Every Step Counts: How Post-Award Management Shapes a Successful Audit

Annette Thomas, MSM, MSHRM, CRA, CFRA, CPRA
Director of Grants and Contracts Accounting
Alabama State University

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Post Award Audit Review

- Audit Objective
- Supporting Documents Checklist
- Allowable Cost Testing
- Internal Control Testing
- Payroll and Effort Certification Review
- Subrecipient Monitoring Review

QUESTION - 1

When should **AUDIT** preparation take place?

QUESTION - 2

How confident are you with your Single Audit preparation?

- A. Very confident
- B. Confident
- C. Neutral
- D. Concerned

Audit Objectives

- Assess effectiveness of internal controls
- Confirm timely financial reporting
- Confirm allowability of expenditures
- Evaluate subrecipient monitoring
- Verify compliance with sponsor terms and conditions
- Verify effort reporting compliance

Supporting Documents Checklist

- Award Documents/Grant Agreement
- Approved Budget
- Cost Transfer Documentation
- Effort Certifications
- Equipment Inventory
- Financial Reports (SF-425) Signed and submitted timely
- General Ledger Detail
- Payroll Reports
- PI Approvals
- Procurement Files
- Sponsor Correspondence
- Subaward Agreements

Allowable Cost Testing

Except where otherwise authorized by statue, costs must meet the following general criteria in order to be allowable under Federal awards.:

- Necessary and Reasonable - Costs must be essential for the project and should not exceed what a prudent person would incur under similar circumstances
- Allocable – Costs must be assignable to the federal award in accordance with the relative benefits received This means that the cost should directly benefit the project or can be distributed in a reasonable manner if it benefits multiple projects.
- Consistently Treated -Costs must be treated consistently across all funding sources and should not be charged to multiple federal awards unless allowed. (Example: If an organization policy does not reimburse employees for membership, an exception cannot be made to reimburse the same costs because federal funds are available).
- Adequately Documented - All costs must be supported by adequate documentation to justify their allowability
  necessary for the operation of the non-Federal entity

Allowable Cost = Reasonable + Allocable + Consistently Treated

*If a cost cannot meet the criteria of reasonableness, allocability, and consistency, it is unallowable

Internal Control Testing

- Budget monitoring performed regularly
- Cost transfers processed timely
- Expenditures reviewed by PI or designated person
- Grant approvals documented
- Payroll reviewed regularly
- Segregation of duties - No single person should control an entire financial process: **Minimum separation:** <u>The person who spends funds should not be the same person who reconciles accounts</u>
- Subrecipient invoices reviewed.

Payroll and Effort Certification Testing

- Compare payroll charges to effort reports
- Verify certification timeliness
- Confirm salary caps compliance
- Verify PI approvals

Subrecipient Monitoring Review

- Confirm invoice approvals
- Review audit certifications
- Review subaward agreements
- Verify monitoring activities

Common Compliance Failures

- Failure to meet match requirements
- Inadequate time and effort documentation
- Late or missing reports
- Missing supporting documentation
- Procurement violations
- Unallowable costs charged

Noncompliance Can Lead To:

- Debarment from federal funding
- Damaged organizational reputation
- Questioned costs requiring repayment
- Special conditions on future awards
- Suspended or terminated awards

Prevention Methods

- Correct problems immediately
- Ensure all documents are properly signed and dated.
- Maintain updated policies and procedures
- Monitor compliance regularly
- Seek guidance when uncertain
- Train all staff on policies and procedures

Rule of Thumb

The Post-Award phase, when managed with foresight and discipline, ensures that audit readiness is a natural byproduct of daily operations. Post-Award management should be seen as a strategic process- where compliance is integrated into routine activities, documentation is continuously updated, and oversight is part of the organization’s operational rhythm.

Audit readiness is not just about preparing documents at year-end — it’s about creating systems that continuously produce accurate, traceable, and compliant records.

Questions

Annette Thomas
athomas@alasu.edu