

Monitoring sub-recipients of federal grants

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Nonprofits dealing with federal agencies, especially those receiving pass-through or similar funding must be extremely careful about abiding by various regulations.

At the AICPA Not-For-Profit Financial Executive Forum held in Anaheim, Alex Weekes and Mark LoManto of ML Weekes & Company, PC explained the care that must be given to dealing with sub-recipients. Much of this advice is in response to information released by the federal Office of Management and Budget (OMB).

Factors that include the nature, timing and extent of monitoring of sub-recipients include:

- Program complexity
- Percentage of award passed through
- Amount of awards
- Sub-recipient risk

Monitoring activities include:

- Reporting. Requiring reports to be submitted.
- Site visits. Reviewing records and operations at the recipient's site.
- Regular contact. Contacting sub-recipients (by telephone, email, etc.) and inquiring about activities.
- Local and national publications. Reviewing for articles, positive or negative, about the sub-recipient.

Further, steps should be taken to manage high-risk recipients:

- Requiring approval before proceeding to the next phase
- Additional project monitoring
- Requiring more detailed reports
- Increased frequency of reporting
- Establishing additional prior approvals

The pass-through entity must notify the sub-recipient, in writing, regarding the nature of special conditions/restrictions imposed, the reason for imposing them, corrective actions to be taken and the time allowed, the method for requesting reconsideration of the conditions for restrictions imposed. Once deficiencies have been corrected, special conditions should be removed immediately.

Source: [The NonProfit Times](#)