

Financial Monitoring: A tutorial for CNCS programs

Covering risk assessment, monitoring methods, identifying issues, and corrective actions

Developed by Education Northwest, 2013

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Screen 1 - Financial Monitoring



Financial Monitoring: A tutorial for CNCS programs

Covering risk assessment, monitoring methods, identifying issues, and corrective actions

[Begin](#)

Screen 2 - What to expect from this course

What to expect from this course

This 30-minute tutorial introduces the basic knowledge and skills needed to perform financial monitoring activities.

We will focus on subgrantee monitoring for organizations that are primary recipients of Corporation for National and Community Service (CNCS) funds.

When you get started, you'll find quizzes, activities, and videos to guide your learning. You'll also find a scenario that lets you make decisions on financial monitoring activities. As you work through the course, you will find many opportunities to assess your understanding of the material.



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Screen 3 - What do you already know?

What do you already know?

Let's begin by finding out where you are already:

1. One of the objectives of monitoring a subgrantee is to ensure compliance with grant requirements and regulations.	<input type="button" value="True"/> <input type="button" value="False"/>
2. Informal monitoring, such as telephone calls and desk reviews, are sufficient for subgrantees that are some distance away.	<input type="button" value="True"/> <input type="button" value="False"/>
3. A subgrantee that was 'high-risk' last program year and received a monitoring visit will automatically not be high risk this program year.	<input type="button" value="True"/> <input type="button" value="False"/>
4. Conducting a needs assessment for training and technical assistance for subgrantees is an element of oversight and monitoring.	<input type="button" value="True"/> <input type="button" value="False"/>
5. All match should be properly documented, recorded, tracked, and treated as if it were federal funds.	<input type="button" value="True"/> <input type="button" value="False"/>
6. Subgrantees do not need written policies and procedures as long as they can prove compliance and consistency in day-to-day activities.	<input type="button" value="True"/> <input type="button" value="False"/>
7. The best way to simplify, keep everything straight, and avoid questions is to charge all staff time at the same percentages identified in the budget.	<input type="button" value="True"/> <input type="button" value="False"/>

Let's begin by finding out where you are already:

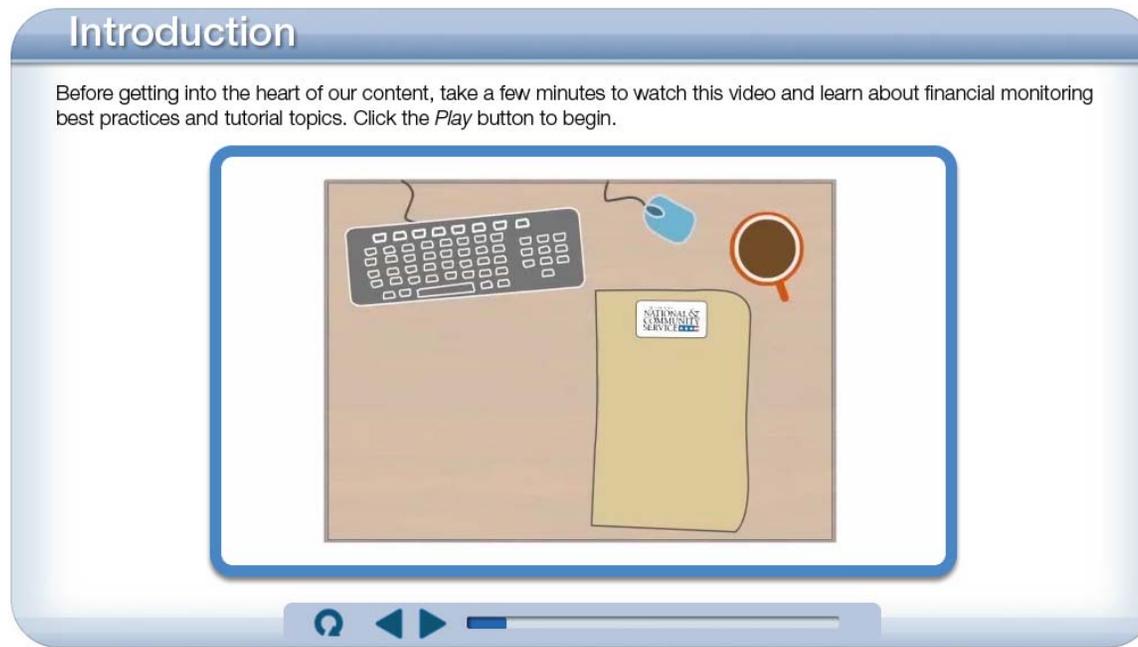
<p>1) One of the objectives of monitoring a subgrantee is to ensure compliance with grant requirements and regulations.</p>	<p>TRUE. As the primary recipient of CNCS funds, it's your responsibility to monitor your subgrantees to ensure their compliance with grant requirements and regulations.</p> <p>While compliance might be the ultimate objective of monitoring, other benefits include sharing accomplishments and promoting progress toward program goals, as well as identifying areas that can be improved.</p>
<p>2) Informal monitoring, such as telephone calls and desk reviews, are sufficient for subgrantees that are some distance away.</p>	<p>FALSE. While many monitoring activities can be accomplished by telephone calls and desk reviews, a good rule of thumb is to do at least one site visit per subgrantee during a grant period.</p>

	During site visits, you can focus on issues that can best be handled through face-to-face communication with all subgrantee staff members involved in administering the grant.
3) A subgrantee that was 'high-risk' last program year and received a monitoring visit will automatically not be high risk this program year.	FALSE. A program that was identified as "high risk" the previous year could be designated high risk again if the vulnerabilities that led to that rating have not been strengthened or if new vulnerabilities have surfaced. In some cases, multiple monitoring visits are needed to ensure the subgrantee's compliance.
4) Conducting a needs assessment for training and technical assistance for subgrantees is an element of oversight and monitoring.	TRUE. A needs assessment for training and technical assistance will uncover areas where a subgrantee already has a high level of proficiency, as well as strong systems in place. It will also reveal areas that need improvement. Data collected from a needs assessment can help guide your monitoring planning. It's worth keeping in mind that monitoring isn't just about financial reporting and compliance. It's also an opportunity to promote collaboration and progress toward meeting overall program goals.
5) All match should be properly documented, recorded, tracked, and treated as if it were federal funds.	TRUE. Federal grant rules and regulations require recipients of federal funds to treat matching funds in a manner consistent with how federal funds are managed. As the primary recipient of CNCS funds, it is your responsibility to follow all federal grant requirements in the treatment of match, including subgrantee or subgrantees treatment of match.
6) Subgrantees do not need written policies and procedures as long as they can prove compliance and consistency in day-to-day activities.	FALSE. The way for a subgrantee to achieve compliance is through a solid approach to financial systems and reporting that addresses all CNCS rules and regulations. While an organization might have solid financial systems and experienced staff in place, gaps between a subgrantee's existing policies and CNCS requirements could lead to noncompliance. The best approach to keep all of your subgrantees in good standing is to require written policies and procedures that define expectations on how to achieve compliance according to grant rules and regulations.

7) The best way to simplify, keep everything straight, and avoid questions is to charge all staff time at the same percentages identified in the budget.	FALSE. The cost principles established by the Office of Management and Budget (OMB) require that staff time charged to a grant must be supported by timesheets or other acceptable records that show the actual hours worked. You should follow the OMB cost principles that relate to each type of subgrantee to understand the requirements they are expected to follow.
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Screen 4 - Introduction

Before getting into the heart of our content, take a few minutes to watch this video and learn about financial monitoring best practices and tutorial topics. Click the **Play** button to begin.



The programs funded under your grant do amazing work in their communities.

You know it's what happens behind the scenes that makes everything go and an important aspect of that is financial monitoring.

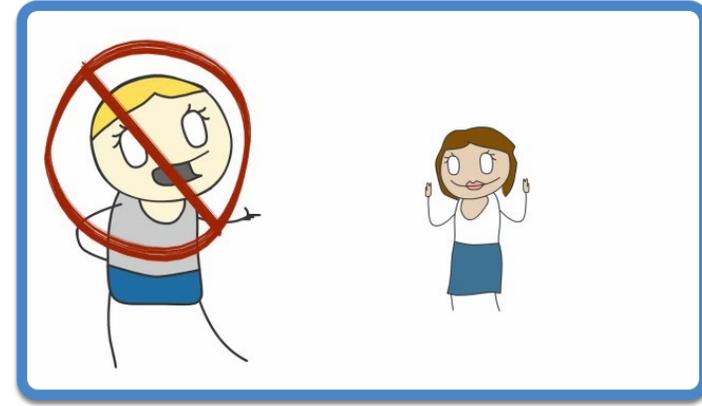
As the primary recipient of Corporation funds, it's your responsibility to monitor the financial compliance of your subgrantees. But it doesn't need to keep you awake at night.

Think of monitoring as an opportunity to share accomplishments and promote progress towards meeting objectives. It also provides

an opportunity to identify areas that can be improved and collaborate with your subgrantee. Coming to the process with a collaborative approach can make all the difference.

Financial monitoring is not about creating a “gotcha” environment for your subgrantees. Instead, the idea is to ensure compliance with rules and regulations and that subgrantees operate in a cost effective manner.

Since Corporation programs receive federal funds, it’s especially important to safeguard against fraud, waste, and abuse.



There are advantages beyond just minding your p’s and q’s. Monitoring helps you:

- Assess program systems
- Identify staff skills and capabilities
- Clarify technical assistance and training needs
- Detect existing and potential problems, and
- Determine corrective actions and resolve issues

This is Shelley. She’s with Service America, an organization that’s a direct recipient of Corporation funds. Her organization has established a monitoring process that has been working out well.

First, she developed an agreement called a “subgrantee contract” that defines the expectations and roles of both parties. (You can find samples of this and other document templates on the Knowledge Network.)

When it comes to accountability and reporting, she made sure the agreement clarifies the reporting requirements, including types of reports and due dates; budget modification guidelines, and annual audit review requirements. Since many of the staff working for the subgrantees were new to managing federal grants, she established training opportunities that included:

- eCourses and financial training materials on the Knowledge Network;
- Monthly conference calls that covered various financial topics;
- And a full-day financial training at Service America headquarters.

She also recommended that each program send their staff to the national service conference.

With this broad spectrum of training opportunities, Shelley felt assured that all staff were starting on the same page.

When Service America first received Corporation funds, Shelley knew she needed to implement a consistent method for subgrantees to monitor financial compliance. She developed a system that allowed her to monitor the subgrantees' overall financial management of grant funds from their offices.

Shelley also created a process for assessing pre- and post-award risk.

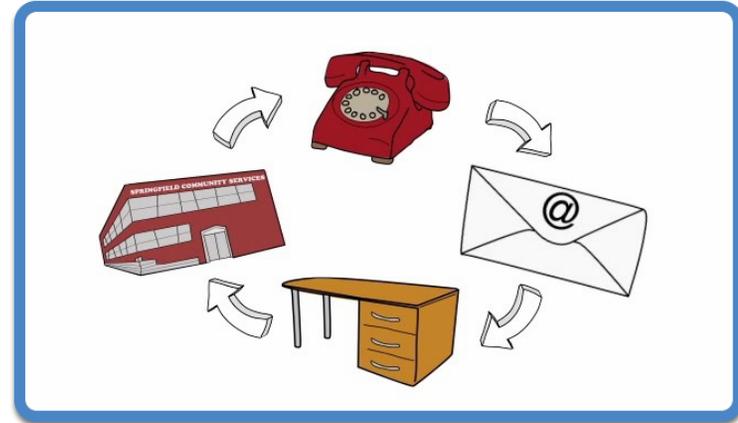
Lastly, she set up a system for conducting continuous and scheduled monitoring with appropriate methods and tools. These included desk reviews, site visits, phone calls, emails, and other relevant monitoring methods.

When it comes to monitoring, Shelley knows she needs to make the most of her time, so she has a tool that has a standard set of elements to review. This tool includes a review of:

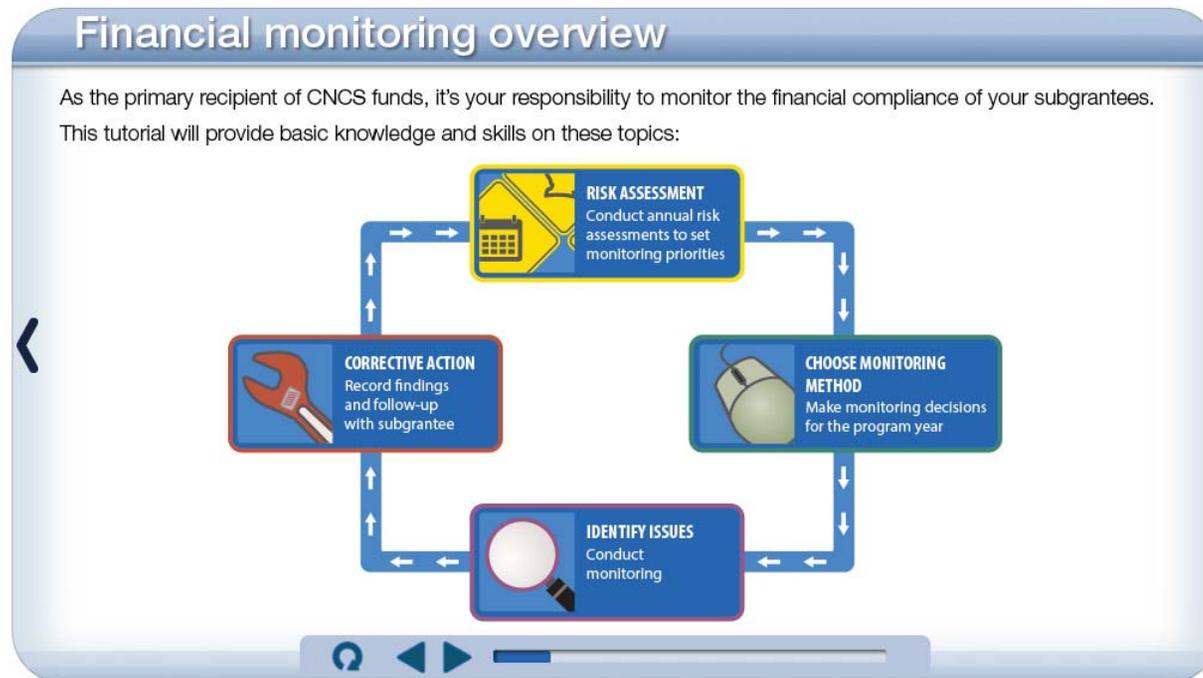
- Staff timesheets;
- Match documentation, including cash and in-kind;
- Reimbursement and financial reports, including supporting documentation;
- The accounting system, to ensure it tracks and monitors expenditures by grant, budget line, and program year;
- Written policies and procedures;
- Audit reports; and
- Participant files (This mostly relates to AmeriCorps and Senior Corps.)

Creating these systems for Service America took some time up front. And though there may be minor hiccups, she can say that the Corporation funds are well-managed and programs are operated in a cost effective manner.

The end result: the community benefits, and Shelley doesn't have to lose sleep over worrying about the financial operations of the subgrantees.



Screen 5 - Financial monitoring overview



As the primary recipient of CNCS funds, it's your responsibility to monitor the financial compliance of your subgrantees.

This tutorial will provide basic knowledge and skills on these topics:

- Risk assessment: Conduct annual risk assessments to set monitoring priorities
- Choose monitoring methods: Make monitoring decisions for the program year
- Identify issues: Conduct monitoring
- Corrective actions: Record findings and follow up with subgrantee

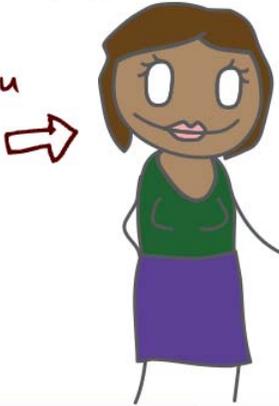
Screen 6 - Getting started

Getting started

Let's dive in and put what you already know and what you are learning into practice.

In a moment, you'll look at a subgrantee organization called Helping You Help Yourself (HYHY) through the eyes of Shelley, a program officer with Service America*. As you move through the tutorial, you'll have to make a few decisions based on four elements of the monitoring cycle. You'll learn more as you go.

This is you →



* We made these organizations up!

⏪ ⏩

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* We made these organizations up!

Throughout this course, you will review facts and make decisions based on the information presented. Remember, the tools and suggestions you encounter in the course are greatly simplified, and may not be appropriate for your particular situation.

Contact your CNCS grants officer and program officer if you have questions about how to apply the general principles presented in this course to your own work.

Screen 7 - Risk assessment

The first step in the process is to assess risk at your subgrantee organization.

As the primary recipient, you are required to monitor your subgrantees and are expected to use professional judgment to evaluate risk and determine the level of monitoring needed. Using an effective risk assessment model helps you decide the type of monitoring needed and frequency.

Subgrantees are always evolving, so as changes occur, take time to reevaluate the risk factors and adjust the risk level and monitoring methods.

Best practices include applying risk assessment principles to the creation of an assessment tool appropriate to your own context and using it to complete a risk assessment of all subgrantees on an annual basis.

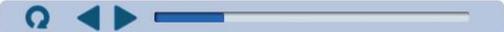
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Screen 8 - Risk assessment: Factors

The goal of risk assessment is to provide an appropriate level of financial monitoring to a wide range of subgrantees. Risk factors are fairly consistent among programs as they often include vulnerabilities that could lead to costs that are questioned during an audit and the possibility of grant expenses being disallowed by CNCS.

Here are a few sample risk factors:

- New subgrantee
- Organizational changes in legal applicant and/or key staffing
- Substantial time between on-site monitoring visits
- Late and/or inaccurate reports

The weight you give to such factors will vary based on your determination of the risk posed by a specific vulnerability. Your organization's collective experience in financial monitoring, the nature and past performance of your subgrantees, and the guidance you receive from your CNCS grants officer and program officer will help you determine the weight to give various risk factors.

Risk assessment: Factors

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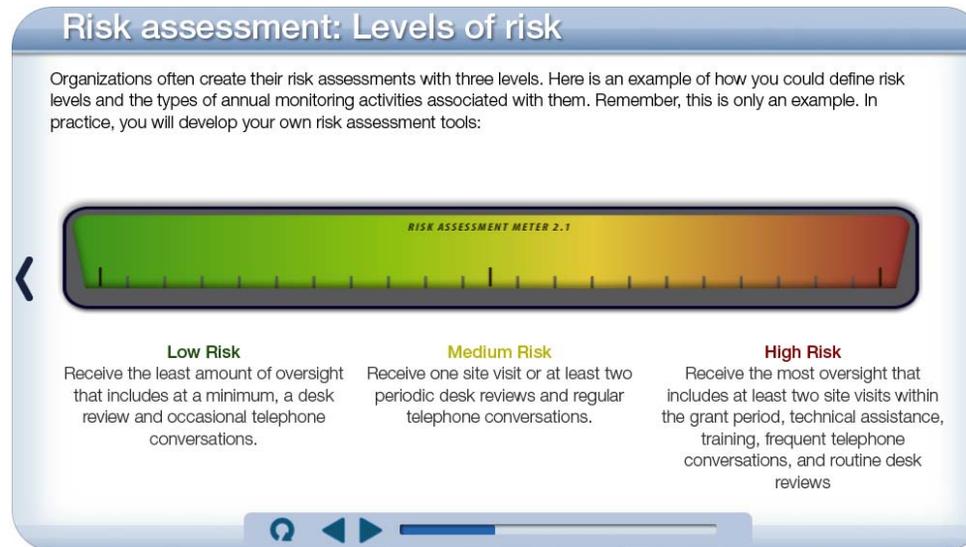
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The slide features three yellow diamond-shaped icons: a calendar, a person silhouette, and a clock. A navigation bar at the bottom includes a search icon, left and right arrows, and a progress bar.

Screen 9 - Risk assessment: Levels of risk

Organizations often create their risk assessments with three levels. Here is an example of how you could define risk levels and the types of annual monitoring activities associated with them. Remember, this is only an example. In practice, you will develop your own risk assessment tools.



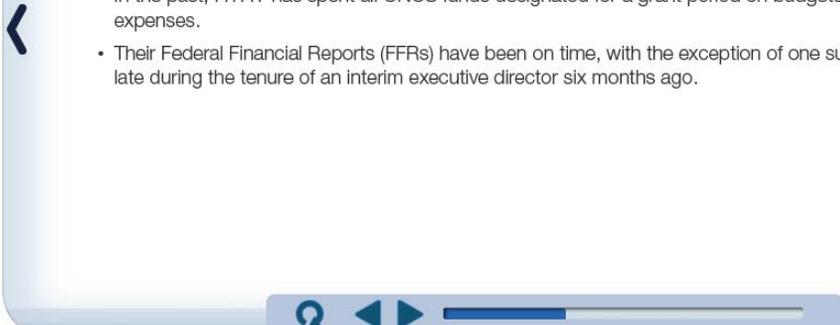
Low Risk	Medium Risk	High Risk
Receive the least amount of oversight that includes at a minimum, a desk review and occasional telephone conversations.	Receive one site visit or at least two periodic desk reviews and regular telephone conversations.	Receive the most oversight that includes at least two site visits within the grant period, technical assistance, training, frequent telephone conversations, and routine desk reviews

Screen 10 - Risk assessment: HYHY background info

Risk assessment: HYHY background info

In a moment, you'll assess the risk of your subgrantee, Helping You Help Yourself (HYHY). Here is what you know:

- You awarded HYHY \$250,000 of CNCS funds to operate several sites. They provide financial literacy and career services to the economically disadvantaged.
- After the last site visit for financial monitoring three years ago, you determined that HYHY was in compliance.
- In the past, HYHY has spent all CNCS funds designated for a grant period on budgeted and approved expenses.
- Their Federal Financial Reports (FFRs) have been on time, with the exception of one submitted three weeks late during the tenure of an interim executive director six months ago.



In a moment, you'll assess the risk of your subgrantee, Helping You Help Yourself (HYHY). Here is what you know:

- You awarded HYHY \$250,000 of CNCS funds to operate several sites. They provide financial literacy and career services to the economically disadvantaged.
- After the last site visit for financial monitoring three years ago, you determined that HYHY was in compliance.
- In the past, HYHY has spent all CNCS funds designated for a grant period on budgeted and approved expenses.
- Their Federal Financial Reports (FFRs) have been on time, with the exception of one submitted three weeks late during the tenure of an interim executive director six months ago.

Screen 11 - Risk assessment: Decision Point

To assign HYHY a risk rating, use what you know about the organization to answer these questions. You can click the **HYHY Info** tab on the right to see the organization's background info again.

Click to find out how accurately you answered these questions.

Risk assessment: Decision point

To assign HYHY a risk rating, use what you know about the organization to answer these questions. You can click the *HYHY Info* tab on the right to see the organization's background info again.

	Yes	No
1. Is the organization in the first year of receiving a CNCS grant? Learn more	<input type="radio"/>	<input type="radio"/>
2. Has the legal applicant changed during the most recent grant period? Learn more	<input type="radio"/>	<input type="radio"/>
3. Has a site visit occurred in the last 2 years? Learn more	<input type="radio"/>	<input type="radio"/>
4. Have there been one or more key staff changes in the last 12 months? Learn more	<input type="radio"/>	<input type="radio"/>
5. Is the rate of spending CNCS funds consistent with the period of performance? Learn more	<input type="radio"/>	<input type="radio"/>
6. Have FFRs been late, incomplete, or inaccurate? Learn more	<input type="radio"/>	<input type="radio"/>

[Click to find out how accurately you answered these questions](#)

RISK ASSESSMENT METER 2.1

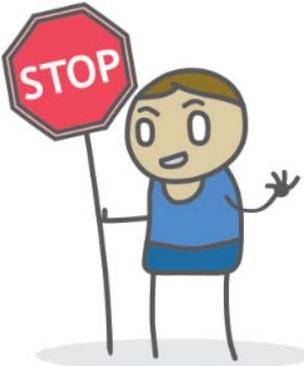
HYHY
Info

Question	Answer	Why is this important?
1) Is the organization in the first year of receiving a CNCS grant?	No	With newer subgrantees, there hasn't been time to determine if financial systems are effective. Nor has the subgrantee had time to demonstrate familiarity with Corporation grant requirements and reporting practices.

2) Has the legal applicant changed during the most recent grant period?	Yes	A change like this will bring in new people to administer the grant and opens the possibility of vulnerabilities as the change could lead to a gap in required grant responsibilities.
3) Has a site visit occurred in the last 2 years?	No	Issues are most easily discoverable face to face during site visits. The more regularly site visits are scheduled, the better chance you have to uncover vulnerabilities as they emerge.
4) Have there been one or more key staff changes in the last 12 months?	Yes	When key staff changes occur or key positions remain unfilled, the organization is prone to lack transfer of grant-specific knowledge and operational requirements between individuals.
5) Is the rate of spending CNCS funds consistent with the period of performance?	Yes	When a subgrantee is not using funds on a schedule that would typically be necessary for successful grant performance, this may indicate there is a problem.
6) Have FFRs been late, incomplete, or inaccurate?	Yes	These are signs that financial system improvements are needed.

Screen 12 - Risk assessment: Feedback

Risk assessment: Feedback



Based on the answers to the questions you gave, you have given HYHY a risk rating of **LOW**, which would suggest planning less frequent financial monitoring activities.

Others who have rated HYHY based on the same info have given the organization a **MEDIUM** risk rating. You might want to [go back](#), review the situation and try that again, or [go forward](#) and see what happens next. You can also [review suggestions](#) about how to apply risk ratings..

Suggestions about how to apply risk ratings

High Risk: Receive the most oversight that includes at least two on-site visits within the funding cycle, technical assistance, training, frequent telephone conversations, and routine desk reviews.

Medium Risk: Receive one on-site visit or at least two periodic desk reviews and regular telephone conversations.

Low Risk: Receive the least amount of oversight that includes one desk review and occasional telephone conversations.

Low Risk

Based on the answers to the questions you gave, you have given HYHY a risk rating of **LOW**, which would suggest planning less frequent financial monitoring activities.

Others who have rated HYHY based on the same info have given the organization a **MEDIUM** risk rating. You might want to [go back](#), review the situation and try again, or [go forward](#) and see what happens next. You can also [review suggestions](#) about how to apply risk ratings.

<p>Medium Risk</p>	<p>You're on the right track!</p> <p>Based on the facts presented HYHY should receive a risk rating of MEDIUM, which would suggest planning a moderate range of financial monitoring activities. Others who have rated HYHY based on the same info also gave the organization a MEDIUM risk rating.</p> <p>You can move on to your next tasks with the confidence that you've accurately assessed the risk at HYHY.</p>	
<p>High Risk</p>	<p>Not quite. Based on the answers to the questions you gave, you have given HYHY a risk rating of HIGH, which would suggest planning more frequent financial monitoring activities.</p> <p>Others who have rated HYHY based on the same info have given the organization a MEDIUM risk rating. You might want to <u>go back</u>, review the situation and try again, or <u>go forward</u> and see what happens next. You can also <u>review suggestions</u> about how to apply risk ratings.</p>	

Screen 13 - Monitoring: Methods and frequency

Monitoring: Methods and frequency

Monitoring is not a “one-time event.” In fact, you should always be in the process of monitoring your subgrantees based on daily or weekly information. Develop a monitoring plan at the beginning of each grant period so you can match your available resources with the needs and capacity of your subgrantees. Three primary monitoring activities exist:

- Site visits
- Desk reviews
- Training & Technical Assistance

Monitoring can also be used to follow up on problems identified in earlier visits or to ensure corrective action was taken.

In general, your activities -- including the priority, type, and frequency -- are based on the risk level you determined. Once a monitoring strategy is determined for each subgrantee, you can develop an annual plan to accomplish the monitoring.

Click on an image to learn more:



Desk Reviews



Site Visits



Training & TA



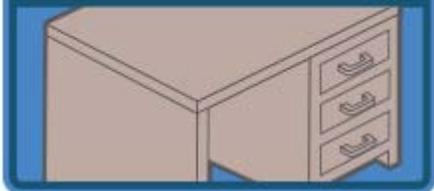
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Desk Reviews

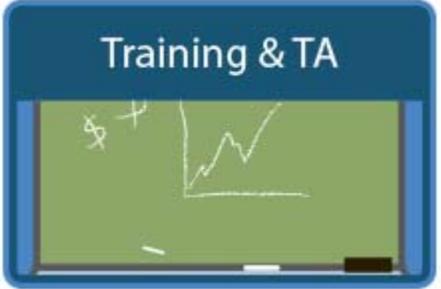


Desk Reviews

Completed from your office, a desk review typically involves examining cost categories, items, and supporting documentation related to reimbursements and reports submitted for a specific period of time. They can also include reviewing other documentation to confirm compliance without going onsite.

A desk review can be conducted via telephone, mail, and email. Based on the results, the review might prompt a site visit if significant concerns are raised.

For examples of desk review tools, go to the [Knowledge Network](#).

	<p style="text-align: center;">Site Visits</p> <p>While on site, focus on issues that can best be ascertained through face-to-face communication. To promote thoroughness and consistency, develop and use standardized monitoring checklists. These guides can be as detailed as necessary, identifying:</p> <ul style="list-style-type: none"> · Applicable regulations or laws · Standards that need to be met · Types of documentation required · And/or accounting systems that satisfy the standards <p>For examples of site visit tools, visit the Knowledge Network.</p>	<p>In general, your activities -- including the priority, type, and frequency -- are based on the risk level you determined. Once a monitoring strategy is determined for each subgrantee, you can develop an annual plan to accomplish the monitoring.</p>
	<p style="text-align: center;">Training & Technical Assistance</p> <p>You can't hold subgrantees accountable until you've explained what's expected of them. This might mean hosting all-hands or webinar conferences and training sessions, distributing instructional materials, and/or communicating by phone or email.</p>	

Screen 14 - Monitoring: Decision point

According to your risk assessment, HYHY received a risk rating of _____.

Here are the elements of three different monitoring plans. Which do you believe is most appropriate for an organization such as HYHY with this rating?

Plan A:

- Perform a desk review to examine reports and supporting documentation
- Make at least quarterly telephone or email contact
- Perform a site visit to focus on highest-rated risk factors (as resources allow)

Plan B:

- Coordinate twice-a-year benchmarks for continuous improvement and compliance
- Maintain ongoing technical assistance through monthly telephone contact and email
- Complete one site visit during the grant period
- Determine if a second site visit is needed to verify improvement

Plan C:

- Coordinate quarterly benchmarks for improvement and compliance
- Provide training and ongoing technical assistance twice a month by phone and email
- Conduct monthly review of documents supporting reimbursement requests
- Complete one site visit, then another within nine months

Monitoring: Decision point

According to your risk assessment, HYHY received a risk rating of MEDIUM.

Here are elements of three different monitoring plans. Which do you believe is most appropriate for an organization with this rating?



Plan A:	Plan B:	Plan C:
<ul style="list-style-type: none">• Perform a desk review to examine reports and supporting documentation• Make at least quarterly telephone or email contact• Perform a site visit to focus on highest-rated risk factors (as resources allow)	<ul style="list-style-type: none">• Coordinate twice-a-year benchmarks for continuous improvement and compliance• Maintain ongoing technical assistance through monthly telephone contact and email• Complete one site visit during the grant period• Determine if a second site visit is needed to verify improvement	<ul style="list-style-type: none">• Coordinate quarterly benchmarks for improvement and compliance• Provide training and ongoing technical assistance twice a month by phone and email• Conduct monthly review of documents supporting reimbursement requests• Complete one site visit, then another within nine months
Choose this option	Choose this option	Choose this option

Navigation icons: back, forward, search, and a progress bar.

Screen 15 - Monitoring: Feedback

If you chose **Option A**, you might want to be a bit more cautious with HYHY.

This monitoring plan best serves subgrantees who pose the least risk for noncompliance. Since HYHY has had some changeover of key staff and was late in submitting a recent FFR, this might not be the most appropriate monitoring plan.

You might want to go back, review the situation and try again, or continue and see what happens next.

If you chose **Option B**, that was a very good choice.

Though HYHY has shown stability in the past (most reports on time), a few risk factors exist (staff turnover and one FFR was late).

This middle-level monitoring plan is the most appropriate choice.

If you chose **Option C**, you might not need to be quite so cautious with HYHY.

The monitoring plan you chose is best for subgrantees who pose the most risk for noncompliance. These programs are typically new and in the process of building their financial systems. They may also be new to managing federal grants.

Since HYHY has shown stability in the past (most reports are accurate and on time), they don't require this level of monitoring, even though a few risk factors exist (staff turnover and one FFR was late).

You might want to go back, review the situation and try again, or continue and see what happens next.



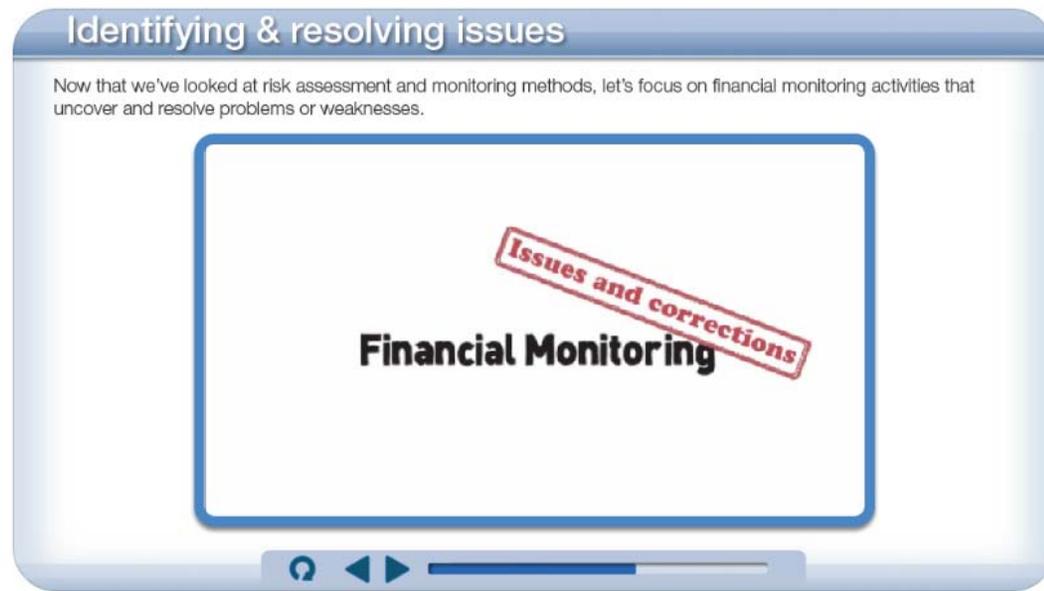
Monitoring: Feedback

That was a very good choice.

Though HYHY has shown stability in the past (most reports on time), a few risk factors exist (staff turnover and one FFR was late).

This middle-level monitoring plan is the most appropriate choice.

Screen 16 - Identifying & resolving issues



Now that we've looked at risk assessment and monitoring methods, let's focus on financial monitoring activities that uncover and resolve problems or weaknesses.

As the primary recipient of Corporation Funds, it is your responsibility to monitor the financial compliance of your subgrantees.

It's always worth saying that financial monitoring is not a game of "gotcha." You and your subgrantees are in partnership to ensure all the funds are spent according to rules, regulations, and requirements.

Within this partnership comes the responsibility to ensure all the funds, whether they are federal or match dollars, are spent appropriately.

In a best case scenario, you can save yourself effort down the road through some work upfront. You can develop systems that detect issues before they get out of hand, at the time when they are

easiest to solve. You can also provide your subgrantees with training and informational resources that can help prevent areas of noncompliance.

What things should you keep in mind? Financial monitoring can fall into three broad categories that include:

- Questioned costs,
- Compliance
- And internal controls

Let's say a little more about questioned costs. These can be classified as:

- Disallowed – these are costs defined by federal grant regulations that cannot be charged to the grant
- Unnecessary – these are costs that are not needed to support the program operations
- Unsupported – these are costs without documentation to prove they could be charged to the grant

When it comes to overall financial monitoring, some red flags include:

- Accounting records that don't support financial reports
- Inaccurate, late, or missing reports
- Noncompliant or missing timesheets
- Not tracking budgeted to actual expenses
- Not properly documenting in-kind match

What do you do when issues such as these arise? Here's one example:

During a site visit, Shelley discovers that the subgrantee has claimed expenses on its Federal Financial Report (or FFR) that are not supported by their accounting records. This is important, because unsupported expenses could be disallowed during a Corporation audit, causing the subgrantee to not meet match. This may eventually affect their future funding.

What should Shelley do to help the subgrantee take corrective action? In this case, Shelley should first ask the subgrantee to reconcile the FFR to the accounting records.

After reviewing the reconciled reports, she should then ask that a corrective action plan be developed to ensure this does not happen again. The corrective action plan should document that FFRs will be prepared based on reconciled accounting records, and that fiscal and program staff will jointly reconcile the accounting records to ensure expenses are allowable and accurate. Shelley should also encourage fiscal and program staff to work together on reports.

It might take some effort to get the subgrantee back on track, but after following up to ensure the corrective action was implemented, and periodically requesting documentation to support future FFRs, Shelley has confidence that the FFRs represent an accurate accounting of actual expenses.

During her next monthly call with all programs she can also add this topic to the agenda to ensure all subgrantees evaluate their systems to prevent this from happening to others.

It's a do-more-to-do-less strategy that works and can help maintain the financial integrity of your partnerships. For other examples of financial monitoring tools, visit the Knowledge Network.

Screen 17 - Identifying issues

Identifying issues

As a rule of thumb, direct contact with the subgrantee best provides first-hand knowledge of a subgrantee's level of compliance with grant requirements.

The existing or potential problems you identify during a monitoring activity can be categorized into three areas. Click on the images below to learn more about each area.



Compliance



Questioned Costs



Internal Controls

As a rule of thumb, direct contact with the subgrantee best provides first-hand knowledge of a subgrantee's level of compliance with grant requirements.

The existing or potential problems you identify during a monitoring activity can be categorized into three areas. Click on the images below to learn more about each area.



Compliance

Compliance

When a problem is identified in which the subgrantee has not followed federal grant requirements or organizational policies and procedures, then the subgrantee may need to make changes to ensure compliance. This could apply to areas such as reporting, timesheets, in-kind contributions, or National Service Criminal History Checks.

 <p>Questioned Costs</p>	<p>Questioned costs</p> <p>Questioned costs are those expenses the subgrantee incurred that do not pass the tests for allowable, necessary, or supported. The grantee is required to pay CNCS back if funds are disallowed.</p>	
 <p>Internal Controls</p>	<p>Internal Controls</p> <p>Simply put, internal controls are good business practices to ensure the subgrantee protects its resources against fraud, waste, and abuse. For example, a deficiency in internal controls exists when the process does not allow employees to prevent, detect, and/or correct reporting errors on a timely basis.</p>	

Screen 18 - Identifying issues: Decision point

HYHY has almost always submitted complete FFRs on time. During your recent desk review, however, you discovered that the expenses involving CNCS funds could not be reconciled with the subgrantee's accounting system. You could not find documentation to support \$3,000 of expenses.

Now that you're aware of this, what is the appropriate course of action?

Identifying issues: Decision point

HYHY has almost always submitted complete FFRs on time. During your recent desk review, however, you discovered that the expenses involving CNCS funds could not be reconciled with the subgrantee's accounting system. You could not find documentation to support \$3,000 of expenses.



Now that you're aware of this, what is the appropriate course of action?

Option A
Allow the report to stand "as is" and let them correct it in the next report.
[Choose this option](#)

Option B
Tell them what needs to be fixed and give a deadline for making the correction.
[Choose this option](#)

Option C
Ignore the issue, since all the funds from CNCS are accounted for, the organization's own accounting system is not relevant.
[Choose this option](#)

Option A

Allow the report to stand "as is" and let them correct it in the next report.

Option B

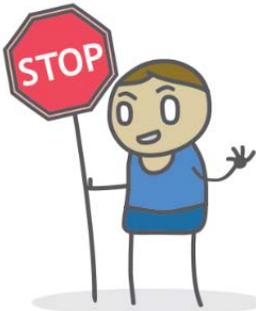
Tell them what needs to be fixed and give a deadline for making the correction.

Option C

Ignore the issue, since all the funds from CNCS are accounted for, the organization's own accounting system is not relevant

Screen 19 – Identifying issues: Feedback

Identifying issues: Feedback



Not quite. This is a serious issue, and should be addressed immediately.

In an audit, costs that don't reconcile between the FFR and the organization's accounting system will be questioned. CNCS must disallow the costs if the organization cannot reconcile the difference.

Tell HYHY what needs to be fixed and give a deadline for making the correction. Working together on a solution can help trace what caused the problem and keep it from happening again.

You can either [go back](#), review the situation and try that again, or [continue](#) and see what happens next.



If you chose option A or C: These were not the best answers. This is a serious issue, and should be addressed immediately.

In an audit, costs that don't reconcile between the FFR and the organization's accounting system will be questioned. CNCS must disallow the costs if the organization cannot reconcile the difference.

Tell HYHY what needs to be fixed and give a deadline for making the correction. Working together on a solution can help trace what caused the problem and keep it from happening again.

You can either [go back](#), review the situation

and try again, or [continue](#) and see what happens next.

If you chose Option B: This is the best choice and would accomplish what matters most – bringing HYHY into compliance to ensure the accounting records support what is reported to CNCS.

It's important that this issue be resolved. In an audit, the costs that don't reconcile between the FFR and the organization's accounting system will be questioned. CNCS must disallow the costs if the organization cannot reconcile the difference.

Work together with HYHY to determine why this occurred in the first place and how to prevent this in the future, rather than just giving them a list of what needs to be fixed. Collaboration gives you a chance to share best practices you've gained from your experience and build your relationship with HYHY for troubleshooting issues that might arise in the future.

Screen 20 - Corrective actions: Problem areas

Corrective actions: Problem areas

During your monitoring activities, you may have identified problems that need to be corrected. Issues to look for include:

- Operational deficiencies or errors
- Program weaknesses
- Unacceptable transactions that would likely result in questioned costs
- Other risks to the program's integrity



The illustration shows a woman with brown hair, wearing a green top and purple pants, sitting on a yellow office chair at a desk. She is looking at a laptop. To her left is a window with a white frame. To her right, a power cord is plugged into a wall outlet. The entire scene is enclosed in a light blue rounded rectangle with a darker blue header and footer.

During your monitoring activities, you may have identified problems that need to be corrected. Issues to look for include:

- Operational deficiencies or errors
- Program weaknesses
- Unacceptable transactions that would likely result in questionable costs
- Other risks to the program's integrity

Screen 21 - Corrective actions: First steps

Corrective actions: First steps

When problems are identified, you'll first need to communicate them to your subgrantee.

Next, you'll need to require your subgrantee to formally respond with a statement of their proposed or completed corrective actions. You'll need your subgrantee to answer these two questions:

1. Who did what to address the issue?
2. When was it/will it be completed?



When problems are identified, you'll first need to communicate them to your subgrantee.

Next, you'll need to require your subgrantee to formally respond with a statement of their proposed or completed corrective actions. You'll need your subgrantee to answer these two questions:

1. Who did what to address the issue?
2. When was it/will it be completed?

Screen 22 - Corrective actions: Plan

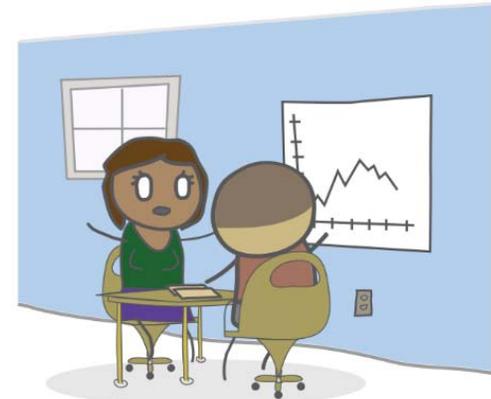
The next step for each potential or existing problem identified is to collaborate with your subgrantee on a corrective action plan. Key items include:

- The corrective action planned, including how this will be prevented in the future
- The anticipated completion date
- What documentation is or will be provided to support the corrective action taken
- The title of the person responsible for the corrective action

Corrective actions: Plan

The next step for each potential or existing problem identified is to collaborate with your subgrantee on a corrective action plan. Key items include:

- The corrective action planned, including how this will be prevented in the future
- The anticipated completion date
- What documentation is or will be provided to support the corrective action taken
- The title of the person responsible for the corrective action



Screen 23 - Corrective actions: Decision point

During your site visit at HYHY, you found \$3,000 in expenses that were not reconciled between their submitted FFRs and their own accounting system. Which option below is most appropriate?

Identifying issues: Decision point

HYHY has almost always submitted complete FFRs on time. During your recent desk review, however, you discovered that the expenses involving CNCS funds could not be reconciled with the subgrantee's accounting system. You could not find documentation to support \$3,000 of expenses.

Now that you're aware of this, what is the appropriate course of action?

Option A
Allow the report to stand "as is" and let them correct it in the next report.
[Choose this option](#)

Option B
Tell them what needs to be fixed and give a deadline for making the correction.
[Choose this option](#)

Option C
Ignore the issue, since all the funds from CNCS are accounted for, the organization's own accounting system is not relevant.
[Choose this option](#)

Option A

Require HYHY to create and implement procedures to conduct a regular reconciliation between the FFR and their accounting system. Document this process with written procedures.

Option B

Report HYHY to the Office of Inspector General (OIG) for misuse of grant funds.
(What is a red flag?)

Option C

Require HYHY to contract with a database programmer to create a new system that reconciles the reports automatically.

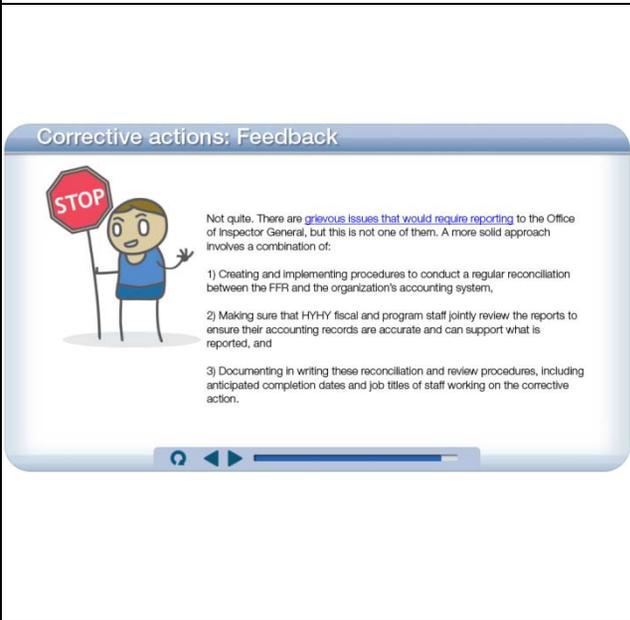
Office of Inspector General (OIG) Red Flags

In some cases during a monitoring review, you might see activities that cause a caution flag to go up in your mind. These are often known as "red flags" by the OIG and you have an obligation to report these to the OIG.

Here are a few potential indicators of fraudulent activities:

- Spending CNCS funds for non-grant activities
- Charging non-approved staff salaries to the grant
- Payments for non-grant related expenses to family member or for other personal expenses
- Participants telling you that their stipend or benefit checks are late or not being issued (AmeriCorps and SeniorCorps)

Screen 24 - Corrective actions: Feedback

	<p>If you chose option A: Not quite.</p> <p>While a database that reconciles an organization's own financial reporting with FFRs might be a good solution, it's a better idea to collaborate on creating and implementing reconciliation procedures.</p> <p>This will make sure that HYHY fiscal and program staff have a chance to jointly review the reports and that the numbers can be supported by accounting records.</p> <p>Finally, always make sure the subgrantee documents new procedures in writing.</p>
	<p>If you chose option B: Not quite. There are grievous issues that would require reporting to the Office of Inspector General, but this is not one of them. A more solid approach involves a combination of:</p> <ol style="list-style-type: none">1) Creating and implementing procedures to conduct a regular reconciliation between the FFR and the organization's accounting system,2) Making sure that HYHY fiscal and program staff jointly review the reports to ensure their accounting records are accurate and can support what is reported, and3) Documenting in writing these reconciliation and review procedures, including anticipated completion dates and job titles of staff working on the corrective action.

Corrective actions: Feedback



Good answer, this is an appropriate activity.

This will help HYHY get back into compliance while making sure their accounting records support what is reported and that the issue won't arise again.

Your choice will be even more effective if you encourage HYHY program and fiscal staff to review the reports together. This collaborative approach will help to ensure accuracy and proper documentation.

Always make sure the subgrantee documents new procedures in writing.



If you chose option C:

Good answer, this is an appropriate activity.

This will help HYHY get back into compliance while making sure their accounting records support what is reported and that the issue won't arise again.

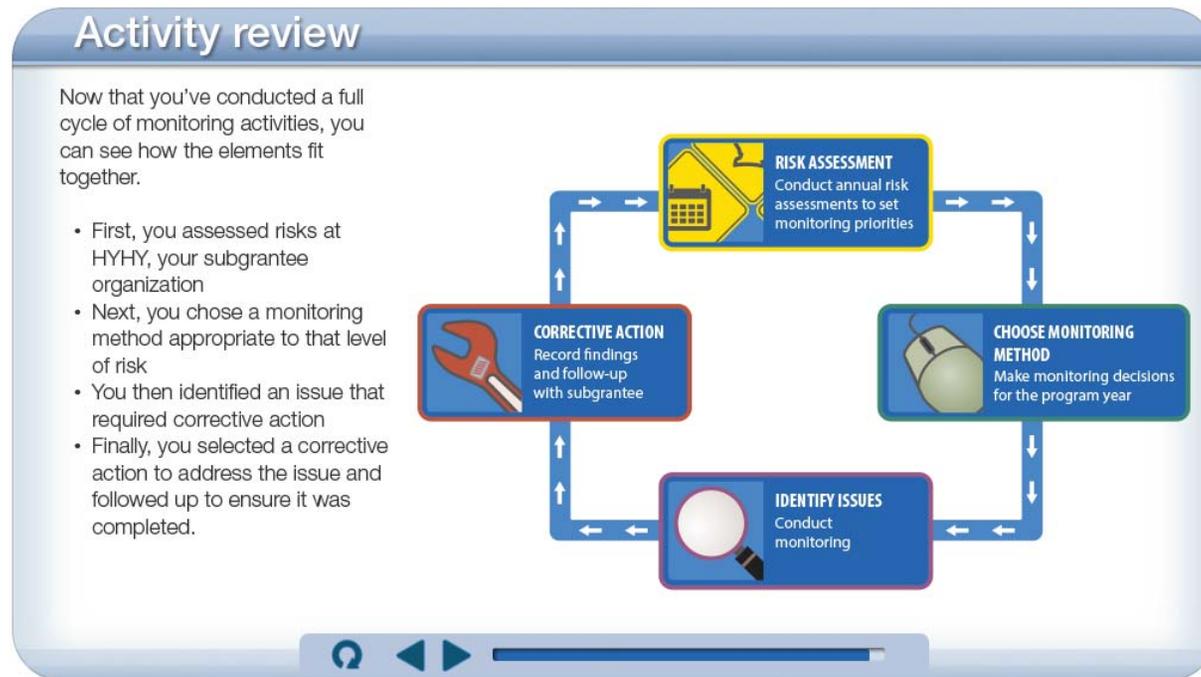
Your choice will be even more effective if you encourage HYHY program and fiscal staff to review the reports together. This collaborative approach will help to ensure accuracy and proper documentation.

Always make sure the subgrantee documents new procedures in writing.

Screen 25 - Activity review

Now that you've conducted a full cycle of monitoring activities, you can see how the elements fit together.

- First, you assessed risks at HYHY, your subgrantee organization
- Next, you chose a monitoring method appropriate to that level of risk
- You then identified an issue that required corrective action
- Finally, you selected a corrective action to address the issue and followed up to ensure it was completed.



Screen 25 - Activity review (continued)

From: clarissa@serviceamerica.org

To: shelley@serviceamerica.org

Cc:

Subject: URGENT: Follow up on corrective action for HYHY

Hi Shelley,

I noticed that the \$3000 in unreconciled expenses from HYHY do not appear to have been resolved. Remember, corrective action is only as effective as your follow-up.

Please be sure to follow through and document the corrective action you prescribed.

Thanks!

C-

Activity review

Now that you've conducted a full cycle of monitoring, you can see how the...

- First, you assess HYHY, your organization
- Next, you choose a method approach of risk
- You then identify required corrective
- Finally, you select an action to add followed up to completed.

Activity review

REPLY REPLY ALL FORWARD DELETE

From: clarissa@serviceamerica.org
To: shelley@serviceamerica.org
Cc:
Subject: URGENT: Follow up on corrective action for HYHY

Hi Shelley,

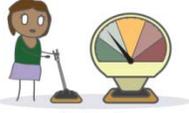
- I noticed that the \$3000 in unreconciled expenses from HYHY do not appear to have been resolved. Remember, corrective action is only as effective as your follow-up.
- Please be sure to follow through and document the corrective action you prescribed.

Thanks!
C-

DOSE MONITORING THOD
like monitoring decisions the program year

Screen 26 - Overall feedback

Overall feedback



Based on your choices, your choices recommend a slightly less rigorous set of monitoring activities than we recommend. This could result in identifying problems and vulnerabilities late when they are harder to resolve. You might want to try again.

Low intensity

Replay 

Learn more at the Knowledge Network 

If you chose less intensive monitoring approaches, this could result in identifying problems and vulnerabilities late when they are harder to resolve.

Overall feedback



Based on your choices, you selected a course of monitoring activities appropriate to the level of risk posed by HYHY. You are on the right track!

Just right

Replay 

Learn more at the Knowledge Network 

If you chose the medium approach for all situations you selected a course of monitoring activities appropriate to the level of risk posed by HYHY. You are on the right track!

Overall feedback



Based on your choices, your choices recommend a slightly more rigorous set of monitoring activities than we recommend. Doing more monitoring than what's needed to be safe might take more time and resources than you need to perform monitoring activities with appropriate care and diligence. You might want to try again.

High intensity

Replay 

Learn more at the Knowledge Network 

If you chose a more intensive approach, consider that doing more monitoring than what's needed to be safe could take more time and resources than you need to perform monitoring activities with appropriate care and diligence.

If you chose a mix of low, medium, and/or high intensity approaches, remember that while monitoring requires a balanced approach to managing risk, it's important to understand the basics and apply them consistently.

Remember to visit the Knowledge Network (<https://www.nationalserviceresources.org/financial-and-grants-management>) for additional support and answers to your questions about financial monitoring.

You have made a number of choices throughout this course. Remember that monitoring requires a balance between risk and use of your resources. Here are the answers that are most appropriate to each situation:

Assessing Risk:

- 1.) Is the organization in the first year of receiving a CNCS grant? No
- 2.) Has the legal applicant changed during the most recent grant period? No
- 3.) Has a site visit occurred in the last 2 years? No
- 4.) Have there been one or more key staff changes in the last 12 months? Yes
- 5.) Is the rate of spending CNCS funds consistent with the period of performance? Yes
- 6.) Have FFRs been late, incomplete, or inaccurate? Yes

This results in an overall risk rating of **Medium**.

Monitoring Methods:

Plan B

Identifying issues:

Option B

Corrective action:

Option C