



Guide Sheet

Preparing for Financial Monitoring

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.

As a grant recipient, the federal awarding agency has a responsibility to monitor your federal award activities and ensure that you maintain strong internal controls for effective administration and management of those activities. Therefore, routine monitoring is to be expected during the lifecycle of the grant. At any point during the post-award phase of the grant cycle, recipients may be subject to various types of monitoring activities.

The Office of the Chief Financial Officer conducts financial monitoring reviews focused on grantees' compliance with grant financial and administrative requirements and that they are properly reporting their financial activity in accordance with federal guidance and regulations. While the Office of Justice Programs previously relied heavily on onsite visits, **current monitoring is primarily virtual**, and onsite reviews are now conducted under limited circumstances.

OCFO determines the level of monitoring that will take place whether it be a standard financial desk review or an in-depth financial monitoring review.

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."

Key Areas Monitored by the Awarding Agency

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 are defined in the terms and conditions of the award. The awarding agency ensures that the programmatic reports are submitted on time and shows how the recipient has carried out the grant. The

Note: Only onsite reviews and enhanced desk reviews currently support the "financial" section of a programmatic review checklist.



program progress reports 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 checks, paid bills, and payroll. It is important that the recipient has a chart of accounts, 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 is 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 them. For example, the awarding agency may have questions about 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 follow if there are compliance issues or findings.

Resources

[2 CFR 200—Cost Principles](#)

U.S. Department of Justice. DOJ Grants Financial Guide 2024

<https://www.ojp.gov/funding/financialguidedoj/overview>

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