



How To Improve Grantee Compliance Through Strategic Financial Oversight

Grant program offices are responsible for managing and allocating funds to support various initiatives. Managing the complexity of financial regulations and grant governing rules makes confirming grantee compliance a significant challenge. Those who do not adhere to financial regulations and rules risk non-compliance, resulting in fund misuse, audit findings, and jeopardizing the overall effectiveness of grant programs. An area often found most contentious in grantee audits is how operational expenses are incurred, categorized, and recorded. Operational expenses – costs associated with a grantee’s operations – include utility bills, repair and maintenance expenses, office supplies, leases, and other operating expenses.

Three common scenarios related to operational expenses can result in non-compliance:

1

Missing and/or Lack of Sufficient Documentation to Support Transactions: Inadequate documentation to validate expenses under review can be a major problem for grant program compliance. This includes missing original invoices, statements, or receipts for the expenses incurred. Financial oversight challenges can also arise when there is no proof of payment to confirm that an expense was paid to the appropriate vendor, such as bank statements, credit card receipts, or cancelled checks.

2

Unallowable Costs: Another common compliance issue is unallowable costs, which are unauthorized expenses charged to the grant according to the Code of Federal Regulations (CFRs) and relevant Program Guides.

3

Incorrect Allocation and/or Inappropriate Spending: When a grantee misallocates transactions or uses grant funds inappropriately, they may be cited for non-compliance. For example, buying gift cards and providing them to clients or employees is a risky purchase since they are difficult to track and can be used to purchase unallowable items such as cigarettes or alcohol.



Strengthening Financial Oversight

There are several strategies grant program offices can use to strengthen their financial oversight and monitoring processes. Tasks may include performing a thorough review of the Federal Financial Reports (FFR) SF-425s and Single Audit Reports, monitoring and analyzing unusual and high dollar general ledger entries, testing payroll and operational expenses, and performing programmatic reviews. Additionally, leveraging technology to assist in creating tools and resources can also enhance understanding and retention of compliance requirements and monitoring.

Educate Grantees to Minimize Non-Compliance

Grant program offices can implement a multifaceted educational strategy to simplify the complexities of compliance and minimize instances of non-compliance. Strategies can include:



Offer Technical Assistance and Training Sessions:

Training sessions like in-person workshops or virtual webinars for new grantees can help explain compliance requirements, reporting obligations, and allowable costs associated with their grants, and help reduce confusion and challenges for those who are new to funding. For grantees who have unique needs and challenges, grant program offices can provide targeted training and resources specific to their type of grant. Additionally, existing or legacy grantees may have questions as well. Offering refresher courses and training sessions may help minimize common mistakes even experienced grantees could make.



Provide User-Friendly Guides and Resources:

Creating easily accessible, simplified, user-friendly guides that outline compliance requirements, documentation standards, and processes can provide quick, go-to resources for grantees. Providing access to online resources such as FAQs, compliance checklists, and best practice examples from successful grantees¹, can also help create and encourage a community where grantees can share their experiences and solutions.



Establish Regular Communication and Updates:

Establishing regular communications (e.g., newsletters, emails) can help keep grantees informed and up to date on changes in compliance regulations, deadlines, or reporting requirements. Setting up one-on-one consultations or dedicated office hours for grantees to ask questions and seek clarification on compliance issues in a personalized setting is a quick way to address challenges and help foster a relationship between grant offices and grantees.



Implement Monitoring and Feedback

Mechanisms: Regular monitoring of grant compliance and constructive feedback can help identify common compliance pitfalls and allow the Grant Program Office to proactively address these areas with grantees.

By adopting these strategies, grant program offices can empower grantees with the knowledge and resources needed to stay in compliance and improve the overall effectiveness of grant programs.

¹ Successful grantees are those that have demonstrated that they are managing funds responsibly, achieving measurable outcomes and having clean audits.

How BDO Can Help

BDO Public Sector takes a structured approach to supporting grant program offices through our comprehensive Grants Management Framework. We prioritize accountability and transparency in overseeing public funds to promote compliance with grant regulations and programmatic requirements. By conducting desk reviews and audits, we help assess grantee progress and performance towards their goals. We help agencies identify what works well, improvements needed, and any potential risks or challenges that may arise during the implementation of the grant to allow for timely intervention and corrective action to mitigate risks.

Our role is to equip grant program offices with the knowledge, resources, and confidence to administer funding effectively. BDO's Public Sector practice delivers innovative, sustainable services tailored to your most complex challenges, and with our help, agencies can focus on activities that directly impact recipients.

For more information on our service offerings, visit us at: bdo.com/federal-civilian.

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