The main purpose of Financial Monitoring is to ensure that funds are used for authorized purposes and that the grantee complies with the appropriate program guidelines, federal regulations, and the terms and conditions of their award document. We also provide technical assistance.

As a grant recipient, the federal awarding agency has a responsibility to monitor your activities. Even if your organization has the strongest internal control system in place and thinks that a desk review or site visit may not be warranted, it is important to remember that this does not exclude your organization from being monitored.

Therefore, routine monitoring is to be expected during the lifecycle of the grant. At any point during the postaward phase of the grant cycle, recipients may be subject to various types of monitoring activities. Two of the most common types of financial monitoring activities are desk reviews and site visits.

Desk reviews are focused examinations of the relevant documentation and financial systems surrounding a grant program. They are usually conducted virtually and intended to facilitate and produce an evaluation of the recipient's capacity to manage their award. In addition, desk reviews can serve as a preliminary step before an actual site visit takes place.

Site visits occur at the recipient's office or program location or can be done virtually, if there are scheduling or traveling issues. Site visits are intended to review the capacity, performance, and compliance of the recipient. Site visits allow the awarding agency access to the offices and facilities, documentation, financial records, physical assets, written policies and procedures, audit compliance records, and internal controls. Site visits are not only conducted with high-risk grantees—some site visits can be conducted on any grantee just to check the recipient's progress on the grant and grantees' compliance.

Grant Financial Management Requirement
Per 2 CFR 200.329 (a), “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.”

Important Information to Know
The awarding agency will typically focus on the following monitoring areas to ensure the recipient is compliant.

Monitoring Financial Reports
Per 2 CFR 100.332 (d), the awarding agency is required to review all financial reports. The awarding agency will review cost incurred with drawdowns to ensure both sets of documentation agree. In addition, the financial reports are reviewed for alignment with the proposed budget and, to the extent possible, for compliance with federal cost principles.

Monitoring Performance and Program Reports
Per 2 CFR 200.332 (d)(1), the awarding agency is required to review the submission of programmatic reports. The timelines for submission and frequency (usually quarterly or semi-annually) of the programmatic progress reports will be defined in the terms and conditions of the award. The awarding agency must ensure that the programmatic reports are submitted on time and show how the recipient has carried out the grant. The program progress reports should document that all program requirements are being satisfactorily fulfilled. In addition, the program progress report is compared to the financial report to
assess whether reported spending areas agree with the activities performed.

**Monitoring Administrative Requirements**
The awarding agency will examine the recipient’s compliance with all aspects of the Uniform Guidance, program guidelines and any additional administrative requirements placed on the award. The awarding agency will review the recipient’s administrative policies and procedures, including:

- **Internal controls.** Key controls, documented business processes, and policies and procedures governing business cycles involved in award execution. All staff involved in the administration of the grant should have knowledge of all internal controls within the organization.

- **Accounting systems.** Sampling may be conducted, which would involve sampling transactions included in the financial reports. The awarding agency may request expenditure source documentation such as canceled check, paid bills, and payroll. It is important that the recipient have a chart of accounts and accounting manual and a description of the accounting positions and related responsibilities available.

- **Allowability.** Written procedures for determining the allowability of costs will be examined. In addition, sample transactions in recent financial reports to look for documentation supporting each transaction’s compliance with internal policies and procedures and the requirements at 2 CFR 200.403 that costs are necessary, reasonable, and allocable to federal awards.

- **Procurement system.** The awarding agency will most likely review a sample of procurements to ensure that the procurement requirements of 2 CFR 200.317–200.327 have been met. An example would be finding evidence of adequate federal procurement competition, compliance with federal procurement thresholds, contract cost, and price analysis.

- **Inventory process.** The awarding agency may review the recipient's property management and inventory controls (2 CFR 200.301–200.316). Examples include the review of property management procedures, property records, equipment disposition procedures, and maintenance of property.

- **Audit resolution process.** The awarding agency will confirm and review any required audits and review a copy of the most recent audit report. If there are audit findings, the awarding agency may request a copy of any corrective action plans submitted, any records detailing the implementation of the corrective action plan, and any records demonstrating resolution of the underlying concern.

- **Record retention.** The awarding agency will confirm if the recipient has or follows any policies and procedures governing retention of records and that those policies and procedures meet the minimum federal requirements (2 CFR 200.334). In addition, the awarding agency may examine access controls on records, to ensure that records are available only to authorized personnel.

**How This Applies to Your Grant**
If your organization is selected for a desk review or site visit, it is critical to have the following documentation organized and readily available as the awarding agency may request it for review:

- Organizational charts
- Description of accounting system and chart of accounts
- Copies of written policies and procedures
- Financial reports from the recipient’s accounting system and supporting payment requests and reported expenditures
- Employee handbook
- Current negotiated indirect cost rate agreement
- Most recent single audit report (if applicable)
- Award and specific conditions
- Records of payments and reported expenditures
- Evidence of budget or scope changes
- Records supporting actions required in specific conditions
- Records of necessary prior approvals
- Results and status of audits or monitoring reviews that have been conducted on the recipients’ award
For site visits, it is important that all staff who work on the grant are available for the entrance and exit conferences or interviews, as the awarding agency may have specific questions for the subject matter experts pertaining to the grant. For example, the awarding agency may have a specific question regarding the budget or expenditures. The grant program’s financial manager will need to be present to answer those questions.

In the entrance conference, the awarding agency and recipient team members will discuss the objectives of the site visit, business processes that will be reviewed, the timeline of the review and how grant-related documentation will be assembled for the review. The exit conference allows the recipient to provide any additional input and to begin working on correcting remaining findings. The awarding agency should describe to the recipient the corrective action and subsequent reporting process that will ensue if there are compliance issues or findings.

Resources

2 CFR 200—Cost Principles
DOJ Grants Financial Guide

About the OJP Territories Financial Support Center

The Office of Justice Programs Territories Financial Support Center (OJP TFSC) offers free resources, training, and technical assistance for grantees in the U.S. territories. OJP TFSC services focus on building financial management capacity and can be accessed by emailing OJPTFSC@usdoj.gov via our Virtual Support Center.

This product was prepared under contract/call order number GS-00F-010CA/15PCFD20F0000200 awarded by the Office of Justice Programs, U.S. Department of Justice and does not constitute financial or other professional advice. The opinions, findings, and conclusions expressed in this product are those of OJP TFSC and do not represent the official position or policies of the U.S. Department of Justice.