match
- ❑ Date and results of prior monitoring & compliance
- ❑ Appropriateness/timeliness of corrective actions
- ❑ Results of A-133 or other audits
- ❑ Programmatic factors



Monitoring Methods & Plan

Methods

- ❑ Desk Reviews – office based
- ❑ Site Visits – on-site monitoring at subgrantee
- ❑ Other – phone calls, emails, financial reports, audit and other report reviews, approval requests, memos, letters, meetings, conferences, trainings, technical assistance

Plan

- ❑ Identifies monitoring method(s) and tools to be used for each subgrantee, as well as frequency and emphasis, if any



Monitoring Tools

- ❑ Written checklist/questionnaire grouped by subject area with specific review items or elements
- ❑ Standardized, used consistently, updated as needed
- ❑ Includes: name of subgrantee, date, name of reviewer, items reviewed and results of review
- ❑ Identifies needed or recommended actions and due date based on review findings
- ❑ Copy of completed tool and results provided to subgrantee and maintained by grantee in file and used for follow-up



Basic Financial Areas to Review

- ❑ Financial reports from subgrantees
- ❑ Identification of expenses to support reimbursement requests
- ❑ Supporting or source documentation for specific expenses and match
- ❑ Internal Controls – written policies and procedures, e.g. grievance procedures, criminal background check procedures, general organizational controls
- ❑ A-133 and other audit reports
- ❑ Other reports, e-mails, correspondence, files



General Document Review

Review each document for:

- Appropriateness
- Accuracy
- Timeliness
- Expected content and format and meeting requirements
- Appropriate approvals
- Other relevant, current or frequent issues
- Identification of follow-up monitoring needed



Key Site Visit Review Areas

- ❑ **Financial accounting system** — Adequate, generally accepted principles
- ❑ **Award and regulatory requirements** — Awareness of, understanding, compliance
- ❑ **Grantee policies and procedures** — Written, adequate, followed
- ❑ **Internal controls and separation of duties** — Written, adequate, followed
- ❑ **Expenditures** — Appropriately documented, recorded, allocated, allowable



Key Site Visit Review Areas (cont'd)

- ❑ **Personnel time and activities** – Appropriately documented and allocated
- ❑ **Match (cash and in-kind, if applicable)** – Appropriately documented, recorded, allocable
- ❑ **Financial reports** – Internal and external; supported by accounting records
- ❑ **Participant files, if applicable** – Complete, eligibility, time records, service, forms, prohibited activities, other
- ❑ **Source documentation** – Clear, retained, sufficient audit trail



Additional Review Areas

- **Transparency Act** – Grantee’s FFR (AmeriCorps only) must include:
 - Amount and source of other Federal funds used under grant, including subgrantees
 - Need to obtain/verify this information from subgrantees
- **Host Sites/Placements** – Check participant files, including participant and supervisor time sheets to confirm accuracy in reporting and appropriate participant activities



Categories of Monitoring & Audit Issues

□ **Questioned costs**

- Check for unallowable, unnecessary, and unsupported costs or participant costs before or after service begins/ends

□ **Compliance**

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

□ **Internal controls**

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

Frequent Issues

See Handout 1

Budgets and Reports

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

Questioned or Unallowable Costs

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

Expenditures

- ❑ Costs not properly documented, recorded, or tracked



Frequent Issues (cont'd)

Travel, Contractor, and Consultant Costs

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

Separation of Costs

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

Administrative Costs

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



Frequent Issues (cont'd)

Accounting System

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

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

Systems and Controls, Separation of Duties, Internal Controls

- ❑ Inadequate

Reconciliations

- ❑ Not performed or not performed on a timely basis



Frequent Issues (cont'd)

Personnel Costs

- ❑ Staff timesheets/records not signed/certified by individual or supervisor
- ❑ Staff time not properly documented and allocated to various activities
- ❑ Charges and costs not based on actual after-the-fact records, but on budgeted or pre-established amounts or percentages (not allowed for non-profits)
- ❑ Timesheets do not comply with applicable OMB/CFR 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



Frequent Issues (cont'd)

Financial Reports

- ❑ Examples: financial reports, expense reports, reimbursement requests
- ❑ 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 month as 1/12th of one year's budget



Frequent Issues (cont'd)

- ❑ Eligibility for service is missing: citizenship, education attainment, age verification
- ❑ Criminal history checks not completed or improperly documented
- ❑ Missing, incomplete, or improper timesheets
- ❑ Timesheets not signed and dated by participant and supervisor (AmeriCorps)
- ❑ Improper living allowances – excessive payments, paid on an hourly basis, paid after exiting
- ❑ Failure to pay at current rate (below the minimum for full-time or above the maximum for any term type)
- ❑ Misapplication of FICA
- ❑ Service hours – unsupported, insufficient, before or after award member agreement was signed or after completion of term of service
- ❑ Incomplete or missing records, documentation, or forms
- ❑ Exceeded 20% of total hours spent on training and education activities – AmeriCorps only



Frequent Issues (cont'd)

Documentation

Needed for systems, policies, procedures
Needed for all financial transactions, entries

Common problems:

- Does not support charges or transaction
- Missing
- Inadequate
- Improper
- Records or files not retained



AmeriCorps Monitoring Approach

Recently introduced three stage approach:

- **Prevent** – focus on information, training, understanding to avoid issues
- **Detect** – develop early and more thorough ways to find or identify issues
- **Enforce** – develop ways to correct or resolve issues, or apply possible sanctions

Approach applies to all monitoring areas, but with specific emphasis on **Prohibited Activities** by members



AmeriCorps Monitoring – Prohibited Activities (cont'd)

Example . . . Prohibited Activities By Members

Prevent:

- Identify and list prohibited activities in various documents
- Include in position descriptions
- Require specific training on

Detect:

- Require an annual certification of monitoring
- Review position descriptions
- Interview members and supervisors
- Use more in-depth and open ended questions
- Identify actual issues and questionable situations

Enforce:

- Follow-up on findings
- Stop prohibited activities
- Resolve questionable situations
- Correct situation that led to issue
- Report situation; consider appropriate sanctions



Activity

See Activity 2

Site Visit Monitoring

1. Break into small groups (3-5)
2. Review 1 or 2 assigned scenarios and findings
3. Identify issues (if any) and discuss:
 1. Why are these issues?
 2. What actions, if any should be taken – and by whom?
4. Group spokesperson reports out
5. General discussion by all



Financial Monitoring – Handouts

- EXAMPLE – Financial Site Visit Review Items

- Overview of Site Visit Monitoring Process

See Handouts 2 & 3



Additional Resources

Web Resources

- **Resource Center:**
www.nationalserviceresources.org/financial-and-grants-management
- **CNCS Website:**
www.nationalservice.gov/for_organizations/tta/forms.asp

Colleagues & Peers

- Network and share best practices with others
- Risk-Based Monitoring Systems (examples)
- Monitoring Tools, Checklists (examples)



Activity

Financial Monitoring

- True/False Activity – review answers

Taking it Home!



1. Create a risk-based monitoring system
2. Establish a monitoring plan for each subgrantee
3. Develop/use appropriate desk, on-site and other tools for financial monitoring



Questions?

Open

Wrap Up

Evaluation

For More Information

- **Contact your CNCS Grants Officer**

- E-mail or call your Grants Officer

- **Contact MBI Consulting**

- Financial & Grants Management Training and Technical Assistance Provider

- Telephone: 301-986-1595, ext. 110

- E-mail: cforrester@mbicfs.com

- **Visit the Resource Center**

- Online tools and training

- www.nationalserviceresources.org/financial-and-grants-management

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