Monitoring What Matters

Stronger federal grant compliance starts with finding the weakest links in the chain. A risk-based framework helps governments focus limited monitoring resources where they're needed most.

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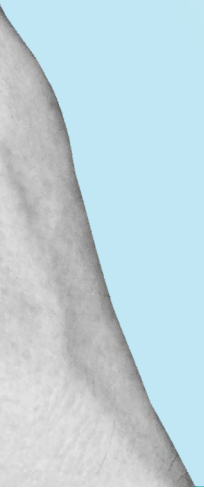

Federal agencies estimated $186 billion in improper payments across the government in the 2025 fiscal year. That figure has not budged for years, despite improvements in oversight tools. A major contributor is structural—federal grants to programs like Medicaid, SNAP, and Temporary Assistance for Needy Families have ballooned since 2020, while the number of people responsible for tracking those funds has not kept pace. Most agencies deal with the gap in a similar fashion: They march every program through audits on a fixed schedule, no matter the actual risk.[1]

This means they audit low-risk programs with solid controls just as often as those that are often associated with audit problems. The method is simple enough, but it wastes scarce monitoring time. A risk-based approach concentrates monitoring time on the programs most likely to have problems and backs off the ones that consistently run clean.

A state finance or compliance team can set this up using only the staff and data already on hand—no need to buy new software or hire consultants. I have seen this kind of setup work inside audit and compliance shops overseeing federal spending, and the framework here draws on those experiences, not just one specific blueprint.

The sections that follow walk through reasons why fixed rotation fails, how a scoring process works in practice, and what an agency actually needs to do to make the switch.

The Cost of Fixed Rotation

Single audit reports filed under the uniform guidance keep telling us the same thing: A handful of programs and subrecipients rack up most of the findings, while the rest rarely show any issues, year after year. Splitting audit hours evenly between high-risk and low-risk groups has never made much sense because it means that agencies don't pay enough attention to subrecipients likely to have problems (and spend too much time on those that don't).[2]

Exhibit 1 includes a risk scoring model that pulls data from sources state agencies already use: grant ledgers, past single audit findings, monitoring records, and internal control self-assessments. There is no need for a brand-new data collection system. Everything you need is sitting there; the real work is organizing the information and standardizing the scoring process.

First, rate each factor, assign a weight, and add them up to produce a single score for each program or subrecipient. That composite score gives you a ranked list, so monitoring decisions follow risk, not a calendar.

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EXHIBIT 1 | Risk Scoring Matrix

Weights should be calibrated to each agency's program mix and validated annually against actual finding rates.

RISK FACTOR	WEIGHT	DATA SOURCE	SCORING METHOD
Program dollar volume	**25%**	Grant ledger / SAM.gov	Percentile rank
Prior audit findings	**20%**	Single audit reports	Count, weighted by severity
Subrecipient turnover	**15%**	Subrecipient monitoring file	New versus returning ratio
Internal control maturity	**20%**	Self-assessment / site visit	1 to 5 maturity scale
Program complexity	**10%**	Number of funding sources	Count of overlapping awards
Time since last full review	**10%**	Audit management system	Months elapsed

EXHIBIT 2 | Four-Component Risk-Based Framework

Each component produces a distinct deliverable that feeds the next, creating a continuous cycle rather than a one-time assessment.

COMPONENT	FUNCTION	PRIMARY OUTPUT
1 **Risk Register**	Centralized inventory of every funding stream, subrecipient, and compliance requirement	Annual risk universe with scores by program
2 **Scoring Model**	Weighted formula applied consistently across all programs and subrecipients	Ranked priority list for monitoring resources
3 **Tiered Monitoring**	Monitoring intensity calibrated to risk tier: desk review, limited scope, or full review	Monitoring plan matched to available staff capacity
4 **Governance Review**	Periodic validation that scores remain accurate and the model itself is unbiased	Annual model recalibration and audit committee report

A Four-Component Framework

A risk score points you toward trouble spots. It doesn't tell you how deeply to look, or who keeps the scores current. Exhibit 2 shows the four components that turn a single score into an operating program.

Start with the risk register, which is the heart of the process. It needs to show every federal funding stream the agency handles, list each subrecipient, document every subaward, and spell out the compliance requirements tied to each award under 2 CFR Part 200. That is the minimum. The risk register also needs to crosswalk each program against control components in the Committee of Sponsoring Organizations of the Treadway Commission framework and the Government Accountability Office's *Standards for Internal Control in the Federal Government*. The quality of any risk score depends entirely on the accuracy of the underlying control data. Most agencies already collect this information, but it's scattered in different spreadsheets and locked away in program systems no one ever connected. Pulling everything into one register, even a rough first version, is the most important step.[3]

Next comes the scoring model. Apply the weighted factors from Exhibit 1 to every entry, every time. A simple model applied the same way every time is easier to defend and more likely to hold up than a sophisticated one used inconsistently.

Then there's monitoring. Tie the level of review to the tier assigned by the score. Top-risk programs get comprehensive checks: site visits, transaction testing, the works. Mid-tier programs get a desk review based on what they've already reported. Low-risk ones just sign off annually. This keeps monitoring realistic and within the staffing levels agencies actually have, without chasing more positions that will never get approved.

Governance review is the step most agencies skip. Once a year, compare the model's scores with actual results. Did high-risk programs turn up more findings than the low-risk ones? If not, it means your weights are off and need to be adjusted—agencies sometimes let this slide for years simply because nobody "owns" it. That breeds bias, not just inaccuracy. As conditions change, the model drifts until it is unfairly targeting or missing certain programs, and nobody even notices. The review has to test for basic fairness too. Is the model tilting against certain program types or subrecipients for reasons unrelated to risk? Responsibility for this annual validation should be formally assigned to a specific role, not left to whoever happens to remember, so the model does not become an orphaned process.[4]

Findings per review is the easiest metric to track, but it tells only part of the story. Add repeat finding rates and questioned cost amounts to the picture.

What Changes in Practice

Exhibit 3 shows what this looks like in practice. The real question is whether the hours an agency already has are landing on the programs where they matter most.

Programs serving vulnerable populations have the most at stake here. These are often the people who absorb the worst consequences when funds go mismanaged, and under fixed rotation they can go for years without a serious look.

Picture a portfolio of 100 subrecipients. The top 20 percent on the risk scale typically generates about 70 percent of audit findings, which matches what single audit data consistently shows across federal programs. A fixed rotation spreads monitoring evenly, so those 20 high-risk subrecipients get the same attention as the other 80, even though the risks aren't comparable. Risk-based tiering flips that. The highest-risk group gets a full-scope review,

EXHIBIT 3 | Fixed Rotation Versus Risk-Based Allocation

Findings per monitoring hour is one useful efficiency measure; agencies should track it alongside questioned costs and repeat finding rates rather than in isolation.

ALLOCATION METHOD	FIXED ROTATION MODEL	RISK-BASED MODEL
Programs reviewed annually	Every program, same depth	High-risk programs reviewed 3x more often
Monitoring hours per program	Equal distribution	Proportional to risk score
Basis for selection	Calendar rotation	Weighted risk score
Findings per monitoring hour	Baseline	Substantially higher

A risk-based framework does not fix the staffing shortage. **What it does is make sure the hours available go toward the risks that actually matter,** rather than cycling through programs that rarely produce findings.

while the safest half just needs a streamlined certification, freeing up hours to focus where problems are most likely without hiring anyone new. Does this approach guarantee a specific findings-per-hour ratio? No, and anyone claiming a precise number is guessing. What changes is that monitoring finally aligns with actual risk, not the calendar.[5]

Getting Started

None of this requires dismantling what is already in place. The shift happens in three steps.

Start with the risk register. Pull what already exists from grant management systems and prior Single Audit reports. Most agencies can put a working version together in one budget cycle without new hires or a major project.

Then run the scoring model alongside the current rotation schedule, not instead of it. Do not replace anything yet. Let both run in parallel for one full cycle. People often skip this part because they want instant results, but taking the time here pays off. Running both lets your team see if the new rankings actually reflect the risks they're already aware of, and it gives you a chance to adjust the model's weights before those numbers start shaping your decisions.

Put governance review on the audit committee's calendar as a standing item. A framework nobody revisits starts drifting within a few cycles, and at that point it tracks the calendar more than the actual risk.

Conclusion

Grant compliance keeps getting harder. More programs, more money flowing through, same number of people watching it. A risk-based framework does not fix the staffing shortage. What it does is make sure the hours available go toward the risks that actually matter, rather than cycling through programs that rarely produce findings. For agencies with limited oversight capacity, catching problems before they compound is a very different outcome than finding them after the money is gone.

Risk-based monitoring means directing limited public resources where they do the most good. Building this framework and keeping it current is one of the best uses a state finance office can make of the resources it already has.

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[1] U.S. Government Accountability Office, *Financial Audit: FY 2025 and FY 2024 Consolidated Financial Statements of the U.S. Government*, GAO-26-108073 (Washington, D.C.: GAO, 2025); U.S. Government Accountability Office, *Single Audits: Improving Federal Audit Clearinghouse Information and Usability Could Strengthen Federal Award Oversight*, GAO-24-106173 (Washington, D.C.: GAO, 2024).

[2] Office of Management and Budget, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 C.F.R. pt. 200 (2024); U.S. Government Accountability Office, *Single Audit Quality: Actions Needed to Address Persistent Audit Quality Issues*, GAO-21-587 (Washington, D.C.: GAO, 2021).

[3] Office of Management and Budget, 2 C.F.R. pt. 200, subpt. D (Post Federal Award Requirements); U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: GAO, 2014); Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control: Integrated Framework* (Durham, N.C.: COSO, 2013).

[4] U.S. Government Accountability Office, *Artificial Intelligence: Agencies Have Begun Implementation but Need to Complete Key Requirements*, GAO-24-105980 (Washington, D.C.: GAO, 2024).

[5] U.S. Government Accountability Office, *Single Audit Quality: Actions Needed to Address Persistent Audit Quality Issues*, GAO-21-587 (Washington, D.C.: GAO, 2021).