



Audit Insights for Grant Recipients – Homeless Veterans' Reintegration Program (HVRP)

Audit Results Review and Debrief (External)

August 6, 2025



Presenters



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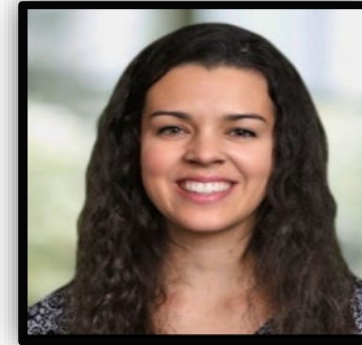
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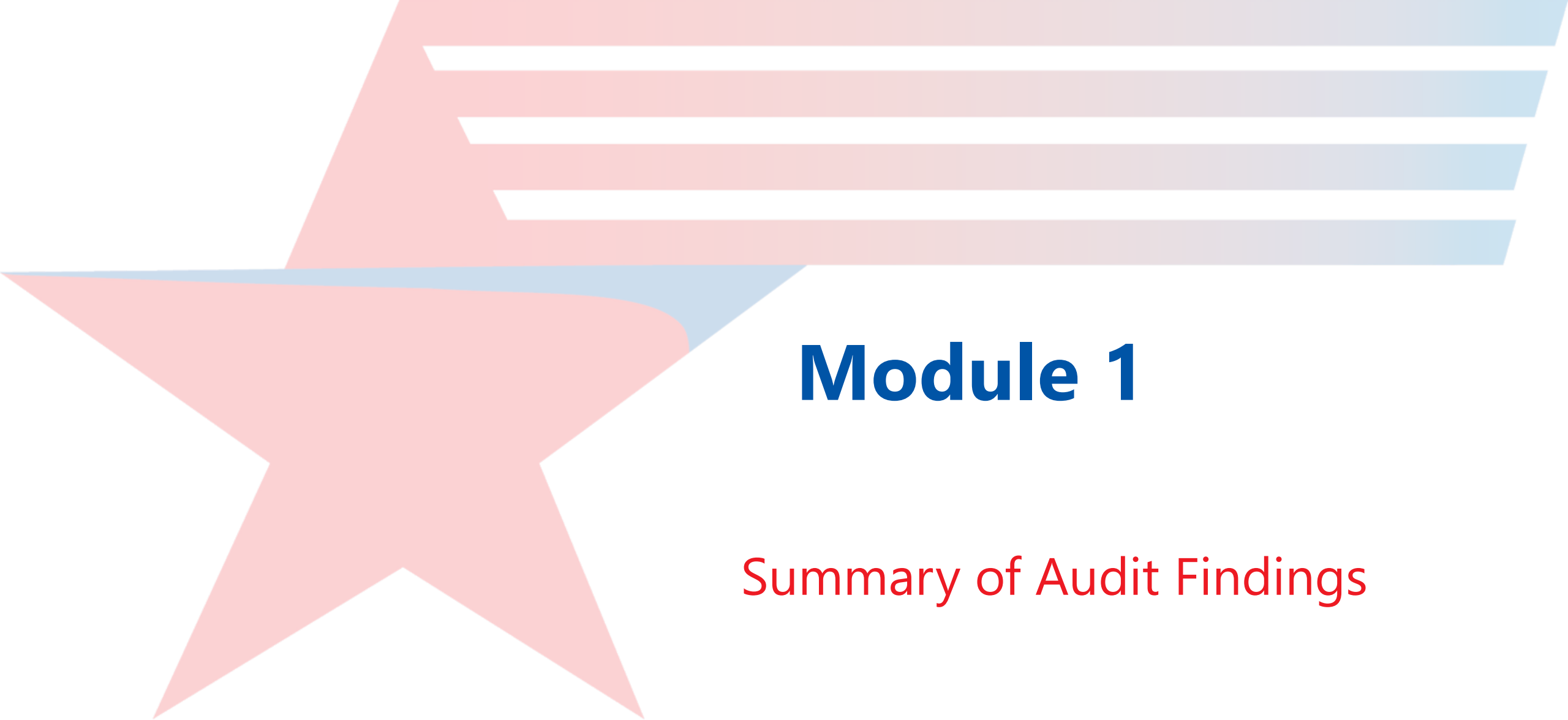


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Agenda

- **Module 1 – Summary of Audit Findings**
 - Key Themes of Common Findings
 - Highlights of New Findings
- **Module 2 – Leading Practices**
 - Leading Practices for Grantees
 - Trainings



Module 1

Summary of Audit Findings



Key Themes of Common Findings

- Readily available supporting documentation
- Allocations
- Reporting: Financial practices

Common Findings – Supporting Documentation



- HR systems
 - Grantee unable to provide support for timesheets, pay rates and job descriptions for payroll 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
- Adjustment/cost moves
 - Grantee did not maintain support for costs moved between periods

Common Findings – Allocations



Unsupported allocation methodology – monthly rent, networking event

Retain documentation of allocation methodology to support each transaction recorded.

Appropriateness of allocation methodology

Document factors used to determine the allocation methodology. Revisit methodology periodically to ensure it remains appropriate.

Inaccurate application of allocation methodology resulting in difference

Implement review controls over the allocation calculation to validate the accuracy.

Lack of allocating monthly rent costs based on proportional benefit

Consider whether a cost incurred benefits multiple programs and determine allocation accordingly.



Common Findings – Financial Practices

- Indirect costs
- First-in first-out
- Prior year expenses charged
- Accruals



Common Findings – Indirect Costs

- Indirect costs allocated to the grant per the transaction detail (or recalculated using the transaction detail) did not agree to the indirect costs reported on the performance reports (formerly VETS-701).
- The amounts reported for indirect costs to VETS exceeded the amount allowable under the de minimis rate election.
- Management was unable to support the base used to determine indirect costs as reported on the FFR.
- A change in indirect cost rate not timely implemented after effective date. While a subsequent adjusting balance was calculated, it was not included in the quarterly reporting.
- Management did not calculate and report indirect costs for reimbursement for all eligible transactions in the MTDC, resulting in an undercharge of indirect costs overall.



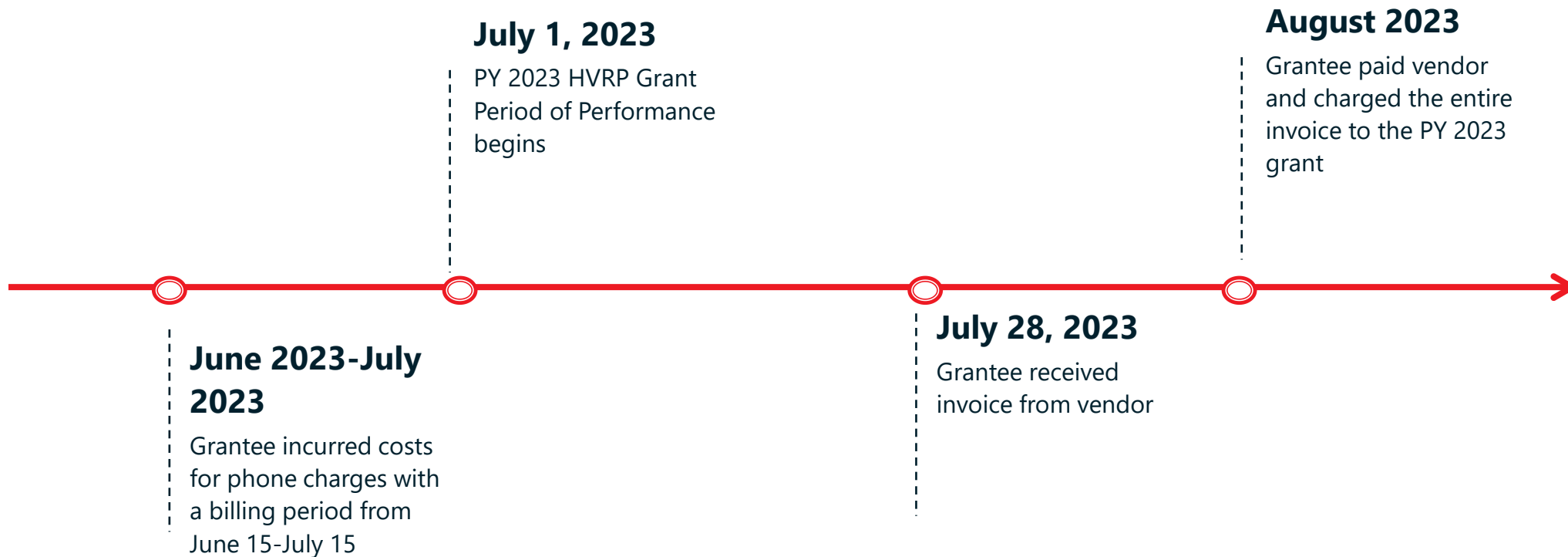
Common Findings – First-in first-out

- During our review of the quarterly FFRs submitted to VETS, we noted management did not use grant funding on a FIFO basis. Specifically, we noted that certain grant expenses were charged to the PY 2023 grant before the remaining funding on the PY 2022 grant was expended.
 - Prior program year funds on the FFR still reported as available
 - Current year program year funds on the FFR reporting expenditures
- 2023 HVRP Terms and Conditions, section B(3.) states:
 - Unless otherwise authorized in a grant award or cooperative agreement or subsequent amendment, recipients must expend funds with the shortest period of availability first.

Common Findings – Prior year expenses charged



Condition: Partial prior year expenses charged to current year grant





Common Findings – Accruals

- Quarterly FFR indicated that Management indicated the accrual basis of accounting on its quarterly Federal Financial Report.
 - We identified transactions where costs were not recorded at the time that they happened.
 - As a result, the expenditures on the quarterly report were understated as the costs were not reported as incurred until a following quarterly report.

Examples



Situation	Considered an <u>outlay</u> on the CASH BASIS	Considered an <u>outlay</u> on the ACCRUAL BASIS
Ordering supplies/laptops	When the invoice is paid	When the supplies are received
Participant support costs	When the costs are paid	When the participant support costs are incurred
Training classes	When the invoice is paid	When it's too late to cancel for a refund
Salaries/wages and benefits	When the paychecks are paid	When the time has been worked
MIS upgrades	When the vendor is paid	When the order cannot be canceled for a refund



New Audit Findings

- Highlights of this year's audit findings and recommendations
 - Frequency/timing and amount of drawdowns
 - Unsupported fixed allocation of payroll taxes and benefits
 - Purchase of participants costs that deviate from the budget without prior approval (HVRP)
 - Gift cards (HVRP)
 - Evidence of goods or services having been received by participants (HVRP)

Audit Findings – Frequency/timing and amount of drawdowns



Condition:

Drawdown amounts reported on line a. "Cash Receipts" and line b. "Cash Disbursements" of the FFR did not agree to the actual drawdown amounts per PMS that occurred as the quarter ended

What good looks like:

Reported draw downs should reflect the amount drawn down as of the quarter end date

Condition:

Grant funds were drawn down using predetermined amounts on a monthly basis, rather than actual expenditures incurred for the specified time period

What good looks like:

Design and implement controls to routinely monitor and review the grant funds to ensure drawdowns align with actual expenditures incurred

Audit Findings – Unsupported fixed allocation of payroll taxes and benefits



Condition:

Grantee unable to provide documentation to support the rates used to determine the benefit costs charged to the grant

What good looks like:

Develop policies and procedures to require documentation to support rates used to calculate benefit costs charged to the grant

Condition:

Payroll taxes charged to the grant were recorded as a fixed percentage of salaries instead of actual payroll taxes incurred and support to evidence the rate used was not provided

What good looks like:

Develop policies and procedures to require supporting documentation be maintained for all benefit costs charged to the grant

Condition:

Benefit costs were calculated based on an approved monthly fringe rate and not timely updated when a new rate was approved

What good looks like:

Develop policies and procedures to verify the appropriate rate is utilized in benefit calculations

Audit Findings – Gift Cards and Evidence of Receipt (HVRP)



Examples:

- Evidence of distribution of gift cards
- Allowability of gift cards
- Bulk purchases

What good looks like:

VETERANS' PROGRAM LETTER NO. 06-24

- Standard Operating Procedures (SOP): Grant recipients must maintain written procedures, i.e., SOPs, to ensure participant support costs and participant incentive costs are implemented and executed consistently
- Supporting financial records, invoices, and receipts for incentives and participant support costs incurred for the participant spent in accordance with the grant recipient's budget narrative, 2 C.F.R. § 200 Subpart E

SOP Key Requirements:

Amounts/types	Receipt/custody	Segregation of duties: <ul style="list-style-type: none">• Access• Approvals• Authorizations
Criteria for issuance	Recording/Reporting	
Authorization process	Inventory/Reconciliations	

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***



Module 2

Leading Practices



Leading Practices for Grantees

- Cross Training of individuals – awareness of and initiating policies to ensure appropriate knowledge of entire process to support grant
- 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)



Leading Practices for Grantees (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 in Teams 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
- Administrative/Reporting
 - Period required reporting (e.g. FFR)
 - Modifications
 - Budget change requests/approvals
- Participant Support Costs (HVRP)
 - Evidence of receipt of goods/services by participant
 - Invoices to support costs