



Veterans' Employment and Training Service (VETS) – Homeless Veterans' Reintegration Program (HVRP)

Audit Results Review and Debrief

July 24, 2024

Presenters



Wendy Allen

**Managing
Director**



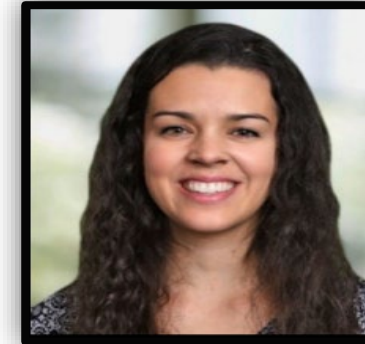
Allen Devine

**Managing
Director**



Lucy Rutter

**Senior
Manager**



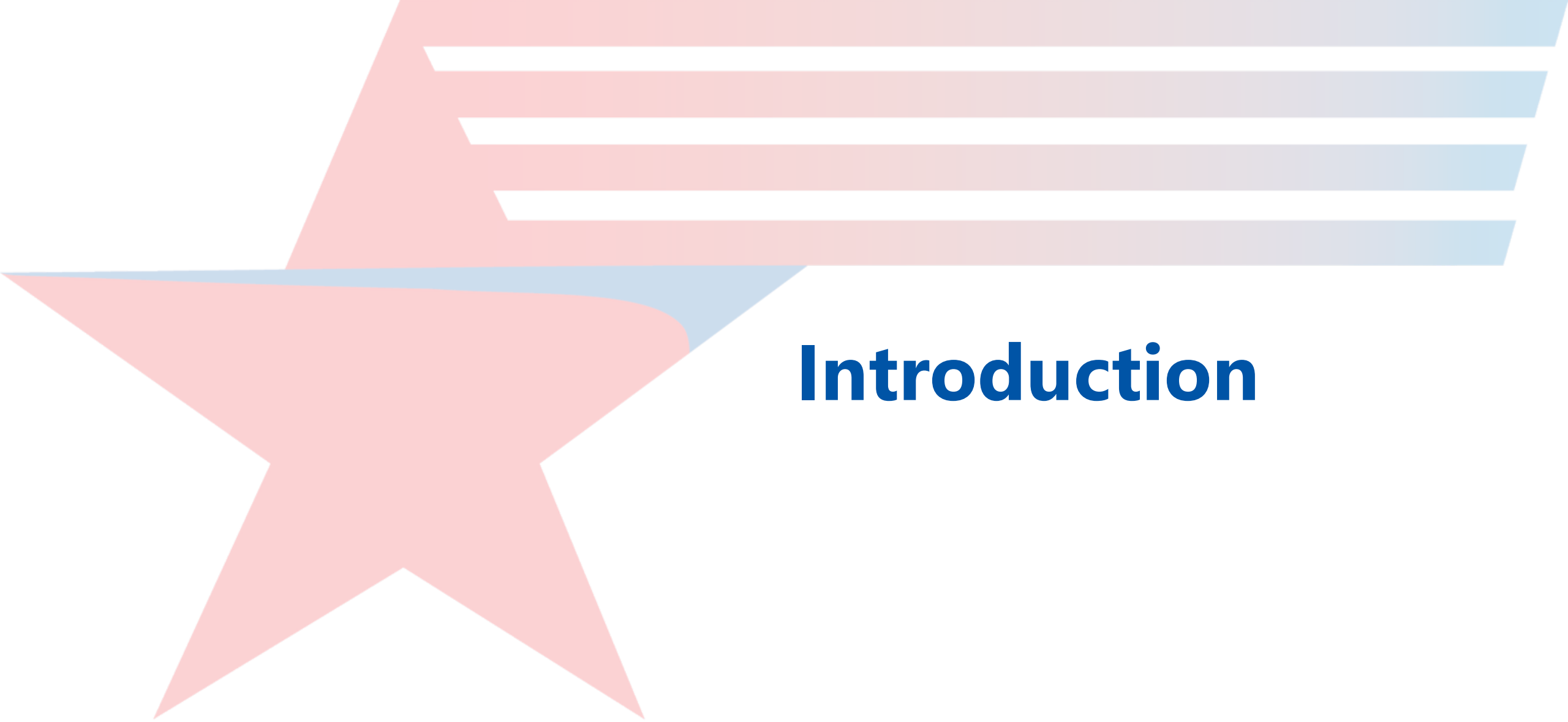
Jennifer Meade

**Senior
Manager**

Agenda



- **Introduction**
- **Module 1 – Key Criteria & Audit Findings**
 - Repeat themes of findings
 - Key criteria for common findings
 - Highlights of option year 2 findings identified
- **Module 2 – Leading Practices**
 - Monitoring Activities
 - Financial Management



Introduction

Objectives and Scope



- KPMG Audit Scope for the Homeless Veterans' Reintegration Program (HVRP)
 - Evaluate the HVRP program costs for compliance with the HVRP Terms and Conditions and the Uniform Administrative Requirements, Title 2 of the Code of Federal Regulations Part 200, Subparts D and E and Part 2900, Subparts D and E.
 - Scope periods completed: Program years 2021 and 2022
- Relevant Standards that auditors use to conduct the work
 - Performance audit standards contained in *Government Auditing Standards* (2019 version) issued by the Comptroller General of the United States
 - *Standards for Consulting Services* established by the American Institute of Certified Public Accountants (AICPA)

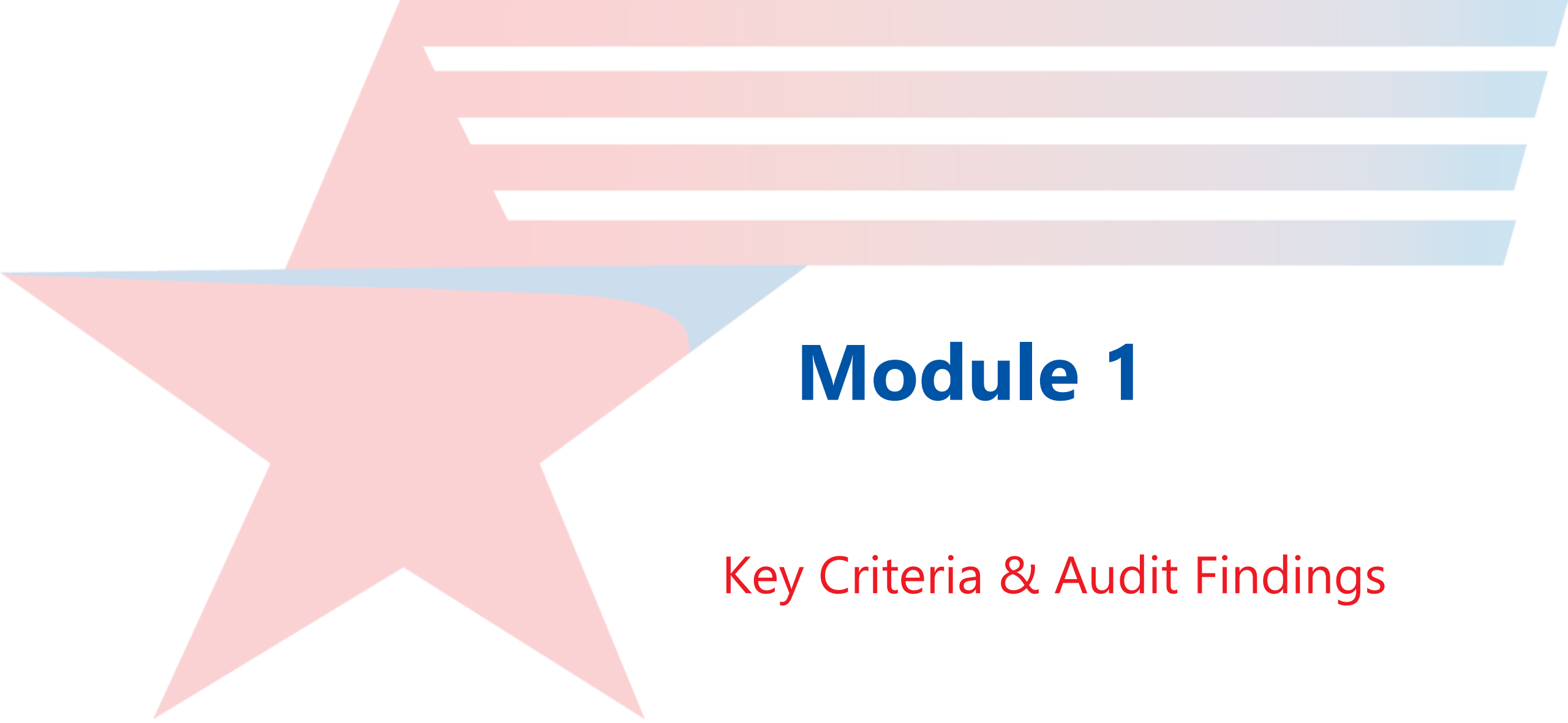


Polling Question

- How many of you are new grantees to the HVRP program?

Yes

No



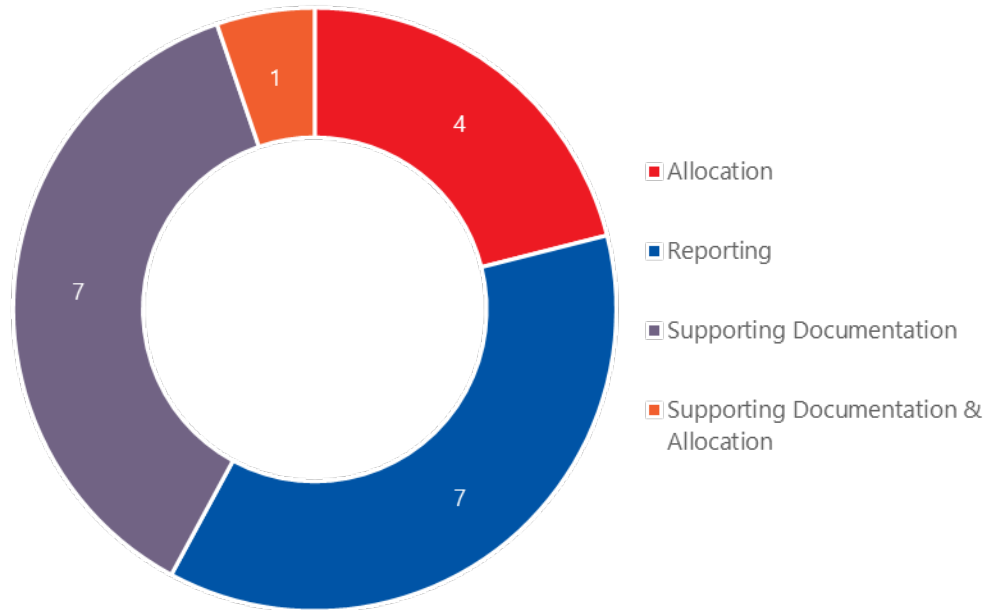
Module 1

Key Criteria & Audit Findings

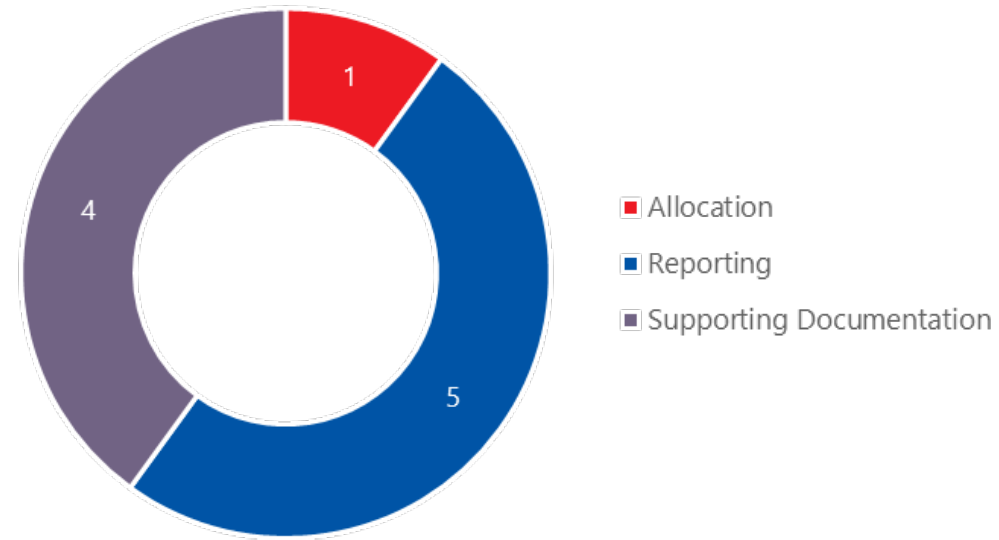
Data Analytics – HVRP Classification



Combined Findings (All 3 Years)



Option Yr. 2 Findings





Findings Consistently Noted

- Allocations
- Supporting Documentation
- Reporting

Note: Refer to prior year debrief at [link](#)

- Example Finding and Criteria/Requirements
- Procedure that identified issue
- Example Supporting Documentation
- Expectations
- Potential Monitoring Activities



Key Criteria for Common Findings

- Readily available documentation
- Allocation
- Reporting

Key Criteria – Readily Available Documentation



- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 CFR 200 section 200.302(a)

...the state's and the other **non-Federal entity's financial management systems, including records** documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be **sufficient to permit the preparation of reports** required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures **adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.**

Key Criteria – Readily Available Documentation



- GAO Standards for Internal Control in the Federal Government (GAO Standards), Design of Appropriate Documentation of Transactions, paragraph 10.03

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be **readily available for examination**. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. **Documentation and records are properly managed and maintained.**

Key Criteria – Readily Available Documentation



- HVRP Terms & Conditions 11e state:
 - During the closeout process, the grantee must be able to provide documentation for all direct and indirect costs that are incurred.

Key Criteria – Readily Available Documentation



- Source Documents

Examples of Readily Available Documentation		
Direct Costs	Allocated Costs	Payroll and Benefits
<ul style="list-style-type: none">• Invoices• Lease agreements• Service contracts• Other external agreements or support	<ul style="list-style-type: none">• Invoices or support for underlying transaction to be allocated• Support for the calculation of the allocation percentage	<ul style="list-style-type: none">• Timesheets• Offer letters• Job descriptions• Benefit election forms• Other benefit information

Consider how to provide readily available documentation for system generated allocations or calculations



Key Criteria - Allocation

- Indirect
 - Section 5 Indirect Cost Rate and Cost Allocation Plan (HVRP)
 - Federally approved NICRA or CAP
 - De minimis rate of 10%



Key Criteria - Allocation

- Direct
 - Uniform Guidance, 2 CFR 200 section 405(d)

Direct cost allocation principles: If a **cost benefits two or more projects** or activities in proportions that can be **determined without undue effort or cost**, the cost must be allocated to the projects based on the **proportional benefit**.



Key Criteria - Allocation

- Direct

Acceptable Bases

- Represent a fair measure of cost benefit
- Result in a proportional distribution of costs, not exact
- Fall within control of the organization's management
- Generate reliable and fairly predictable results
- Maintain consistency even with variations in funding

Examples

- Rent/Utilities – square footage
- Telephone – by users
- Direct Labor Hours
- Numbers of FTEs

Key Criteria – Quarterly Financial Reporting



- Uniform Guidance, 2 CFR 200 section 300.302(b)

The financial management system of each non-Federal entity must provide for the following:

(2) **Accurate, current, and complete disclosure of the financial results** of each Federal award or program **in accordance with the reporting requirements** set forth in §§ 200.328 and 200.329.

Key Criteria – Quarterly Financial Reporting



- Total expenditures per quarterly TPR and FFR reports agree with the transaction detail
 - Grantee able to provide a reconciliation to evidence amounts agree
 - Specific reporting categories also agree
 - Indirect Costs from FFR
 - Provide evidence of audit trail for underlying expenditures



Audit Findings

- Highlights of Option Year 2 findings and recommendations
 - Supporting Documentation
 - Allocations
 - Reporting
 - Direct Costs
 - Policies & Procedures



Audit Findings – Supporting Documentation

- HR systems
 - Grantee unable to provide support for benefits charged to the grant
- Reliance on system reports
 - Grantee relied on financial system to calculate allocations and was unable to provide sufficient support to validate the allocation
- Timesheet adjustments after pay period recorded
 - Grantee used direct labor hours to allocate indirect costs
 - Grantee was only able to provide support for direct labor hours after timesheet adjustments were made
 - Unable to support allocation amounts that were calculated based on direct labor hours prior to adjustments
 - Did not maintain historical support



Audit Findings – Supporting Documentation

- Recommendations
 - Supporting documentation is readily available
 - Supporting documentation agrees to transaction amounts
 - Retention requirement: at least three years after submission of final quarterly report

Audit Findings – Allocation



Funded FTEs incorrectly applied

- **Condition:** Grantee allocated monthly indirect costs using funded FTEs by program for the month
- **Cause:** Grantee used April 2022 funded FTEs to allocate June 2022 costs

Allocations of Holiday and Leave Time

- **Condition:** Grantee allocated holiday and leave time only to primary program employee was assigned to
- **Cause:** Grantee did not allocate by actual hours charged to the grants/programs resulting in over and under allocations of holiday and leave time to the grant

Square footage support

- **Condition:** The grantee allocated certain direct cost transaction based on square footage
- **Cause:** Grantee was unable to provide sufficient support to validate the accuracy of the allocation

Consistent documentation for allocations

- **Condition:** Grantee used various allocation methods for allocated direct costs and indirect costs
- **Cause:** Grantee did not maintain consistent documentation to support allocations

Audit Findings - Allocation



Recommendations	
Internal Controls <ul style="list-style-type: none">• Review of direct cost allocation calculations	Allocation Methodology <ul style="list-style-type: none">• Allocates by proportional benefit
Supporting Documentation <ul style="list-style-type: none">• Maintain sufficient supporting documentation	



Audit Findings – Reporting

Reconciliation challenges

- **Condition:** The grantee was unable to reconcile the transaction detail to the quarterly reports, including the FFR and VETS 701
- **Cause:** Policies and procedures did not require maintenance of detailed records to support the reconciliation

Timing differences

- **Condition:** The grantee reflected cost adjustments and accruals in quarterly reporting but not in the general ledger
- **Cause:** Cost adjustments and accruals should be timely recorded in the general ledger and in reporting

Incorrect FFR reporting

- **Condition:** Difference between the transaction detail and reported costs on line e of the FFR and the VETS 701
- **Cause:** Policies and procedures did not require cumulative expenditures to be reported on line e so cumulative drawdowns were reported

Audit Findings – Reporting

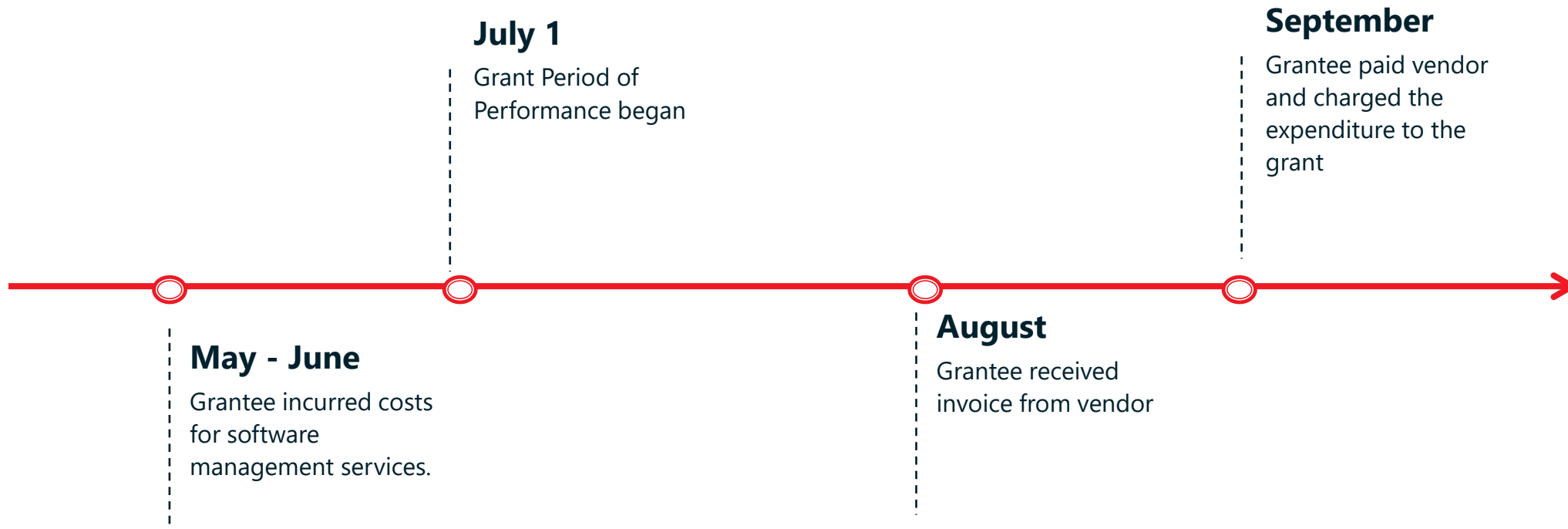


Recommendations	
Policies and Procedures <ul style="list-style-type: none">• Enhance policies and procedures for accuracy and timeliness of quarterly grant reporting• Ensure policies and procedures require maintenance of detailed records and reconciliations	Internal controls <ul style="list-style-type: none">• Require appropriate review protocols over quarterly reporting

Audit Findings – Reporting



Condition: Prior year expenses charged to current grant





Audit Findings – Reporting

- Prior year expenses charged to current year grant

Recommendations		
Accrual Basis of Accounting <ul style="list-style-type: none">• Required for quarterly grant reporting• Cash vs. Accrual Desk Aid	Vendor Management <ul style="list-style-type: none">• Awareness of recurring services• Timely invoicing and payment	Internal Controls <ul style="list-style-type: none">• Review of period costs were incurred

Audit Findings – Direct Cost



Goods/services not used by grant employees

- **Condition:** Grantee purchased goods and/or services (laptops, docking stations, phone services) that were not utilized by grant employees
- **Cause:** Monitoring controls were not sufficient to ensure costs related to grant employees

Unallowable purchase

- **Condition:** Purchase of gift for retired employee as an other direct cost
- **Cause:** Policies and procedures were not sufficient to establish the allowability of costs

Prepaid gift card

- **Condition:** The grantee purchased a prepaid gift card and did not fully expend the funds during the grant period
- **Cause:** Review controls were not designed to ensure costs were recorded accurately in the correct period of performance

Participant Support Costs

- **Condition:** Utility and rental payments for participants facing eviction and homelessness were incurred and not related to IVTP-eligible program participants.
- **Cause:** Training was not sufficient to ensure individuals approving expenses were aware of unallowable costs.

Audit Findings – Direct Cost



Recommendations	
Internal Controls <ul style="list-style-type: none">• Enhance review and monitoring controls to ensure direct costs charged to the grant are related to grant funded staff/initiatives• Provide training related to the review and approval of costs	Supporting Documentation <ul style="list-style-type: none">• Maintain sufficient supporting documentation regarding how the cost is related to the purpose of the grant

Audit Findings – Policies and Procedures



Review and approval controls

- **Condition:** The grantee did not have clear policies and procedures over the review and approval of receipt of goods/services for participant costs
- **Cause:** Policies and procedures were not sufficient to require proper approvals

Mileage reimbursement policies

- **Condition:** The grantee did not document policies to specify mileage rates, description of location, and reimbursement policies for outreach activities performed
- **Cause:** Policies and procedures were not sufficient to require adequate details related to mileage.

Approved timesheets and pay rates

- **Condition:** The grantee did not have clear policies and procedures to document the certification and review/approval of timesheets and maintain pay rate evidence
- **Cause:** Policies and procedures were not sufficient to require appropriate support

Budget amendments

- **Condition:** The grantee incurred costs which required Grant Officer Approval
- **Cause:** Policies and procedures were not sufficient to require amendments were requested and approved

Audit Findings – Policies and Procedures



Recommendations	
<p>Internal Controls and Supporting Documentation</p> <ul style="list-style-type: none">Review and enhance policies and procedures to ensure evidence of receipt and review, verification of timesheets, and approval requirements are clearly established	<p>Internal Controls and Supporting Documentation</p> <ul style="list-style-type: none">Enhance policies and procedures to ensure mileage reimbursement requests include sufficient detail to include destinationsEnhance policies and procedures and monitoring controls to ensure amendments are requested and approved

Polling Question

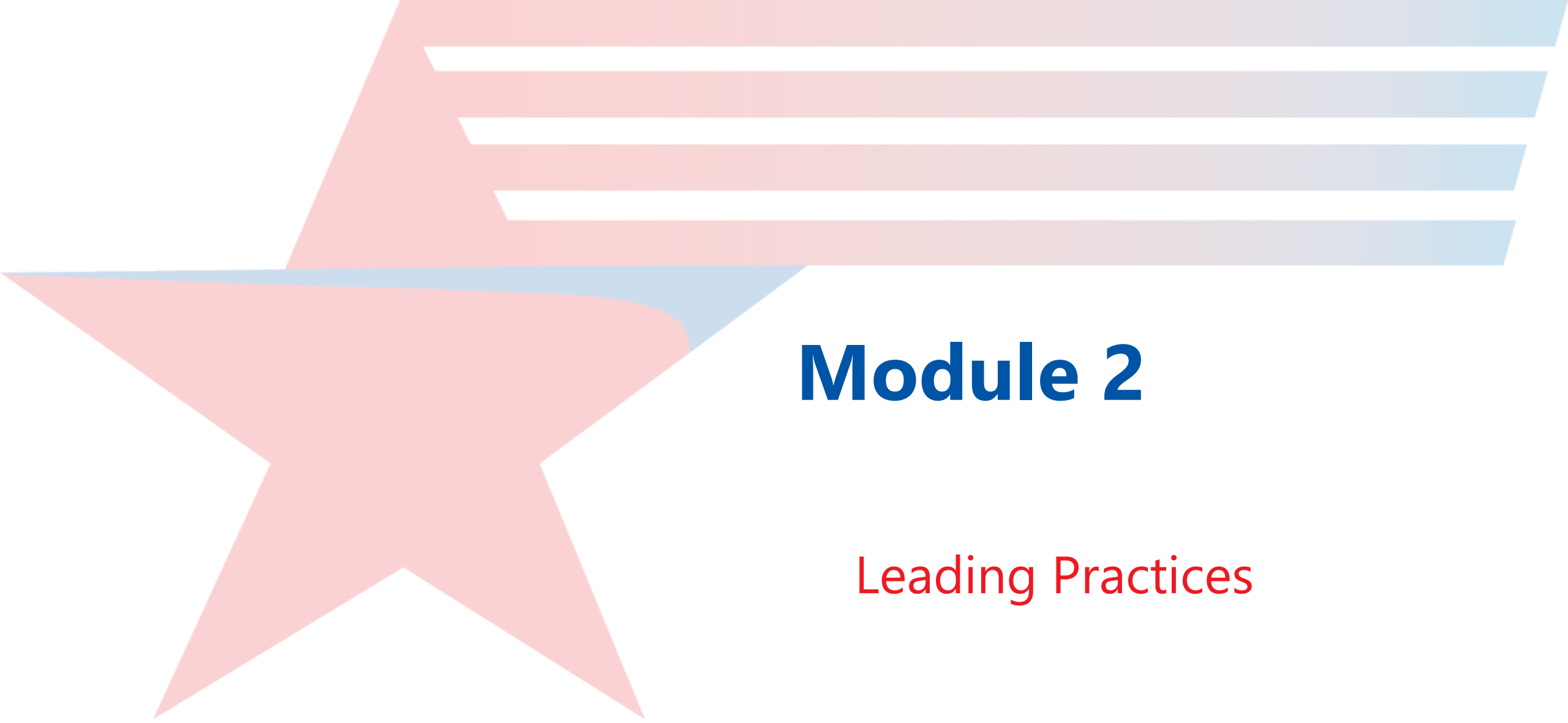


From a financial management perspective as an HVRP grantee, are there specific areas that you would appreciate additional guidance or clarification?

Training



- **[SMART 4.0 webinar Training Series](#)**
 - Module 2: Internal Controls
 - Module 5: Cost Principles and Cost Classification
 - Module 7: Cost Allocation and Indirect Costs
 - Module 8: Advanced Cost Allocation: Cost Allocation Plans, Indirect Cost Rate Agreements, and De Minimis
 - Module 13: Monitoring and Oversight
 - Module 20: Records Management
- **[Policies and Procedures Training](#)**
- **[VETS Listening Session](#)**



Module 2

Leading Practices

Polling Question



How often do you communicate with your GOTR? (daily, weekly, monthly, quarterly)



Monitoring Leading Practices

- Evaluate quality of documentation provided
- Timeliness of and ability to provide documentation and/or complete reporting requirements
- Analysis or trends of information provided
 - Quarterly spending / reporting (701/FFR)
 - Timing of drawdowns
 - Budget to Actuals
 - Variance with prior period
 - Review of indirect rates
 - Review of reported payroll and benefits
- Escalate issues when necessary

Financial Management Leading Practices



- Cross Training of individuals – awareness of and initiating policies to ensure appropriate knowledge of entire process to support grant
 - Who is your backup if you are out?
- Review of proficiencies with respect to those responsible for financial management related tasks to support the financial requirements of the grants (i.e., need for training)
- Information Systems
 - Understanding of financial system capabilities and underlying transaction data flow
 - Understanding of how other systems (e.g. payroll) flow into the financial management system and reports
 - Ability to run reports to provide adequate level of transaction detail
 - Ability to trace transactions from originating document to reporting (i.e. audit trail)
 - Understanding of and ability to support system calculations (e.g. indirect cost allocation)

Financial Management Leading Practices (cont.)



- Clear and well documented support for adjustment related transactions (including cost moves)
- Effective Internal Controls (e.g. approvals, segregation of duties)
- Have appropriate knowledge and understanding of hierarchy of guidance
- Timely reporting and drawdowns
- Ask questions to clarify guidance
- Documented and clear policies and procedures

Questions?

Please raise your hand virtually to ask a question, or type your question in the chat.



Thank you!

Appendix



- Audit Preparation
- Documentation Requests

Audit Preparation



- Provide an overview (walkthrough) of the grant process at your agency, highlighting any unique aspects specific to the grant in scope
- Review initial Prepared by Client (PBC) documentation request and ask questions
- Establish and participate in periodic status meetings to ensure timelines are managed, and open communication is maintained
- Provide PBCs and sample documentation in established timelines



Documentation Requests

- Typical documentation requests include (but are not limited to):
 - Documentation to help us understand the nature and profile of the program and user needs
 - Operations and processes of the grantee related to the grant, such as:
 - Written policy documents
 - Interviews with key management personnel
 - Other relevant audits (including results)
 - Documentation to support/evidence the internal controls of the grantee, and the processes implemented (e.g. approvals)
 - Transaction detail for all types of cost categories including a reconciliation to the amounts reported to VETS



Documentation Requests (cont.)

- Sample Documentation Requests typically include:
 - Direct Costs / Payroll
 - Invoices
 - Rental Agreements
 - Paystubs/Timesheets
 - Benefit Elections
 - Offer Letters
 - Indirect Cost Support
 - Allocation methodology
 - Cost pool detail
 - Originating Indirect Cost support and audit trail
 - Incentive Awards
 - Justification Support
 - Evidence of approvals and amounts
 - Administrative/Reporting
 - Period required reporting (e.g. FFR)
 - Modifications
 - Budget change requests/approvals