Veterans' Employment and Training Service

HVRP Audit Results Review and Debrief

Observations, Requirements and Best Practices

Presenters

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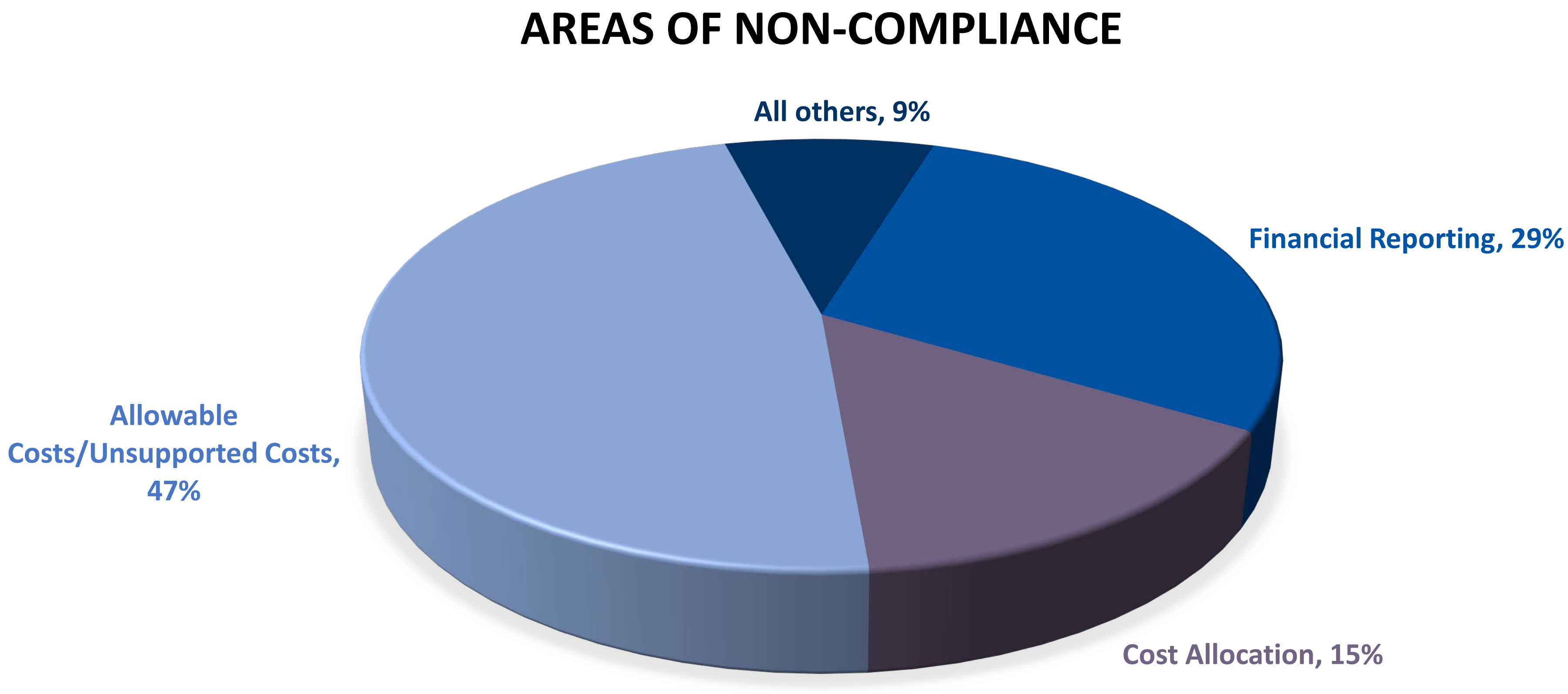
Objectives

- Highlight common findings noted in past HVRP audits.
- Discuss the associated 2 C.F.R. Part 200.302 Financial Management System Requirements
- Provide best practices for detecting and preventing compliance deficiencies

Demographics

Sample size	Entity Types	Instances of Non-Compliance
• 25 HVRP Audits	• 23 non-profit • 2 for-profit	• 205

Top HVRP Areas of Non-Compliance (1 of 2)



Top HVRP Areas of Non-Compliance (2 of 2)

Allowable Costs/Unsupported Costs

Financial Reporting

Cost Allocation

Financial Management System Requirements

Each of the three key findings areas were caused by either a weakness in the design or operating effectiveness of controls required by 2 C.F.R. Part 200.302 Financial management.

The upcoming financial management system requirements were the criteria used to support the findings observed.

Financial Management System Requirements – Grant Records

2 C.F.R. § 200.302 (B)(1)

- Identification of all Federal awards received and expended and the Federal programs under which they were received.
- Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number, year the Federal award was issued, and name of the Federal agency or pass-through entity.

Financial Management System Requirements – Financial Reporting

2 C.F.R. § 200.302 (B)(2)

- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in §§ 200.328 and 200.329.
- When a Federal agency or pass-through entity requires reporting on an accrual basis from a recipient or subrecipient that maintains its records other than on an accrual basis, the recipient or subrecipient must not be required to establish an accrual accounting system. This recipient or subrecipient may develop accrual data for its reports based on an analysis of the documentation on hand.

Financial Management System Requirements – Accounting Records

2 C.F.R. § 200.302 (B)(3)

- Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards.
- These records must contain information necessary to identify Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest.
- All records must be supported by source documentation.

Financial Management System Requirements – Internal Controls

2 C.F.R. § 200.302 (B)(4)

- Effective control over and accountability for all funds, property, and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes. See § 200.303.

Financial Management System Requirements – Budget Controls & Allowable Costs

2 C.F.R. § 200.302 (B)(5)

- Comparison of expenditures with budget amounts for each Federal award.

2 C.F.R. § 200.302 (B)(7)

- Written procedures for determining the allowability of costs in accordance with subpart E and the terms and conditions of the Federal award.

Allowable Costs/Unsupported Costs

- Payroll
- Participant Support Costs
- Ineligible Expenses
- Travel

Allowable Costs/Unsupported Costs – Payroll (1 of 2)

Key Deficiencies:

- Estimated costs charged vs actuals
- Payroll doesn't match pay register
- Lack of support for labor distribution (Timesheets)
- Pay rates used to calculate payroll did not match pay rates
- Payroll errors
- Unsupported Fringe Benefits

Allowable Costs/Unsupported Costs – Payroll (2 of 2)

Best Practices:

- Ensure payroll costs are based on actuals and supported by the pay register
- Ensure job descriptions are documented for each position.
- Ensure timesheets or other project reports capture the entire work performed including federally assisted and all other activities performed.
- Validate pay rates are accurate before processing and paying payroll
- Review payroll for errors and post corrections timely
- Ensure fringe benefit rates are appropriately approved and applied

Allowable Costs/Unsupported Costs - Participant Support Costs (1 of 2)

Key Deficiencies:

- No evidence participant received goods and services
- No evidence of participant eligibility
- Deviations from the approved budget

Allowable Costs/Unsupported Costs - Participant Support Costs (2 of 2)

Best Practices:

- Validate recipients received gift cards or services
- Validate participant eligibility before services are provided.
- Review costs for consistency with the grant budget before they are incurred.
- Ensure procedures are documented and implemented for participant support and incentive costs.
- Contact the GOTR if there are any questions on the eligibility of costs

Allowable Costs/Unsupported Costs – Travel (1 of 2)

Key Deficiencies:

- Expenditures did not match receipts and transaction details
- Mileage reimbursement calculated incorrectly

Allowable Costs/Unsupported Costs – Travel (2 of 2)

Best Practices:

- Review the nature of the travel for allowability before approving the travel
- Reconcile travel costs (i.e., lodging, per diem, airfare, etc.) to receipts before payment or posting to the grant ledger
- Obtain support for the mileage (i.e., Google maps, state travel software, etc.) to validate the mileage traveled before payment or posting to the grant ledger
- Compare mileage and per diem rates to GSA rates or state requirements before payment or posting to the grant ledger.

Financial Reporting – Federal Financial Report (FFR)

EXPENDITURES

CASH RECEIPTS

TRANSACTION DETAIL

Financial Reporting – FFR (1 of 2)

Key Deficiencies:

- Expenditures did not match transaction detail
- Expenditures not reported on an accrual basis
- Cash Receipts and disbursements did not agree to the Payment Management System (PMS)
- Accruals, adjustments and refunds not timely reflected in the GL
- Indirect Costs not accurately reported

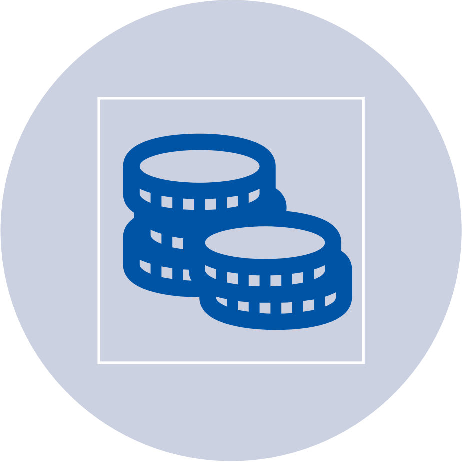
Financial Reporting – FFR (2 of 2)

Best Practices:

- Implement periodic cutoff controls to ensure expenditures, refunds, adjustments and accruals are timely posted to the financial system
- Perform periodic reconciliations of cash receipts in the GL to PMS and investigate and resolve any differences
- As a part of the FFR approval process, reconcile the FFR to the supporting transaction detail and investigate and resolve any differences
- Generate FFR expenditure details after accruals are posted
- Implement a process to develop accruals

Cost Allocation – Indirect Costs

INDIRECT COST



DIRECT COST ALLOCATION

Cost Allocation – Indirect Costs (1 of 2)

Key Deficiencies:

- Inaccurate calculation
  - Mathematical errors
  - Use of unapproved rates
- Rate changes not appropriately implemented

Cost Allocation – Indirect Costs (2 of 2)

Best Practices:

- Ensure participant support costs are excluded from the base used to calculate and apply the indirect rate
- Implement a process to compare the indirect rates applied to the approved rates to validate the rate and period of applicability
- Implement periodic cutoff controls to review the allocation of costs and validate the accuracy of the allocation
- Implement a process to notify grant managers and financial staff when indirect rates change
- If a system is used to apply the rate, implement a process to validate the correct rate is entered into the system and applied to the correct period

Cost Allocation – Direct Cost Allocation (1 of 2)

Key Deficiencies:

- Lack of support for the allocation methodology
- Mathematical errors

Cost Allocation – Direct Cost Allocation (2 of 2)

Best Practices:

- Document the methodology used to distribute direct costs. Methodology should include the following:
  - Identification of the direct cost pool
  - Methodology used to distribute costs
  - Allocation Basis
- Implement periodic cutoff controls to review the allocation of costs and validate the accuracy of the allocation.

Questions?

Thank you!