U.S. Department of Housing and Urban Development
Office of Housing Counseling

Facilitated by
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BMC
BOOTH MANAGEMENT
CONSULTING

Overview of Financial and Administrative Review

February 14, 2019

2:00 PM EST

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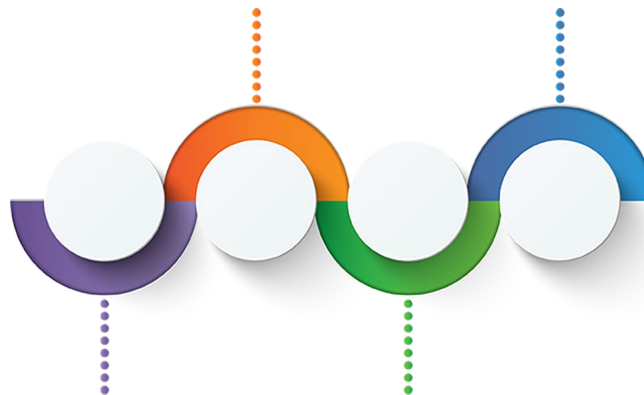
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Facilitated By
Petergay Bryan
Audit Manager
Booth Management Consulting

Training Topics

1. Who is Booth Management Consulting?

2. What is an Agreed-Upon Procedures Engagement?

3. Overview of the Financial & Administrative Review Process

   a. Phase 1: Planning

   b. Phase II: On-Site Visit

   c. Phase III: Reporting

   d. Phase IV: Technical Assistance

4. Common Findings

5. Lessons Learned

6. Frequently Asked Questions

7. Questions?

Who is Booth Management Consulting?

Why Booth Management Consulting?

- Founded in 1997

- An SBA Certified Minority and Women accounting firm located in Columbia, Maryland

- Led by Principal, Robin L. Booth, CPA with a staff consisting of CPAs, accountants, auditors, and financial analysts

- 25 years of experience performing compliance auditing of non-profit organizations, local, state, and Federal entities

Key Members

- Project Manager: Robin L. Booth, CPA

- Audit Manager: Petergay Bryan

- Auditors:

  - Delbert Strawther, Lead Auditor
  - Joshua Lee, Auditor
  - Wilfredo Corps, Auditor

What is an Agreed-Upon Procedures Engagement?

What is an Agreed-Upon Procedures Engagement?

The Financial & Administrative Review is an agreed-upon procedure engagement with:

- Specific tests and procedures agreed to between HUD and BMC
- Different types of agreed-upon procedures
  - including assessing compliance with agreements and regulations
- Reports on results of procedures
- Procedures that are not an audit
- No opinion provided

Review of Financial Requirements

Review of Financial Requirements

- NOFA

- Application

- HUD Grant Agreement

- Code of Federal Regulations (CFR) Part 214

- Office of Management and Budget (OMB) Circulars

- Other Federal Regulations

Review of Financial Requirements

Period of Performance

- Pay special attention to the dates stated in the grant award document as HUD has made awards with periods of performance that are longer than usual. For example, the POP for the FY16 awards ended on March 31, 2017 instead of September 30, 2016.

- Extensions must be requested no later than 30 calendar days prior to the scheduled expiration of the period of performance.

Overview of Financial & Administrative (FA) Review

Process

Phase 1: **Planning** (within 30 days of review)

Phase 2: **Onsite Visit** (1-2 business days)

Phase 3: **Reporting** (up to 2 weeks after site visit)

Phase 4: **Technical Assistance** (30-60 days after report)

Phase 1: Planning

Phase 1: Planning

- **Step 1**: Initial notification letter from HUD

- **Step 2**: Initial notification letter & document request from BMC to grantee

- **Step 3**: Receive documents from the grantee & prepare grantee evaluation

- **Step 4**: Step 3: Pre-site visit planning call with grantee and HUD POC to schedule onsite review date, coordinate onsite interviews, and confirm location of records

- **Step 5**: HUD send invite to participate in training prior to the FA Review

- **Step 6**: Send onsite confirmation letter

- **Step 7**: Send sample selection 3-5 days prior to confirmed onsite visit

- **Step 8**: Contact grantee to confirm readiness 3 days before onsite visit

Phase 1: Planning

Before the site visit, we will:

- Communicate with the HUD POC and Parent (if applicable)
- Obtain HUD POC/Parent documentation
- Send a notification letter and initial document
- Schedule an on-site visit

Request list includes:

1. Organization's policies and procedures
2. Flow chart of individuals in your organization
3. Narratives of the roles and responsibilities of individuals listed in your organization flow chart
4. Grant documentation
5. Prepare a grantee evaluation

Phase 1: Planning

**Policies and Procedures Content
Cash Receipts**

- **Assess** the ability to: open bank statements, review invoice/billing documents, receive payments/open mail, review reconciliation to the general ledger, and approve credit memos or write-offs

- **Record** the ability to: prepare invoice/billing documents, prepare credit memos, post to the general ledger, change online information for billing or credit memos, change a master file for billing or credit memos, prepare a listing of cash receipts, post to the accounts receivable ledger

- **Monitor** the ability to: perform bank reconciliations, reconcile accounts receivable to the general ledger, approve budgets

Phase 1: Planning

**Policies and Procedures Content
Cash Disbursements**

- **Assess** the ability to: open bank statements, issue a purchase order, authorize a purchase order, issue a check, initiate an electronic funds transfer, sign checks, access a mechanical signature plate, and review bank statements/bank reconciliations

- **Record** the ability to: Record the ability to: record account payable, record cash disbursements to the general ledger, record cash transfers to the general ledger, change on-line information for accounts payable entries, check payment and electronic funds transfer, change master files for electronic funds transfer, and make journal entries

- **Monitor** the ability to: perform bank reconciliations, reconcile accounts payable to the general ledger, and approve budgets

Phase 1: Planning

Policies and Procedures Content
Time and Attendance

- Signed by employee and supervisor
- Based on the after-the-fact determination of hours worked
- Prepared by individual timecards/timesheets
- Penalties for falsifying, altering, or tampering with timesheets
- Hours worked are accurate
- Procedure for correcting timecards/timesheets
- Procedures for preparing the Personnel Activity Reports (PARs) or   processes to ensure that necessary adjustments are made so that the final amounts charged to the award are accurate, allowable, and properly allocated

Phase 1: Planning

Policies and Procedures Content: Sub-Grantee Monitoring

- Sub-Grantee Interviews

- Sub-Grantee Risk Assessments

- Policy & Procedure Testing

- Report Analyses & Evaluations

- Spot Audits on Files, Financial Information, and System Data

- Confirmations

Phase 1: Planning

Policies and Procedures Content
Procurement Process

- Procurement strategies and administrative requirements

- Employees authorization level to initiate/execute

- Purchases

- Contract requirement

- Vendor requirement

- Receipt and verification of goods and services

- Payment process and approval

Phase 1: Planning

Conduct conference calls with the Housing Specialist and Parent (if applicable):

1. LOCCs vouchers and reports
2. Grant agreement and Form 1044
3. Award letter
4. Leveraged funds
5. Final approved budget and amendments
6. Concerns about agency
7. Performance reviews

Phase 1: Planning

Three to five working days of site visit:

1. Send the sampled transactions identifying the type of supporting documentation needed

2. Request clarification of any issues/questions in the grantee evaluation

3. Provide a list of individuals to be interviewed on-site and a proposed date and time

Phase 2: Onsite Visit

Phase 2: Onsite Visit

- **Step 9**: Conduct entrance conference and discuss preliminary findings

- **Step 10**: Confirm mailing of confirmations to sub-grantees

- **Step 11**: Review the grantee evaluation, interview key personnel, review sample selection

- **Step 12**: Conduct substantive testing/test of controls

- **Step 13**: Discuss potential findings with grantees

- **Step 14**: Meet with grantee and provide open item list with due date of 10 working days

- **Step 15**: If findings, conduct exit conference and allow 10 days for additional information

- **Step 16**: If no findings, conduct exit conference

Phase 2: Onsite Visit

Entrance Conference

Agenda

- Introductions
- Scope of Work
- Timing of Work/Reporting
- Communication of Findings
- Other Matters

Phase 2: Onsite Visit

Procedures Performed
Administrative Structure

- Review previously submitted flow charts, policies and procedures, and organizational structure

- Review individual roles and responsibilities

- Interview individuals to confirm narratives, roles, and responsibilities

Phase 2: Onsite Visit

Procedures Performed
Sub-Grantee Monitoring

1. Verify the award and payment amounts to sub-grantees through confirmations. For any positive confirmation letters to sub-grantees received, review any discrepancies with the grantee

2. Select a judgmental sample of sub-grantee files and:

   a) Verify compliance with the documented monitoring policies

   b) Interview the sub-grantees regarding the sub-grant agreement, oversight and monitoring, and award process.

3. Review quarterly reports and request for reimbursement supporting documentation for the sample of sub-grantees selected

Phase 2: Onsite Visit

Procedures Performed
Cash Disbursements

Select a sample of up to 10 cash disbursement transactions and identify whether the appropriate documentation exists for the following:

1. Purchase Order
2. Invoice supporting the disbursement
3. Documentation of approval
4. Appropriate general ledger accounting
5. Cancelled check or notation in the bank statement noting that the activity cleared the bank

Phase 2: Onsite Visit

Procedures Performed
Accounting System

1. Reconcile the general ledger to audited financial statements and Federal Financial Reports

2. Verify if findings identified in the Statement of Auditing Standards 115 letter (management letter) have been resolved or are being resolved

3. Test and reconcile one report filed

4. Perform a walkthrough of the accounting system to determine how costs are charged to the grant

Phase 2: Onsite Visit

**Procedures Performed
Time and Attendance Controls**

Walkthrough of Timekeeping Tracking Procedures

1. Sample up to 5 employees for existence to determine:
   a. Documentation exists that supports attendance
   b. Documentation exists that supports time allocated to the program as required by the Uniform Guidance

2. Review support for time allocation:
   a. HR employee list
   b. HR documentation verifying employee hourly rate

Phase 2: Onsite Visit

**Procedures Performed
Time and Attendance Controls**

Walkthrough of Timekeeping Tracking Procedures (cont.)

- HR timecard/timesheet charge codes
- Employee timecards/timesheets
- HR leave authorization document
- Payroll register
- Personnel Activity Report or equivalent

Phase 2: Onsite Visit

Procedures Performed

1. Timely/Accurate Submission of Quarterly Reports

2. Reconciliation of report submission dates per HUD to grantee documents

3. Cash Management
   a. If funds were received in advance of expenditures, trace them to the general ledger
   b. Discuss any weaknesses in the cash management policies and procedures

Phase 2: Onsite Visit

Procedures Performed (cont.)

- Indirect Costs
    - Review Negotiated Indirect Cost Rate Agreement OR other Cost Methodology
    - Review costs charged compared to the approved schedule
    - Review application of indirect cost rate for accuracy

Phase 2: Onsite Visit

Procedures Performed

1. **Program Income**
   a. Inquire if agency charges a fee for services
   b. Test for tracking of fees

2. **Leveraged Costs**
   a. Reconcile the listing of leverage costs from HUD to the general ledger
   b. Obtain supporting documentation for the following:
      - Cash donations
      - Non-cash donations used as leveraged funds
      - Documents of leveraged funds passed through to the sub-recipient

Phase 2: Onsite Visit

Procedures Performed
Reconcile Organization Records with HUD Records

- Review amounts charged to project vs. what was reported
- Review the listing of grant dollars provided by HUD clarifying any discrepancies

Phase 2: Onsite Visit

**Procedures Performed
Exit Conference**

1. Introductions

2. Purpose of the exit conference

3. Review of the objectives/scope

4. Potential findings and observations

5. Discussion of outstanding requested items

6. Discussion of due dates

7. Report of the audit resolution process

8. Closing

Phase 3: Reporting

Phase 2: Onsite Visit

- Step 17A: Finalize the site visit report for quality control review

- Step 17B: If no findings, BMC will send the draft report to
HUD for comments

- Step 18: Update the draft report and submit final report to HUD

- Step 19: If findings, BMC will send the draft report to HUD for comments

- Step 20: Update the draft report and submit final report to HUD

- Step 21: Send the final FA; Review report to HUD

Phase 3: Reporting

1. **If no findings**, draft the report and submit to HUD Government Technical Monitors (GTMs), and HUD Housing Specialist
2. **If findings**:
   a. Within ten (10) days after the exit interview, receive additional information from agency prior to submitting the draft report to HUD
   b. Work with HUD to determine if findings are addressed
3. Send draft report to GTM and Housing Counseling Specialist
4. Incorporate their comments and finalize draft for submission to the agency
5. Incorporate any comments and submit the final report to the HUD GTM, Housing Counseling Specialist, and agency

Phase 4: Technical Assistance

Phase 4: Technical Assistance

For those FA Reviews where there are findings, we recommend technical assistance including:

- Description of the finding

- Recommendation for resolving the finding

- Recommendation for technical assistance

Common Findings

Common Findings

All Grantee Types

1. Use of budgeted hourly rates instead of actual rates for billing
2. Indirect costs charged included excess amounts
3. Inadequate supporting documentation for reimbursements
4. Inadequate supporting documentation for payroll
5. Inadequate time and attendance tracking and reporting
6. Timesheets do not indicate HUD service hours
7. Inadequate supporting timesheets, PARs, or other records
8. No policy for personnel activity reporting
9. Late filing of quarterly reports
10. Inadequate procedures and supporting documentation for tracking leveraged funds
11. Unable to reconcile general ledger to the budget, reimbursement request, and/or quarterly reports

Common Findings

Intermediaries, SHFAs, and MSO

1. Sub-Grantees used unapproved NICRAs
2. Inadequate or no supporting documentation for sub-grantees reimbursements
3. Sub-Grantees do not respond to confirmations
4. Insufficient or no invoice verification process
5. Inadequate or no policies for monitoring and oversight of sub-grantees
6. Unable to reconcile general ledger to the budget, reimbursement request, quarterly, and/or SF-425 (FFR) reports
7. Failure to document or billing methodology
8. Inadequate or unacceptable billing methodology

Lessons Learned

Lessons Learned

Grantees need more training on the following:

1. Computation of indirect costs applying NICRA
2. Methods to track expenditures
3. Maintenance of adequate supporting documentation for grant expenditures
4. Monitoring of sub-grantees
5. Method to track program income
6. Implementation of policies to report and track time and attendance
7. Filing of financial reports and quarterly reports on time
8. Method to track leveraged funding

Frequently Asked Questions

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Grantees need more training on the following:

1. How many days does the grantee have to submit the documentation requested in the notification letter?

2. How many days does the grantee have to submit the documentation requested in the second letter with the scheduled site visit date?

3. What is the preferred method to send documentation requested in the notification letter and the second letter with the scheduled site visit date?

4. Will the meeting between BMC and the individual agency's POC occur before or during the site visit?

5. What will be the approximate duration of the onsite visit?

6. How many days does the grantee have to submit the additional documentation needed to mitigate all findings revealed during the agreed upon procedures?

7. If the final report findings lead to technical assistance, what will be the duration of the technical assistance?

Please forward any questions to:
housing.counseling@hud.gov
with
"Overview of Financial & Administrative Review"
in the Subject line
Note: Only questions related to the HUD, Office of Housing Counseling, Comprehensive Housing Counseling grant will be accepted and responded to.