

[Date]

[Name of Executive Director/Board Chair]

[Name of Non-Profit Organization]

[Address]

[City, State, Zip Code]

RE: Management Letter - Review of Grant Subrecipient Monitoring and Fund Accounting

Dear [Name],

In connection with our recent [audit/review] of [Name of Non-Profit Organization] for the period ending [Date], we examined the internal controls and procedures related to federal/state grant subrecipient monitoring and fund accounting systems. While our objective was not to provide an opinion on the overall internal control structure, we noted certain matters that offer an opportunity for strengthening internal operations and compliance.

1. Subrecipient Monitoring

During our review, we observed the following regarding the oversight of sub-awarded funds:

- **Risk Assessment:** [Detail observation, e.g., Formal risk assessments for subrecipients were not documented prior to fund disbursement].
- **Reporting:** [Detail observation, e.g., Financial and programmatic reports from subrecipients were not consistently received or reviewed according to the grant agreement schedule].
- **Recommendation:** We recommend implementing a standardized monitoring checklist and a formal schedule for site visits or desk reviews to ensure subrecipients are using funds in accordance with grant requirements and 2 CFR 200 (Uniform Guidance).

2. Fund Accounting and Allocation

Regarding the tracking and reporting of restricted grant funds, we noted:

- **Cost Allocation:** [Detail observation, e.g., Documentation for the allocation of shared personnel costs between multiple grants was insufficient].
- **General Ledger Structure:** [Detail observation, e.g., Grant-specific revenue and expenses were not sufficiently segregated within the chart of accounts].
- **Recommendation:** We recommend updating the accounting system to utilize "Class" or "Project" tracking for every transaction. Furthermore, time-and-effort reports should be reconciled monthly to ensure accurate labor distribution across all funding sources.

3. Internal Control Improvements

To mitigate the risk of non-compliance or disallowed costs, the organization should:

- [Insert specific recommendation for policy manual updates].
- [Insert specific recommendation for staff training on grant compliance].

This communication is intended solely for the information and use of the management and the Board of Directors. We wish to thank your staff for the cooperation extended to us during this process.

Sincerely,

[Your Name/Firm Name]

[Title]