



Common Grant Audit Observations and Risk Mitigation Strategies

NCDA&CS Internal Audit Division

Most Frequent Observations from Prior Grant Audits

1. Inadequate Financial Classification and Reporting

- Misclassification of expenditures (e.g., administrative vs. aid/grants).
- Inaccurate coding across fiscal years.
- Lack of supporting documentation for reimbursements.

2. Weak Conflict of Interest Controls

- Absence of formal procedures to identify or disclose potential conflicts.
- No annual acknowledgment or documentation of conflict policies.

3. Insufficient Monitoring of Matching Funds

- Matching contributions not tracked or verified.
- Discrepancies between required and actual match percentages.

4. Unallowable or Unsupported Costs

- Reimbursements made for costs not permitted under grant terms.
- Missing or incomplete records for expenditures.

5. Lack of Standardized Performance Monitoring

- Performance metrics (e.g., service delivery outcomes) are not independently verified.
- Inconsistent or undocumented site visits and follow-ups.

6. Inconsistent Risk Assessment Practices

- Risk assessments not documented or updated annually.
- No formal criteria used to determine subrecipient risk levels.

7. Deficient Internal Controls and Oversight

- No secondary review of payment requests.
- Overreliance on digital signatures without verification.
- Missing documentation for application scoring or award decisions.

Corresponding Risk Mitigation Strategies

1. Strengthen Financial Oversight

- Implement standardized coding procedures and reconciliation reviews.
- Require full documentation (invoices, receipts, logs) before reimbursement.

2. Formalize Conflict of Interest Protocols

- Mandate signed disclosures at hire and annually.
- Incorporate conflict checks into award eligibility reviews.

3. Improve Matching Fund Tracking

- Use budget tools that calculate and track match ratios in real time.
- Require documentation of match expenditures alongside grant-funded costs.

4. Enforce Allowable Cost Policies

- Align internal procedures with federal and state cost principles.
- Train staff on allowable vs. unallowable expenses.

5. Enhance Monitoring and Verification

- Develop and use checklists for site visits and desk reviews.
- Track performance metrics with supporting evidence (e.g., logs, photos, reports).

6. Institutionalize Risk Assessments

- Use standardized templates and scoring systems.
- Reassess subrecipients annually or upon major changes.

7. Bolster Internal Controls

- Require dual review of financial transactions.
- Use secure, verifiable signature platforms (e.g., DocuSign).
- Retain all award documentation per records retention policies.