



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

**Audit Results Review and Debrief (External)**

June 9, 2025



# Presenters



**Wendy Allen**

**Managing  
Director**



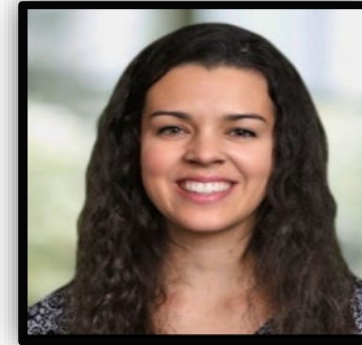
**Allen Devine**

**Managing  
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**Lucy Rutter**

**Senior  
Manager**

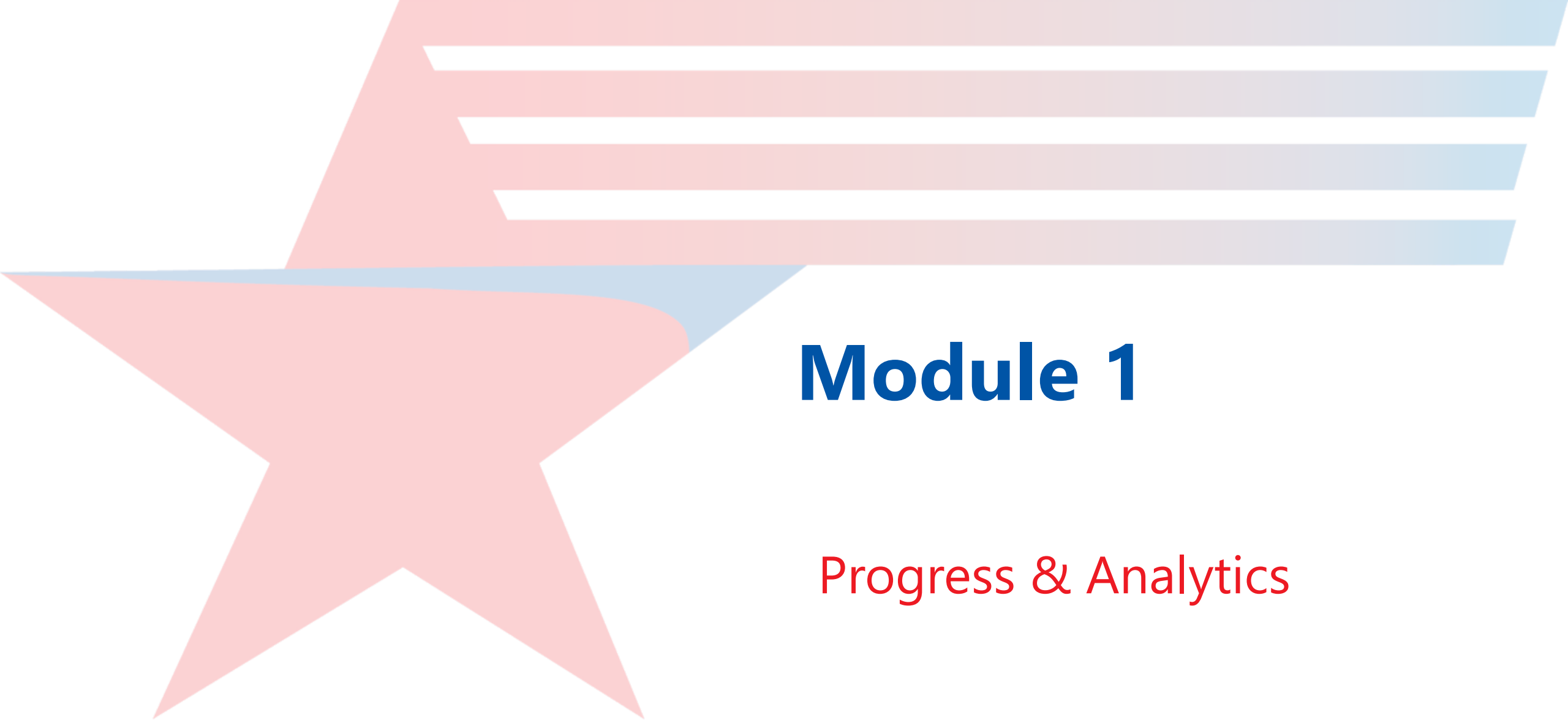


**Jennifer Meade**

**Senior  
Manager**

# Agenda

- **Module 1 – Progress & Analytics**
  - Data analytics for four years of audits
  - Findings Consistently Noted
- **Module 2 – Key Themes & Audit Findings**
  - Repeat themes of findings
  - Highlights of option year 3 findings identified
- **Module 3 – Leading Practices**
  - Audit Preparation and Expectations
  - Tips for General Ledger Review
  - Leading Practices for Grantees



# Module 1

Progress & Analytics

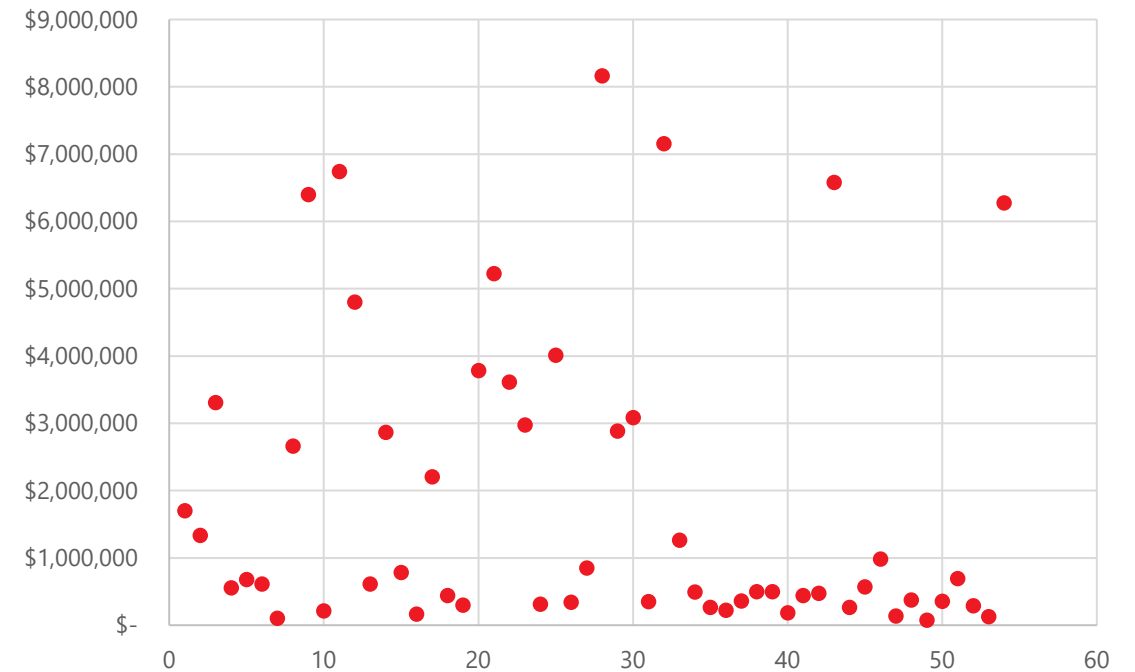
# Audits Performed



\$ Value Under Audit by Year



Dollar value under audit incurred





# Polling Question

- Have you been selected for an audit?

**Yes**

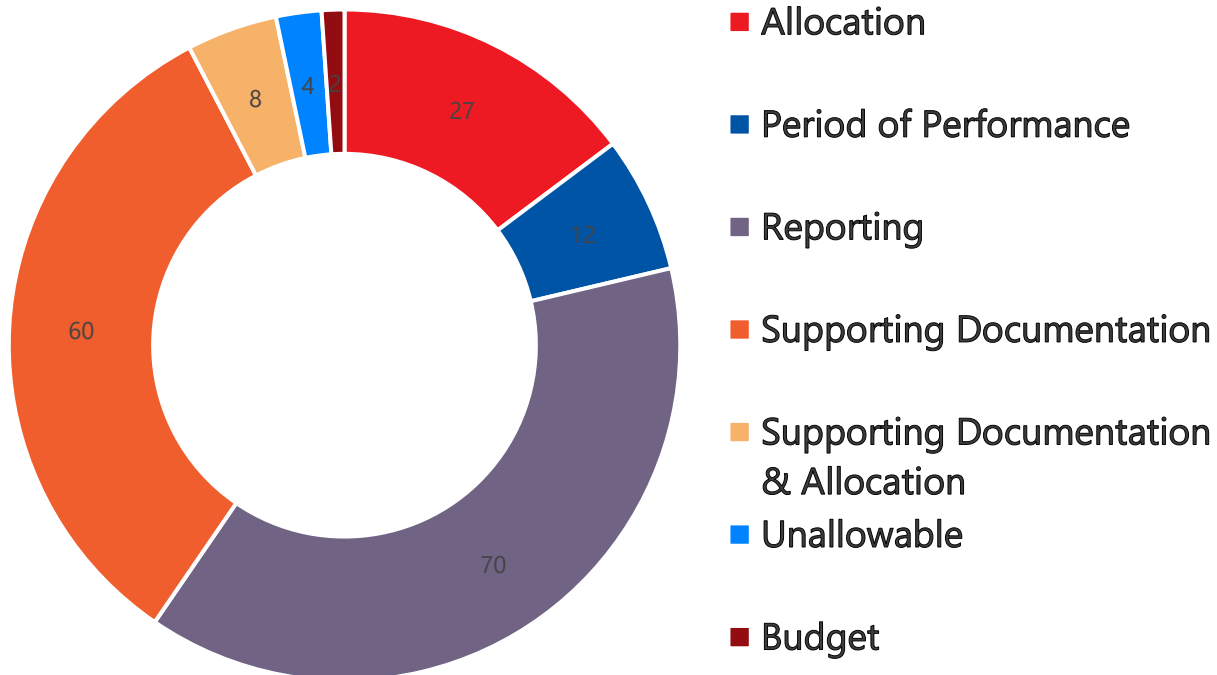
**No**

- How do you keep up with current guidance and requirements:
  - A. Rely on Grant Terms and Conditions
  - B. Review Veterans' Program Letters (VPLs)
  - C. Conversation with GOTR
  - D. Listening Sessions/audit debriefs

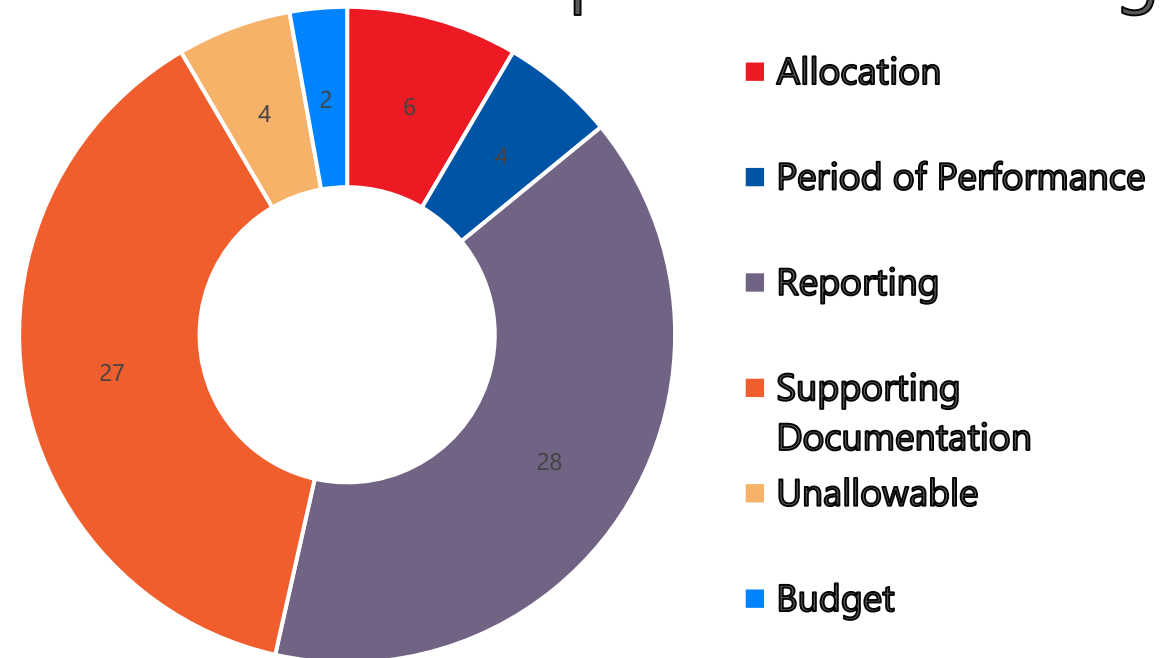
# Data Analytics – JVSG and HVRP



## Combined Findings (All 4 Years)



## Option Yr. 3 Findings





# Module 2

Key Themes of Common Findings  
& New 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 – Supporting Documentation



Recommendations	
<ul style="list-style-type: none"><li>Supporting documentation should be <u>readily available</u></li></ul>	<ul style="list-style-type: none"><li>Supporting documentation agrees to transaction amounts</li></ul>
<ul style="list-style-type: none"><li>Retention requirement: at least three years after submission of final quarterly report</li></ul>	<ul style="list-style-type: none"><li>Consideration of payroll and benefit documentation</li></ul>

# 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 - Allocations



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



# 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 – Indirect Costs



## Recommendations

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Enhance reporting controls to include review of the indirect cost section of the FFR.</li><li>• Validate that the base agrees to the approved indirect cost method and the rate used is current and accurate.</li></ul> | <ul style="list-style-type: none"><li>• When developing the FFR, retain the documentation of the base and rate used for each quarter and if changes are made, document and retain a crosswalk.</li></ul> |
|---|--|





# 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 – First-in first-out



## Recommendations

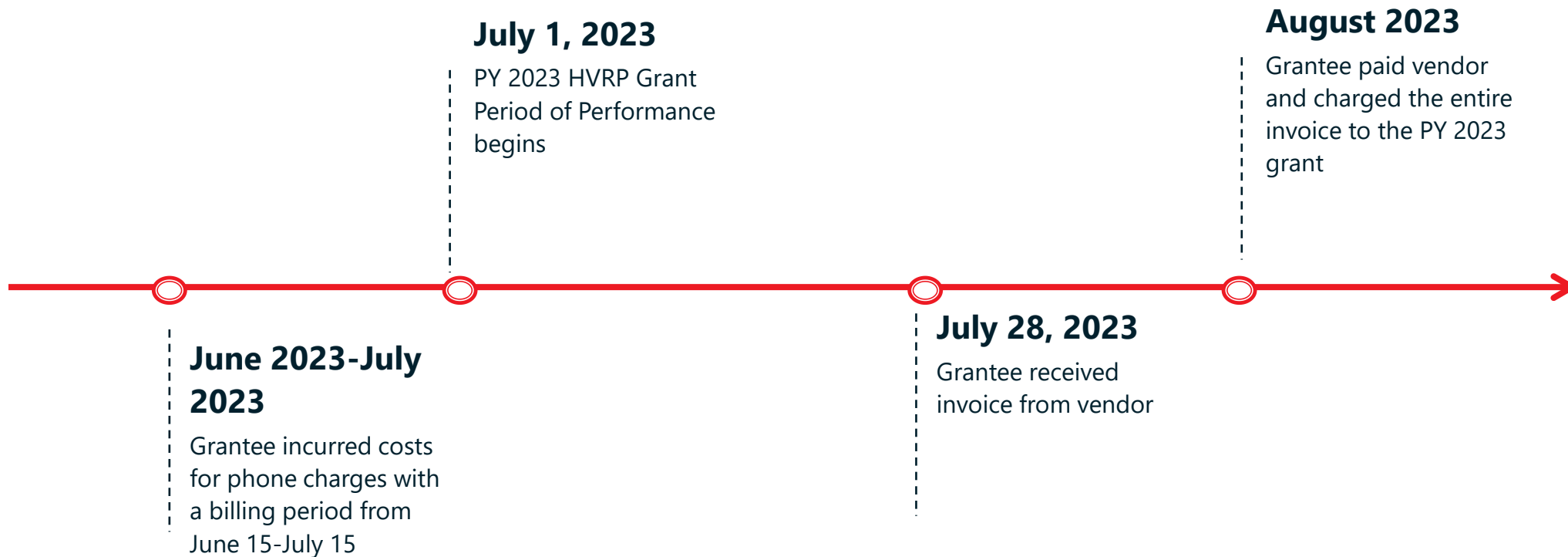
- Ensure all funds authorized for a program year are reported as expended on the FFR *before* beginning to utilize and report current year funds as expended.

**Tip:** Focus on reporting periods where prior and current program years overlap and compare the remaining funds from previous reports with the expenditures on the current reports.

# Common Findings – Prior year expenses charged



**Condition:** Partial prior year expenses charged to current year grant



# Common Findings – Prior year expenses charged



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



# 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.

# Common Findings – Accruals



## **§ 2900.14 Financial reporting.**

In addition to the guidance set forth in [2 CFR 200.328](#), for Federal awards from the Department of Labor, the DOL awarding agency will prescribe whether the report will be on a cash or an accrual basis. If the DOL awarding agency requires reporting on an accrual basis and the recipient's accounting system is not on the accrual basis, the recipient will not be required to convert its accounting system, but must develop and report such accrual information through best estimates based on an analysis of the documentation on hand.

- HVRP: Cash vs. Accrual Desk Aid

# Common Findings – Accruals



Uniform Guidance 2 CFR 200.1 states:

- (3) For reports prepared on an accrual basis, expenditures are the sum of:
  - (i) Cash disbursements for direct charges for property and services;
  - (ii) The amount of indirect expense incurred;
  - (iii) The value of third-party in-kind contributions applied; and
  - (iv) The net increase or decrease in the amounts owed by the recipient or subrecipient for:
    - (A) Goods and other property received;
    - (B) Services performed by employees, contractors, subrecipients, and other payees; and
    - (C) Programs for which no current services or performance are required, such as annuities, insurance claims, or other benefit payments.

# Common Findings – Accruals



The grant recipient orders \$5,233 in office supplies on March 1. The supplies are delivered on March 15, and the bill is received on April 1. The state pays the bill on April 15.

Example  
of Non-  
Accrual  
SF-425

Federal Cash (To report multiple grants separately, also use FFR Attachment):	
a. Cash Receipts	\$857,777.00
b. Cash Disbursements	\$857,777.00
c. Cash on Hand (line a minus b)	\$0.00
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	\$1,000,000.00
e. Federal share of expenditures	\$857,777.00
f. Federal share of unliquidated obligations	\$0.00

Example  
of Accrual  
SF-425

Federal Cash (To report multiple grants separately, also use FFR Attachment):	
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(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	\$1,000,000.00
e. Federal share of expenditures	\$863,000.00
f. Federal share of unliquidated obligations	\$0.00



# Examples



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

# Common Findings – Accruals



## Recommendations

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Develop an accrual process as part of quarterly reporting procedures, to include identification of expenditures that were incurred but not yet invoiced or paid to ensure that expenses are recorded in the period incurred rather than paid.</li></ul> | <ul style="list-style-type: none"><li>• Enhance review controls over the quarterly reporting process to ensure costs are accurately recorded and reported to VETS and that accruals are recorded when invoices are delayed.</li></ul> |
|---|---|



# Polling Question

- How often do you communicate with GOTRs?
  - A. Daily
  - B. Weekly
  - C. Monthly
  - D. Quarterly
  - E. Other (please specify)



# 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 – Costs that deviated from the budget without prior approval (HVRP)

## Examples:

- Participant training costs
- Contracted employment
- Computer Equipment
- Variances in personnel costs over 10%

## Key Criteria:

HVRP Terms and Conditions Section 6, states:

The project's narrative is the approved statement of work (SOW).

## What good looks like:

- Implement policies and procedures to ensure that any necessary budget modifications are requested and approved by the GOTR prior to incurring costs that deviate from the approved budget narrative.
- Constant and regular communication between grant recipient and GOTR.

# 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"><li>• Access</li><li>• Approvals</li><li>• Authorizations</li></ul>
Criteria for issuance	Recording/Reporting	
Authorization process	Inventory/Reconciliations	





# Polling Question

What is the biggest challenge you face in grant financial management?

- A. Communication with GOTR
- B. Data collection and reporting
- C. Understanding regulations, VETS' policies, and award terms and conditions
- D. Other (please specify)

# Polling Question



From a grants financial management perspective, what specific areas would you like additional guidance or clarification?

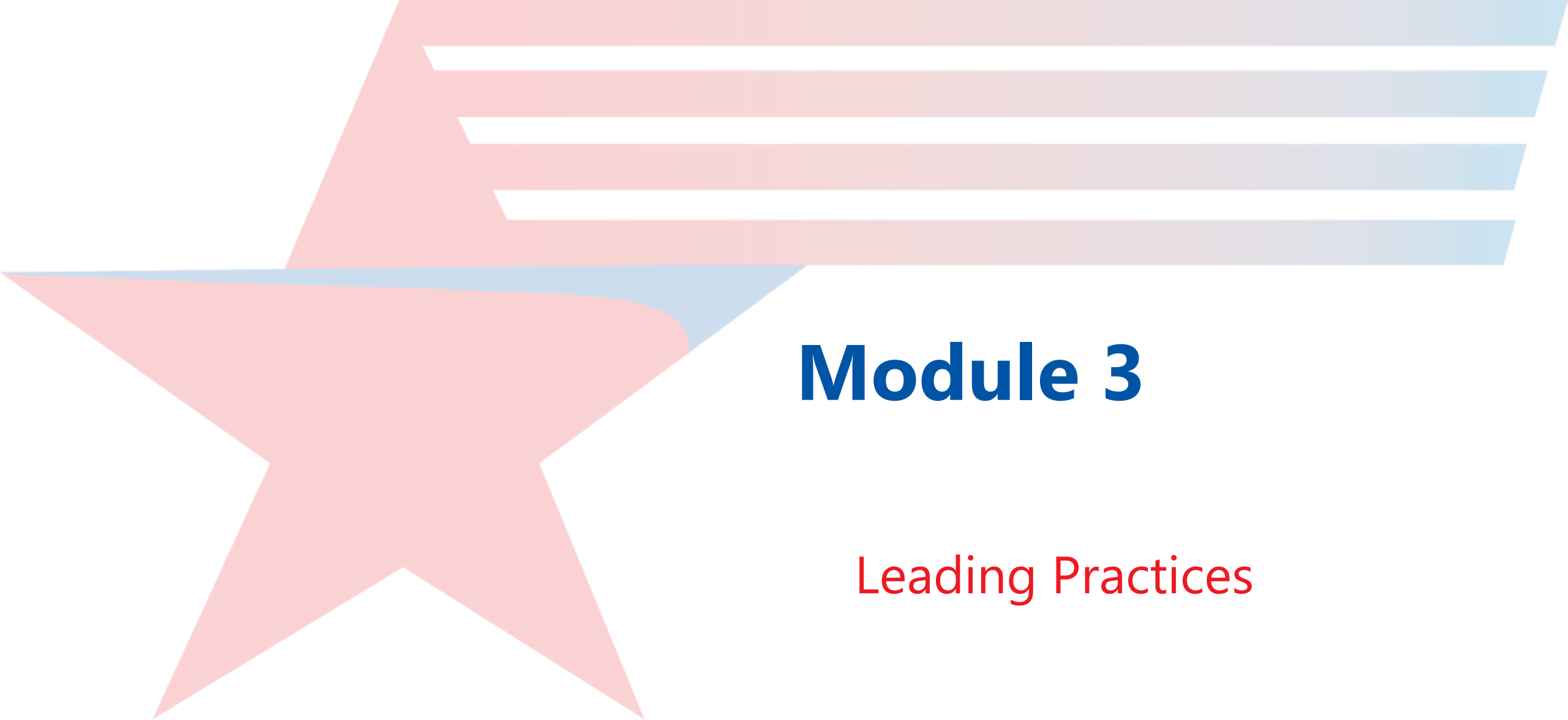
# Training



- ***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***



# Module 3

Leading Practices

# Pop Quiz – Audit Preparation and Expectations



True or False: Does the audit include testing of payroll and benefits?

## Pop Quiz – Audit Preparation and Expectations



Who should attend the audit walkthrough meeting?

- A. Grant accountant
- B. Individual that has knowledge of payroll costs and processing
- C. Key personnel in financial reporting of grant
- D. All of the above

## Pop Quiz – Audit Preparation and Expectations



Which type of documentation provides the strongest evidence for a payroll cost selected during the audit?

- A. Timesheet and offer letter detailing employee salary
- B. Excel report from the payroll system indicating hours incurred and pay rate of employee

## Pop Quiz – Audit Preparation and Expectations



Which documentation supports a direct cost selected during the audit?

- A. Invoice
- B. Excel report showing costs incurred



# Pop Quiz – Audit Preparation and Expectations



True or False: The audit will look at grant performance metrics.

# Pop Quiz – Audit Preparation and Expectations



What does PBC stand for?

- A. Produced by cats
- B. Provided by client
- C. Partially baked concepts
- D. Patiently built chaos

# Pop Quiz – Audit Preparation and Expectations



Are quarterly reports (e.g. SF-425) and related supporting documentation reviewed as part of the audit?



# Tips for General Ledger Review

- Verify compliance with grant terms
  - Establish scope of general ledger detail
  - Verify dates
    - Check the period the transaction detail covers and confirm the dates align with the grant period of performance (or period report was requested).
    - Verify expenses are recorded within the allowed timeframe
- Check for proper documentation
- Identify and investigate unusual transactions
  - Review the description fields for any large, or unusual transactions that deviate from normal spending patterns or could indicate unallowable costs (e.g., “error”, “event”, “advertising”, “travel”, “bonus” etc.).
  - Investigate any entries that seem out of place or lack proper justification against the budget narrative or in accordance with grant terms and conditions.



# Tips for General Ledger Review

- Ensure timeliness and accuracy
  - Verify that transactions are recorded promptly and accurately (e.g. a transaction that refers to June in the description but was recorded in January).
- Monitor balances and budget vs. actual spending
- Reconcile with financial reports
- Look for consistency

Row Labels	Sum of Amount
2023	87,310.64
Qtr3	38,229.89
Jul	3,389.89
Aug	18,371.41
Sep	16,468.59
Qtr4	49,080.75
Oct	14,204.23
Nov	15,133.34
Dec	19,743.19
2024	142,202.36
Qtr1	55,179.12
Jan	11,294.59
Feb	21,177.50
Mar	22,707.02
Qtr2	87,023.25
Apr	23,288.63
May	26,362.77
Jun	37,371.85
Grand Total	229,513.00



# 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