



Monitoring and Subrecipient Monitoring in Federal Grants

This quick guide offers an overview of federal grants' monitoring requirements, key components, challenges, and best practices. It aims to help recipients and pass-through entities understand their responsibilities under the Uniform Guidance, improve oversight, and foster accountability, transparency, and success.

Ensuring Accountability, Compliance, and Effective Use of Federal Funds

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Background

Monitoring is a vital part of federal grant management, aimed at ensuring accountability, compliance, and proper use of public funds. Under the [Uniform Guidance \(2 CFR Part 200\)](#), federal awarding agencies and pass-through entities (PTE) must monitor recipients and subrecipients to confirm grants are used for their intended purposes and that performance goals are met.

Federal agencies and pass-through entities typically employ various methods to monitor grant activities and ensure compliance with federal requirements. Desk reviews involve examination of reports, documentation, and financial or performance data. On-site monitoring visits provide an opportunity to review systems, processes, and records directly and to discuss compliance practices with staff in real-time. Ongoing communication, including emails, calls, and required reporting serves as a monitoring mechanism to identify and address issues as they arise. In addition, risk assessments help agencies and pass-through entities prioritize the level and frequency of monitoring and oversight based on factors such as prior performance, audit results, and organizational capacity.

Monitoring

Federal agencies awarding grants must ensure that funds are used properly, lawfully, and for their intended purpose. Monitoring, mandated by laws like the [Chief Financial Officers Act \(1990\)](#) and the [Uniform Guidance \(2 CFR Part 200\)](#), is critical in effective grants management. Through monitoring, agencies can verify that expenditures align with approved purposes and budgets, performance goals are achieved, reports are accurate, and internal controls are in place to prevent waste, fraud, or abuse.

Key Components

Subrecipient Monitoring

Subrecipient monitoring holds pass-through entities accountable for ensuring that their subrecipients comply with federal and specific program requirements and achieve intended program outcomes. A subrecipient, such as a nonprofit, university, or local government, receives federal funds through a PTE rather than directly from a federal awarding agency. The PTE must ensure funds are used in accordance with federal statutes, regulation, terms and conditions of the award.

Under 2 CFR [§200.332](#), PTEs are required to:

- Identify the federal award provided to each subrecipient (including the Assistance Listing number, award name, and other key details).
- Evaluate each subrecipient's risk of noncompliance to determine the appropriate level of monitoring.
- Monitor subrecipient activities to ensure compliance and performance objectives are being met.
- Review and verify required audits, financial and performance reports, and the timely implementation of any corrective actions.
- Take appropriate enforcement actions when noncompliance or performance issues are identified.

In summary, monitoring refers to the oversight performed by federal agencies or pass-through entities to ensure proper use of grant funds. Subrecipient monitoring is a specific responsibility of pass-through entities, ensuring that organizations they fund with federal dollars uphold the same standards of compliance, performance, and accountability under federal requirements.

Monitoring is critical to ensuring accountability and compliance in the administration of federal grants. Subrecipient monitoring adds an additional layer of responsibility for pass-through entities to verify that funds are used appropriately and that program goals are met. Key areas of focus include risk assessments, financial oversight, performance evaluation, audit verification, and corrective actions tracking.

Despite these requirements, many entities encounter challenges such as inconsistent documentation, limiting monitoring capacity, unclear procedures, and inconsistent follow-up on corrective actions and findings. The following section outlines key components of effective monitoring, along with common issues that often create compliance and performance concerns.

Key Components of Monitoring (General Federal Grants Oversight)

- 1. Risk Assessment:** Federal awarding agencies and pass-through entities assess each recipient's and subrecipient's potential risk for noncompliance to determine the appropriate level and frequency of monitoring activities.
- 2. Financial Monitoring:** Reviews of expenditures to confirm allowability, allocability, and reasonableness under [2 CFR Part 200, Subpart E](#). This includes evaluating internal controls, segregation of duties, and adherence to approved budgets.
- 3. Programmatic/Performance Monitoring:** Verification that funded activities are aligned with approved project goals, deliverables, performance measures, with documentation supporting achievement of outcomes.

4. **Reporting Requirements:** Examination and review of required programmatic and financial reports to ensure timeliness, accuracy, and completeness, as well as consistency with performance and financial data.
5. **Site Visits and Desk Reviews:** On-site reviews of systems, processes, and records to assess compliance and performance. Additionally, desk reviews of reports and supporting documentation.
6. **Corrective Action and Technical Assistance:** Follow-up on audit findings, deficiencies, or noncompliance to confirm resolution. When appropriate, provide training and/or technical assistance to strengthen compliance capacity and prevent recurrence.

Key Components of Subrecipient Monitoring (Pass-through Entity Responsibilities under [2 CFR §200.332](#))

1. **Subaward Identification:** Clearly documenting award terms and conditions of the subaward, including the Assistance Listing number, awardee name, federal agency, and other applicable requirements in the written agreement.
2. **Risk Evaluation:** Assessing each subrecipient's prior experience, results of audits, personnel and systems capacity, and prior compliance history to tailor monitoring.
3. **Ongoing Monitoring Activities:** Conducting regular reviews of financial and performance reports, desk reviews, and on-site visits to ensure the subrecipient meets program objectives and is complying with all requirements.
4. **Audit Verification:** Confirming whether the subrecipient is subject to the Single Audit Act ([per 2 CFR Part 200, Subpart F](#)) and ensuring that audit reports are submitted, reviewed, and any findings resolved in a timely manner. As of October 2024, the threshold was raised to \$1M in federal funds expended to undergo a Single Audit.
5. **Documentation and Record Keeping:** Maintaining complete and organized records of all subrecipient communications, reviews, and follow-up actions as evidence of effective monitoring.
6. **Capacity Building and Support:** Providing training, guidance, or technical assistance to strengthen subrecipients systems and internal controls to help address capacity gaps, promote long-term compliance, and reduce future monitoring and auditing risks.
7. **Corrective Actions:** Requiring subrecipients to address deficiencies, implementing sanctions or other remedies when necessary (i.e., imposing conditions, withholding funds, etc.) and documenting all resolutions or enforcement actions ([per 2 CFR §200.339](#)).

Common Issues and Challenges

- **Inadequate Documentation:** Insufficient records or evidence of monitoring activities, such as site visit notes, desk review summaries and outcomes, or follow-up communications.
- **Inconsistent Oversight:** Uneven application of monitoring activities, where some subrecipients receive intensive reviews, while others receive minimal oversight, regardless of risk.

Understanding the Impact

- **Unclear Roles and Classifications:** Confusion between contractors vs. subrecipients, resulting in misapplication of requirements and monitoring standards.
- **Weak Risk Assessments:** Failure to tailor monitoring activities to actual risk levels, leading to inefficiencies and potential gaps in compliance.
- **Capacity Gaps:** Smaller subrecipients may lack robust financial systems, policies, or staff capacity to fully comply with federal requirements.
- **Delayed Corrective Actions:** Findings identified through audits, reviews, or site visits are not tracked or resolved in a timely manner.

Resource Constraints: Pass-through entities often face staffing, budgetary, or expertise limitations that hinder comprehensive monitoring and technical assistance efforts.

The implications of monitoring and subrecipient monitoring in federal grants are both practical and strategic. Effective monitoring strengthens accountability, funding stability, and program performance, while weak or no monitoring can increase risk exposure and jeopardize future funding. Below are the main takeaways:

Implications for Recipients and Subrecipients

1. **Accountability for Federal Funds:** Maintaining strong internal controls, and clear documentation, and timely reporting is essential. Monitoring activities serve as the primary mechanism through which recipients and subrecipients demonstrate compliance and stewardship of federal resources.
2. **Administrative and Resource Burden:** Monitoring can be resource-intensive, requiring dedicated staff, data systems, and coordinated financial and programmatic reporting. Entities must balance day-to-day program delivery with compliance requirements.
3. **Capacity Building and Continuous Improvement: When approached constructively, monitoring** highlights areas for improvement in financial management, governance, and program implementation. It serves as a feedback mechanism for strengthening institutional capacity and long-term sustainability.

Implications for Pass-Through Entities (PTE)

1. **Shared Legal Responsibility:** PTEs share accountability for how subrecipients spend and manage federal funds. Failure to adequately monitor subrecipients can result in audit findings, questioned costs, or repayment obligations, exposing the PTE to reputational and financial risk.
2. **Risk Management and Early Intervention:** A structured monitoring process enables PTEs to identify high-risk subrecipients early, prioritize oversight, and implement corrective actions before small compliance issues escalate into systemic problems.
3. **Balancing Support and Oversight:** PTEs must balance capacity-building support, such as technical assistance and training, with enforcement mechanisms for noncompliance. Striking this balance builds trust with subrecipients while maintaining accountability and protecting federal interest

Next Steps & Recommendations

Monitoring and subrecipient monitoring are more than just compliance exercises, they are central to achieving program success. Effective oversight ensures that federal funds are used as intended, strengthens organizational systems, and mitigates risks that could threaten future funding. Ultimately, strong monitoring practices enhance program integrity, performance outcomes, and public trust in federally funded programs.

The following steps are designed to strengthen oversight systems, build organizational capacity, and ensure consistent documentation and accountability. This balances compliance with capacity building, helping to safeguard both federal funds and program results.

1. **Strengthen Risk Assessments:** Develop or update standardized tools to evaluate recipient or subrecipient risks, incorporating financial capacity, performance history, and prior audit results.
2. **Documenting Monitoring Activities:** Maintain detailed records of all desk reviews, site visits, communications, and corrective actions to provide a clear audit trail and demonstrate compliance.
3. **Invest in Training and Capacity Building:** Provide training for staff and subrecipients on federal requirements, cost principles, reporting standards, and internal control expectations.
4. **Enhance Communication and Expectations:** Clearly outline performance, reporting, and compliance requirements and expectations within the subaward agreements and reinforce them through ongoing dialogue.
5. **Leveraging Technology and Data Systems:** Use grant management platforms and shared systems to track financial data, reporting deadlines, risk ratings, and monitoring outcomes efficiently.
6. **Ensure Timely Corrective Actions:** Establish timelines, responsibilities, and follow-up procedures to confirm that findings and deficiencies are fully resolved and organizations are held accountable.
7. **Review and Update Monitoring Policies Periodically:** Conduct periodic assessments of monitoring policies and procedures to ensure alignment with current 2 CFR Part 200 provisions and agency-specific requirements.

Additional Resources

- [Uniform Guidance \(2 CFR Part 200\)](#)
- [Government Accountability Office \(GAO\) Chief Financial Officers Act \(1990\)](#)

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