

Private Foundations Bulletin

Refresher on Grant Monitoring Practices – Desk Reviews

By Joseph Ali, CPA, Partner; David Smith, CPA, Director; and Dermot Sullivan, Supervisor

In their mission to support charitable organizations, grants are most often the foundation's largest expenditure, resulting in billions of dollars each year. Additionally, the term of a grant award can range drastically, often longer than one year. As a result, while the awarding of grant agreements requires careful planning and due diligence at the outset, the ongoing process ***for monitoring grantee organizations is equally as important.***

Every foundation deploys different levels of grantee oversight. For some, ongoing due diligence is performed through standard reports and submission of program accomplishments by the grantee is sufficient. For other foundations that award marquis grants or large multi-year gifts, considerations may include reputational risk or the foundation's culture and desk reviews are conducted. In this month's bulletin, we'll address these in detail.

Elements of a Desk Review

Desk reviews are one of the most effective approaches to monitoring a grantee. It typically includes monitoring the grantee's financial reporting (both organization-wide and at the grant level), general recordkeeping practices and gaining an understanding of internal operations, accounting control systems and technology controls. Performing a desk review can provide greater assurance that the grantee's program is operating successfully, their internal control systems are operating efficiently and as designed and that any deficiencies in the grantee's environment are identified and corrected in a timely manner.

Performing a desk review of a grantee can also assist a foundation in creating and/or enhancing an existing due diligence program within its grantmaking function. To perform an effective desk review, a foundation should focus their attention on a few specific functions of the grantee's organization, such as corporate governance, controller/treasury, investments (if any) and information technology. Following are examples of information and documentation typically requested to assess each of these functions during a desk review:

- List of current Board members
- Most recently filed Form 990
- Most recently audited or reviewed financial statements
- Organization budget
- Cash disbursement procedures
- Payroll and time records
- Expense reimbursements
- Bank reconciliation preparation and review procedures
- Cash management procedures
- Financial reporting close procedures – interim and annual
- Service Organization Control Reports (SOC Reports) of key service providers
- Key contractor/consultant services agreements
- Most recent cyber security assessment report
- Conflict of interest policy
- Whistleblower policy

Foundations that ascertain that their grantee has the above documentation, at a minimum, can provide comfort to foundation managers that their grantees are managing and deploying grant award funds in accordance with the agreement and established long-term goals.

Conclusion

Obtaining the proper documentation from grantees during a desk review is a vital part of the foundation's grantmaking function and understanding of any underlying issues and/or deficiencies within the grantee's internal control environment. It will also provide valuable insight into other potential areas of need for the foundation to support its grantee. Desk reviews and/or site visits can be conducted by foundation staff or experienced third-party consultants such as philanthropic advisors, attorneys or accountants who can perform some or all of these procedures/activities with the foundation's oversight.

Ultimately, the stronger the relationship and communication between the foundation and its grantee, the greater the likelihood of expending grant funds effectively.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

Thomas Blaney, CPA, CFE
Partner, Co-Director of Foundation Services
tblaney@pkfod.com

Joseph Ali, CPA
Partner
jali@pkfod.com

Scott Brown, CPA
Partner
sbrown@pkfod.com

Anan Samara, EA
Partner
asamara@pkfod.com

Christopher Petermann, CPA
Partner, Co-Director of Foundation Services
cpetermann@pkfod.com

Elizabeth Gousse Ballotte
Partner
eballotte@pkfod.com

Raymond Jones, Sr., CPA
Partner
rjones@pkfod.com

Michael R. Koenecke, CPA
Partner
mkoenecke@pkfod.com

PKF O'Connor Davies provides the information in this e-newsletter for general guidance only and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.