



Audit Interactive

A Higher Education Collaborative Experience

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Grant Compliance Best Practices and Pitfalls

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**KNOW
GREATER
VALUE®**



Hello! I'm

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NEW YORK

AT PKF O'CONNOR DAVIES 14 YEARS

I have been working with Colleges, Universities and Private Foundations across the country for over 14 years. I have travelled across the country ensuring that Organization's grants are in compliance with terms and conditions of the grant and being monitored regularly.

Due Diligence Defined

“Reasonable steps taken by a person in order to satisfy a legal requirement, especially in buying or selling something.”

- Oxford English Dictionary

Why is Due Diligence Important?

❑ Stewardship

❑ Duty of Care

❑ Reputation

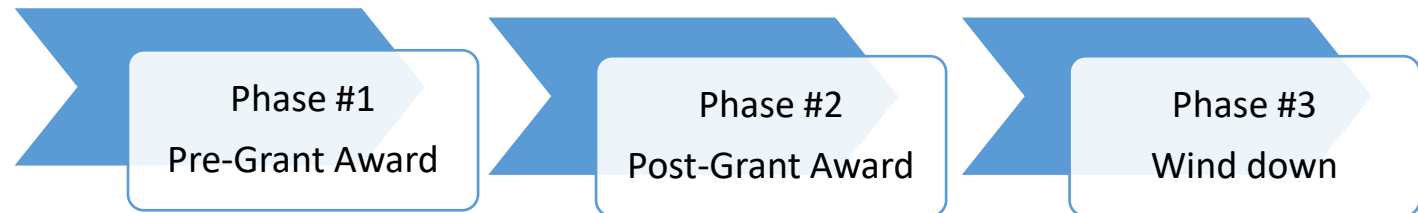


■ Impact

■ Effectiveness

■ Mission Alignment

When Does Grantee Due Diligence Occur?



Does due diligence ever end?

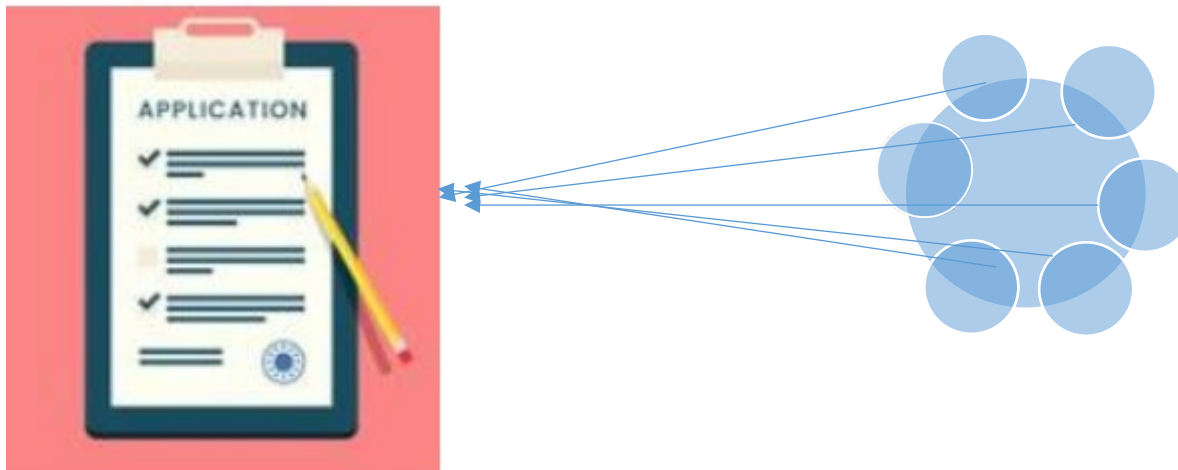
Due Diligence Models

Organization's should consider formally adopting a grant due diligence model, and incorporate the adopted model into the Organization's Grantmaking Manual



Grant Applications and Risk Identification

Each risk element identified in a Organization's Due Diligence Model should be incorporated into the prospective grantee's application process.



Structure and Governance

- Does the grantee's governance and management structure possess the skills, knowledge and expertise needed to monitor grantee's programs in relation to the grant (Board composition)
- Has a Board Assessment been conducted?
- Fundraising-is the Board actively engaged in fundraising for the organization?
- Relationship with Management - Does the Board have a healthy relationship with the CEO or Executive Director? Does the Board have a clear, transparent process for the hiring and firing of the CEO/ED position?
- Financial Oversight - Does the Board provide adequate and appropriate oversight of the organization's finances?
- Strategy - Is the Board involved in setting and monitoring the strategic direction of the organization?

Structure and Governance

- Board Meetings Are Board meetings regular, well-run and well attended?
Request the Board Package and Minutes
- Conflict of Interest (“COI”) - Is there a clear documented COI policy? Are there clear COI among Board members? (i.e. Board and management overlap, board members receiving salaried payment?)
- Rotation or Term Limits - Is there a clear term-limits or rotation policy for Board members?

Financial Information

Most frequently used financial reports include:

Budgets

Internally Prepared Financial Statements

Compiled, Reviewed or Audited Financial Statements

Compiled Financial Statements



- No Assurance

The financial statements are prepared by an outside CPA and are generally considered of greater value than internally prepared financial statements for this reason.



- Formal Report

Formal report is issued by CPA and it will be clearly noted that “no assurance is provided” on the financial statements. Additionally, the CPA is required to disclose independence, and must consider whether the financial statements appear appropriate in form and are free from obvious material misstatements.

Reviewed Financial Reports

Limited assurance.
The financial statements are reviewed by an independent CPA who is required to understand the organization's industry and the accounting principles and practices used in the industry.

The independent CPA performs analytical procedures, inquires, etc. to obtain "limited assurance" on the financial statements and provide a measure of comfort on their accuracy.

Formal report is issued by CPA which includes a conclusion as to whether he/she is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

Audited Financial Statements

Reasonable assurance (i.e. highest level). The financial statements are audited by an independent CPA who is required to go beyond the review procedures such that he/she corroborates the amounts and disclosures included in the financial statements by obtaining audit evidence, physical inspection, observation, third-party confirmations, examinations, analytical procedures, etc.

Formal report is issued by the CPA which expresses an opinion on whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework

In addition to the formal report, the CPA is generally required to report on any identified significant or material weaknesses in the organization's system of internal control.

Financial Information – IRS Form 990

- How to Read a Grantees' Form 990
 - Understanding and familiarizing yourself with the structure of Form 990 and what is/is not presented
 - Identifying key non-financial information (governance, mission, programs, policies, compensation, public support, etc.)
 - Identifying and interpreting key financial information (liquidity, trends, etc.)

Financial Information-IRS Form 990

Core Form 990:

- 12 pages subdivided into twelve reporting sections.

Part I – Summary

Part II – Signature Block

Part III – Statement of Program Services Accomplishments

Part IV – Checklist of Required Schedules

Part V – Statements Regarding Other IRS Filings and Tax Compliance

Part VI – Governance, Management, and Disclosure

Part VII – Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Part VIII – Statement of Revenue

Part IX – Statement of Functional Expenses

Part X – Balance Sheet

Part XI – Reconciliation of Net Assets

Part XII – Financial Statements and Reporting

Monitoring-Post-Grant Awards

DESK REVIEW

Is conducted via ZOOM, conference calls and document request.

The focus of a Desk Review is on the accuracy of grantee interim and final financial reports, testing a limited selection of grant expenditures.

BASIC REVIEW (MODERATE RISK)

Is conducted via ZOOM, or on-site

The focus of a Site Review to examine more expenditures, grant spend rate, grantee revenue sources and sustainability, and internal control policies and procedures.

Corrective Action Plan-be sure to design and track a corrective action plan and document grantees progress on a annual basis or semi-annual for high risk grantees.

ENHANCED REVIEW (HIGH RISK)

Is conducted via ZOOM, or on-site

Follow-up site visits are conducted with the grantee to address specific issues related to financial management, use of funds, financial irregularities and accounting procedures.



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Let's Connect

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