

The Compliance Risk Radar

8 red flags that show up in almost every nonprofit audit — and how to spot them early

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Compliance failures rarely come out of nowhere. They build quietly — a missing form here, an expired certification there, a report filed late. By the time an auditor finds them, the damage is done. These are the 8 red flags to watch for before they become findings.

THE 8 COMPLIANCE RED FLAGS

Red Flag	What It Looks Like	How to Self-Check Right Now
1. Eligibility Files Are Incomplete	Client files missing required documentation — income verification, ID, consent forms.	Pull 5 random client files. If any are missing required docs, you have a systemic gap.
2. Staff Training Records Are Missing	Required certifications, food safety, mandatory reporter, or program-specific training not on file.	Ask your program director for the last training log. If it takes more than 5 minutes to produce, it's a problem.
3. Funder Reports Filed Late or Incomplete	Reports submitted past deadline or missing required data fields.	Check your last 3 funder reports against the due dates in your grant agreements.
4. No Written Grievance Procedure	Most federal and state programs require a documented, posted client complaint process.	Can you hand a client a copy of your grievance procedure right now? Is it posted where clients can see it?
5. Restricted Funds Are Commingled	Grant funds mixed with general operating funds — or used for purposes outside the grant agreement.	Run a report on your last grant. Can you trace every dollar spent back to an approved budget line?
6. Board Minutes Not Documented	Incomplete or missing minutes from board meetings — especially those where financial decisions were made.	When was the last board meeting? Do approved minutes exist and are they signed?
7. Volunteer Hours Not Tracked	Many grants use volunteer hours as matching funds. If they're not logged, you're leaving match on the table — or in violation.	Does every volunteer sign in and sign out? Is that data somewhere auditors can find it?
8. No Corrective Action Plan on File	Prior audit findings without a documented corrective action plan and resolution.	Look at your last audit. Were all findings resolved? Is that resolution documented?

If more than 2 of these are present, your organization has systemic compliance gaps — not isolated mistakes. The fix is infrastructure: documented processes, assigned owners, and a compliance calendar someone is actually responsible for.

Ready to close the gaps?

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