# The Grant Audit That Could Have Cost Them $27,000+

Year-round grant tracking and documentation helped this nonprofit avoid repayment demands and protect future funding.

**$27,300**
in costs at risk of repayment

**3 grants**
with overlapping staff time

**0 findings**
after the fixes

Grant Compliance · Documentation · Audit Readiness · Board Oversight

## The situation

A community nonprofit with a $1.4 million budget managed three restricted grants: two foundation grants and one state pass-through award. The same program staff worked on all three. Time was recorded in a general timesheet, and expenses were coded to grants at year-end based on estimates.

## What almost happened

Six weeks before the state grant's monitoring visit, the finance director tested a sample of charges and found problems that would likely have been disallowed:

- **Unsupported payroll allocations** — $18,900 of staff time charged to the state grant with no time records showing grant activity.
- **Unallowable costs** — $3,600 of food and event costs the award did not permit.
- **Missing documentation** — $4,800 of supplies without invoices or approval records.
- **Late reporting** — two quarterly reports filed after the deadline.

Together, $27,300 was at risk of repayment, plus the risk of losing renewal funding.

## Controls that protect grant funding

| Control | What it prevents |
|---|---|
| **Activity-based time records** | Disallowed salary charges |
| **Allowable-cost review before payment** | Spending on items the award won't cover |
| **Grant file checklist** | Missing documentation at audit time |
| **Compliance calendar** | Late or missed reports |
| **Board-level grant reporting** | Surprises and weak oversight |

## What they did

- Built a grant compliance calendar with every report, deadline and budget-period end date.
- Moved staff to activity-based time records signed each pay period, showing hours by grant.
- Created a grant file checklist: award terms, approved budget, allowable-cost list, invoices, approvals and reports in one place.
- Recoded unallowable costs to unrestricted funds before the visit and documented the corrections.
- Started a monthly budget-vs-actual review by grant shared with the finance committee.

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## The outcome

The monitoring visit closed with no findings. Because the corrections were made and documented in advance, no repayment was required, and the funder renewed the award for two more years. The board now receives a one-page grant status report each quarter.

### Self-check: could this happen to you?

- ☐ Can you show, for each grant, who worked on it and for how many hours?
- ☐ Do you check costs against the award's allowable-cost rules before paying?
- ☐ Is every grant's documentation in one complete file?
- ☐ Do you have a calendar of every grant report and deadline?
- ☐ Does the board review grant budgets versus actual spending?

### Want to talk through what this means for you?

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