



Final Transcript

**HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT:
Overview of Financial and Administrative Reviews**

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SPEAKERS

Petergay Bryan – Booth Management Consulting

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Overview of Financial and Administrative Reviews. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. [Operator instructions]. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Petergay Bryan. Please, go ahead.

Petergay

Hello everyone. Welcome to HUD Office of Housing Counseling training on the Overview of Financial and Administrative Reviews. This training is specifically for participants in the OAC Grant Program. The audio will be recorded and the playback number along with the PowerPoint, the transcript, will all be available to you on HUD Exchange at the link that is shown on the screen.

Once the HUD Exchange is updated with the information, the training guide will also be updated. If you registered for today's training, you should have received an email with a copy of the PowerPoint presentation that we'll be reviewing today. However, if you did not receive that, if you expand your control panel, there's a section that says Handouts. Just click on the document that is there and you'll be able to download it and save it for your records.

At the end of today's session, we will pause for live questions and we'll give you instructions on how you could pose those questions. However, if you wanted immediate feedback while we're going through, you can ask questions online by expanding your control panel and you'll see a questions box. Just enter the question there and we'll have personnel who will respond to you immediately.

If after today's session, you think of any additional questions, you can send those to housing.counseling@hud.gov with the training topic, which is Overview of Financial and Administrative Reviews, in the subject line so that the recipients can distribute the emails accordingly. As I said before, we'll open the floor for questions at the end of the session if you have any at the end of the session, but in the meantime, please keep your phones muted so as not to disrupt the training.

Within the next 48 hours, you're going to receive an email. There'll be a thank you for attending email. There won't be any attachments, but that email itself will serve as your certificate of training. So, please save that and keep it in your records to prove that you have participated in today's training. In order to get credit, if you go to the HUD Exchange in the webinar archive section, you can search by the date or the topic of today's training and select the webinar and then, click on Get Credit and that will give you instructions for how you can get credit for having participated today.

I'm Petergay Bryan, the audit manager at Booth Management Consulting. Today, we're going to talk about who is Booth Management Consulting,

so if you haven't worked with us before, we'll just formally introduce ourselves.

We'll also talk about what is an agreed upon procedure's engagement, which is what the financial and administrative review is. We'll also go through the four phases of the financial and administrative review and as we go on, instead of saying financial and administrative review, I'm going to refer to it as a FAR. We'll also talk about some common findings that we've noted from doing the FARs over the years, some lessons learned, and some frequently asked questions.

Booth Management Consulting or BMC—we're an SBA-certified minority and woman-owned accounting firm, and we are located in Columbia, Maryland. We're staffed with CPAs, accountants, auditors and we've been servicing our clients as a non-profit in local, state and federal sections for over 25 years.

Our project manager is Robin Booth. I'm the audit manager and the auditors that we have on this project include Delbert Strausser [ph], Joshua Lee [ph] and Wilfredo Corbs [ph]. So, you will interact with at least one of us throughout this process. Booth Management Consulting—we've

been contracted by HUD to do these FARs as well as to provide technical assistance to agencies as it regards to the financial requirements of the grant. We also conduct action plans and different financial analysis assistance like reviewing grant execution packages or if there are technical questions relative to the grant or if it's reviewing payment requests and things of that nature, we get involved.

An agreed upon procedures engagement, which is what this FAR essentially is, is really a set of specific tests and procedures that were agreed between HUD and BMC. In the initial planning, HUD and BMC agreed to specific procedures that we'll be performing in order to determine whether or not the agencies that have been selected for review were in compliance.

At the end of performing those procedures, we do issue a report on the results of our review letting HUD as well as the agency know what the results were. Note that we won't provide an opinion, because it's not an audit. What we'll do in our report, we'll let the agency as well as the HUD POC know whether or not the agency that were reviewed maintained compliance with the HUD requirements as well as the Uniform Guidance requirements of the grant.

When we talk about the different financial requirements of the grant, we have a compliance compendium here and we're pretty much looking to see if you're maintaining compliance with these. So, things that are prescribed in the NOFA, in the application process, we're looking for compliance there. We're looking for compliance with requirements specified in your HUD grant agreement that you signed and agreed to, as well as specific office of management and budget requirements and any other federal regulations that pertain to the subject areas that we're testing.

The period of performance—we ask that you pay attention to the period of performance that we selected for review. For some of the agencies, it's FY 2016 and the period of performance was October 1, 2015 through March 31, 2017. Some more for FY 2017 where the period of performance was October 1, 2016 through March 31, 2018. So, in our review, we're looking at transactions that occurred between that timeframe, that 18-month window as it pertains to your housing counseling grant agreement.

At this point, we expect that all of the quarterly financial reporting would have been completed and issued to the HUD POC and hopefully you have

requested and received all of the drawdown funds. If you did need an extension, we would look to see that you got a written extension from your HUD POC letting you know that, okay, you had an extension for submitting those reports.

The FAR process has four phases. The first phase is a planning phase. The second is a site visit phase, which takes about one to two business days, but typically, it's really one business day that we're actually physically on site.

The next is the reporting phase, which can take up to two weeks after the site visit. Hopefully, it doesn't, but if it does, that's typically the timeframe. The technical assistance phase could take from 30 to 60 days after the report has been issued. We have been actively working to not extend that, the technical assistance phase, too much and try to cut that down to have all technical assistances provided within 30 days after we've issued the report.

We'll go through each of these phases in detail. What happens typically with a FAR is that you would first receive the initial notification letter from HUD. I know all of you on the call today, were specifically selected

and invited to attend this training because you were selected for a review.

HUD identifies the agencies to be reviewed each year and you receive a notification letter from HUD letting you know that you've been selected for review and that you'll also be getting an email from BMC about further steps.

After that initial email, or initial notification letter, then that's when BMC would then, contact you with the formal notification letter introducing ourselves as the agency to conduct the review and it would also include the document request list that is specifying items that we would need to conduct a preliminary assessment. So, we'd also specify the due dates for those documents. Once that is done and we receive the documents, then we would begin process of preparing a preliminary evaluation based on the documents that you have given to us.

At the same time, we've scheduled the pre-site visit call with your agency and hopefully, your HUD POC would be able to make that call where we introduce ourselves again letting you know, giving you an idea what a FAR is just in case you haven't received one before and what to expect. We'd also schedule the site that the date—so that would be the date that

we'll come on site and look at the supportive documents that we haven't received previously.

The next step would be to participate in this training which you are doing now, so that you can familiarize yourself with the entire process. The next step is if you have sub-grantees, then we would send out the confirmation letters to your sub-grantees.

I would also send out a sample request within three to five business days prior to the site visit letting you know specifically what transactions we're going to be testing and also, letting you know what types of supporting documents you would need in order to support those transactions. It also confirms about three days before we get on site, make sure that you're ready for the site visit. If you have any questions, just clarify those and things of that nature.

Also, before the site visit, we'd also be communicating with your HUD POC as we try to let them know that we're going to be coming on site, if there is anything that we need to get a heads up about, we would talk about that as well.

Some of the documents that we request in the document request list includes your policies and procedures, the flow chart for individuals in your organization as well as the narrative for those individuals, specific grant documentation, and we begin the evaluation process, or just a review process where we're doing like a high level review at this point.

When we look at the policies and procedures for receipts, we are trying to ascertain who has the ability to perform certain functions in your company, so who can open bank statements or review invoices, who has the ability to receive payments, who has the ability to record the transactions in your accounting system, who can post to your general ledger, who can make changes to your billing information and change master files and also who's performing the reconciliation of your different ledgers in your accounting system and your budget.

When we look at the cash disbursement or your expense transactions, we're also looking at your policies and procedures. For example, who's able to issue a purchase order or to authorize a purchase, who can issue a check or initiate an electronic funds transfer, who's signing off on the check, who's recording transactions in your accounts payable, who's recording your accounts payable, who's recording your cash disbursement

or the transfers, who's making changes to your master files and who has the ability to perform the bank reconciliations and reconcile the accounts payable to the general ledger?

When we look at the time and attendance policies and procedures, we're looking at the information that you're sharing with your employees about time and attendance. For example, are you requiring your employees to sign off on timesheets, are you requiring supervisors to review and approve that, how is your agency making sure that time charged to the HUD grant is based on hour actually performed? Also, are you letting your employees know that there are in fact penalties for falsifying or changing timesheets if you're obviously falsifying that information? How are you making sure that hours worked and documented are accurate? What is your company's policy for capturing the activity that's performed by employees who are going to be charging time to the grant? How are you making sure that that information is accurate and that it's properly allocated to the grant?

Some of the other things that we look at in the planning phase as it relates to sub-grantee monitoring, we look at your overall sub-grantee award and monitoring process. What is your policy at your company for awarding

grants to your sub-grantees? Are you conducting risk assessments? Are you doing desk reviews or onsite reviews for your agencies? Were they submit, drawdowns? What is your policy for reviewing those drawdowns for accuracy? What kind of supportive documents do you require them to maintain on file? So, we're looking at all of this information to see if you're making sure that you're compliant with the Uniform Guidance requirements.

When we look at your procurement policies and procedures, we're typically looking at the different authorization levels that you have at your agency to initiate or execute transactions. Are there any specific vendor requirements that need to be adhered to? What is your process for receiving goods and verifying that the goods and services received are in fact in line with what was requested by the person who initiated the purchase request or the purchase order? Also, we're looking at your payment processes and approval processes as they relate to procurement of goods and services.

We'd also talk to your HUD POC so that we could reconcile some of the information that you would provide to us, because we do request that you send us your grant document, so we're asking for all of your quarterly

financial reports, your HUD grant agreement, your leverage funds and things of that nature.

We'd also ask that your HUD POC provides certain documents to us so we can verify the information. We're looking at the LOCCS [ph] payments that were made to you from the eLOCCS system. We're also looking at any leverage funds that you stated that you would receive in the NOFA application process. When you completed that form, a lot of agencies specified that they weren't going to be receiving leverage funds during the period of performance of the grant. So, we're double-checking with the HUD POC by getting that document that you submitted in the application process. Then, while we're conducting the testing, we're matching that up to what you said. So, we would ask you for supporting documents to show that you actually received those leverage funds.

We'd also talk to the HUD POC about any concerns or if there's anything that we needed to pay particular attention to. If there were any performance review issues identified that we needed to pay attention to or anything like that, just so that we can continue with the planning phase as we prepare to come on site and do the review.

Now, three to five working days before the site visit, we do send our sample request listings where we ask for specific documents to support the transactions that you submitted to HUD for reimbursement. We also let you know specifically what we need for each of the samples that we select. We would also try to clarify the issues that we noted in the preliminary assessment if we had any, and also let you know that we want to conduct an interview with someone on site with someone from the program department as well as someone from the accounting department. Typically, these interviews are fairly quick, last no longer than 30 minutes and we're just trying to get an understanding of some of the individuals' involvement with the HUD process.

For example, when we're talking to someone from the accounting department, we typically want to interview someone who's actually involved in either recording the transactions or preparing the financial reports, or at least reconciling them and processing them in your accounting system, perhaps processing the payroll and things like that. So, when we talk to them, we'll just get an idea of their involvement and whether or not they're aware of what the reporting requirements are per the HUD agreement as well as per the Uniform Guidance.

When we talk to personnel from the program department, we're also asking interview questions related to how their time is charged to the grant and also the type of work that they perform on the grant and things like that to make sure that they're in compliance with the HUD agreement requirements as well as what's been prescribed in the NOFA as well as the HUD handbook.

The next phase is the site visit. Once we've gotten all of the documents that we've requested and we're getting ready to come on site, we're conducting our preliminary evaluation. If we have questions, we try to clarify all of those before we come on site, but we also are able to do that once we get on site.

The first thing that we do once we are at the site visit is we conduct an entrance conference with the HUD POC as well as participants at your agency. Usually, it's the key person who we've been working with for the grant that participates in this, but if other personnel wanted to join in, then, of course, that would be fine. If we submitted confirmation letters to your sub-grantees, but maybe we didn't get back some of those confirmations, we'd let the point of contact at your agency know which one of their sub-grantees we needed to get those responses back from.

We'd also conduct an interview with the key person, one from the accounting, one from the program department and then we begin our sub-grantee [ph] testing once we get the documents. Any potential findings or if we have questions or anything like that, we're making sure that we're communicating that to you throughout the process.

Sometimes, something may look like a potential finding, but just having that communication with the point of contact at your agency, maybe there is something that we're just missing. We try to make sure that as soon as something comes up, we communicated with you so that you have enough time to perhaps find additional supporting documents or be able to provide us with an explanation or anything like that.

Then, after that, we would let you know pretty much the next steps for providing any documents and we'll go through that in detail. If at the end of the day, we need additional documents from you, we'll let you know what those were and we conduct the exit interview, exit conference.

Perhaps we'll conduct it that same day, but if we need additional documents before that, then the exit conference would not be conducted on the same day. We could keep it up to like a week later. Once we're at

a point where we've substantially completed the review, then we conduct the exit conference.

In the entrance conference, typically, we introduce ourselves, we talk about the scope of work, what we'd be doing on site, the fact that we'd be interviewing to personnel, any preliminary findings or anything that we had questions about, we'd communicate that at the entrance conference. Talk about the timing of work, because each FAR is going to be different, so by the time the auditor gets to the FAR, some FARs may take an additional two weeks, some FARs may take less, or even longer. So, we'll talk about the timing of the work before we get to the—we're substantially complete.

If we had any preliminary findings or anything like that, we talk about that at the entrance conference so that the agency will know, okay, we have a couple of days to try to try to remedy those findings within the time frame and any other matters that were pertinent at that time.

While on site, we would look at the previously submitted flow charts, your policies and procedures. An organizational instructor will combine that with the interview that we would do with the person from your accounting

and your program department and look at the different individual roles and responsibilities to see if all of that as a big picture makes sense. If we have any questions, of course, we would ask those questions while on site. In the sub-grantee monitoring, while we're doing that testing, we're reviewing the award and payment amounts to your sub-grantees through the confirmations.

If you sub-granted all of your funds or a portion of your funds, we're sending out confirmation letters to your sub-grantees and we're looking at the dates to see if you paid those grantees the amount that you sub-allocated to them and if you also did that timely.

We'd also do a judgmental sample of your sub-grantee files to see if you adhere to your own policies and procedures. Each agency should have documented sub-grantee award and monitoring policies and procedures in place. When we make a selection of your sub-grantees and we pull their files, we're looking to see that you actually complied with your own policies and procedures for monitoring your sub-grantees.

We would also interview a sample of your sub-grantees regarding the sub-grantee agreement as well as your oversight and monitoring processes just

to confirm that what is specified in your policies actually was carried out by your agency.

We would also review the quarterly reports and request for reimbursement from your sub-grantees, but only for a sample of them just to see the type of supporting documents that your sub-grantees are maintaining on file and making sure that it's adequate and that it proves that the amount that they submitted for reimbursement were actually reasonable and allowable cost under the grant agreement.

When we conduct the cash disbursement testing, this is pretty much like your typical expense testing. We select up to ten transactions for review and we're typically looking for the purchase order for those transactions, the related invoices. It should show documentation of approval on the purchase orders and also when the payment was made, there should be an approval process that happened before the payment is made.

We're also looking at proof of payment which has to be in the form of a cancelled check or a bank statement noting that the activity cleared and that is how you'd be able to prove that you actually paid for that expense.

We're also looking at your accounting system, so we're looking at your

general ledger for the HUD grant to see if the transaction was properly documented there.

When we're reviewing your accounting system, we do pretty much a lot of reconciliation, so we're looking at this GL [ph] and we're reconciling your general ledger to the federal financial reports that you created and submitted to HUD. If you had any findings in your management letter, we're looking to see whether or not those have been resolved or at least, you have a corrective action plan in place that you're actively working on.

We'd also do a walk-through with someone in your accounting department just to see how costs are being charged to the grant. Agencies, once you receive the HUD grant, you should set up a different fund for HUD housing counseling transaction and you should be recording your transactions there.

While we're interviewing the person from your accounting department, we just try to get an understanding of how the costs are charged to the grant. Another way that we look at how costs are charged to the grant is when we do the expenditure testing as well.

When we test time and attendance, we sample up to five employees. We request their timesheets. We request payroll information and some HR information, because we're trying to—well, first we have to verify the hourly rates that were used to build the HUD grant, so we actually do recalculate the hourly rates based on the documentation that you provide to us. That's why we use the payroll information and then, based on the timesheets and/or personnel activity reports, we're looking at the activities performed to see if those activities are considered reasonable, allowable and allocable to the grant and then, we're looking at the number of hours that were worked on by the employees during the period. That way, we can recalculate the amount that you're charging for the salary and fringes and charging that to the grant.

With the timekeeping tracking procedures, while we're doing the time and attendance testing, we're just looking for any charge codes that are documented on the file. If they took leave during the time, if you have proper leave authorization documents for proper internal controls. We're also looking for any personal activity report or the equivalent seeing if someone is signing off on these and if their supervisors are actually also signing off on it as well.

When we're testing quarterly financial reports, we are looking at the reports. We're comparing that to your HUD grant agreement. We're making sure that it includes all of the required elements per your HUD grant agreement. It should meet their requirement as specified and you should have also submitted it to your HUD POC timely. So, we're looking for the timely and accurate submission of your quarterly financial report during our review and that's one of the things that we test.

We reconcile the reports that you submit to us per the ones that we get from your HUD POC to make sure that everything matches up and if you had any extensions, say you submitted a report late, but you got an extension from your HUD POC, [indiscernible] you would have maintained written authorization from your HUD POC and then you can provide that to us to say, it was submitted past the initial due dates, but we did get a written extension from your HUD POC. If you didn't get a written one, then we'll talk to your HUD POC to see if they verbally made one, but we always ask that agencies maintain any extensions that they have on file.

For agencies that had advanced funds, we do trace those to the general ledger and we talk about your cash management processes. This is a cost

reimbursement-type grant so we do not expect for there to be any advances and I don't believe that for any of the agencies that we selected, actually had any advances, but this is something that we do look at to see how the advanced payment is treated in your accounting system and we also talk about any weaknesses in your system that would call [ph] for you to have an advance.

For agencies that charge indirect cost or they submit indirect cost for reimbursement, we're looking at your methodology for having charged indirect cost to the grant. So, if you had a negotiated indirect cost rate agreement, that's your NICRA. We're looking at that.

Would ask that you send that to us, we want to see the date, the rate that you should be applying to the grant. We're also verifying the period that your NICRA was applicable to. We're also looking at the base as specified in your NICRA to make sure that in your billing to HUD, you apply the correct rate to the correct base. If you had another approved methodology, perhaps at that time, you used a cost allocation plan that was approved in your budget, we're going to be verifying that as well.

If you are using a 10% de minimis rate at that time, then we would also look at how you applied the 10% de minimis rate. You know, did you apply that only to modify total direct cost? We're looking at the methodology that you use. We're looking at your pre-approved budget making sure that you were consistent with your budget and we're looking at how you applied that rate to the base and making sure that the base that you applied it to was correct.

For agencies that have program income, we're testing just to see how you're tracking your program income and making sure that you're using the deductive method for program income for this grant program. On the leverage funding side, again, we would request from your HUD POC the information that you submitted in your application process. You would have shown, we're going to receive, for example, \$50,000 in leverage funds. We'd make a selection of that and obtain supporting documents for the donations that you receive. Maybe you have an agreement for the fact that you would be receiving these funds and then we would actually ask for proof that you actually received these funds as well. It could be in the form of showing us your bank statements or showing the monies were received.

If you have sub-grantees, we would ask for documents for leverage funds to see if you're passing through these requirements to your sub-recipients as well. Any non-cash donations that you use as leverage funds—we're looking at your policies and procedures to see how you're accounting for this and how is this information being captured in your accounting system.

We also do reconciliations, so we're looking at the amount that you charge to the grant versus what was reported and for consistency. We're not expecting to see any variances and we're also reviewing the grant funds that you receive in your accounting system per what was paid out or issued per the eLOCCS reports that we received from your HUD POC.

Once we've completed testing on all of these areas, then we would be at a point to conduct the exit conference. Sometimes, the exit conference is conducted before we're 100% complete, but as long as we're substantially complete, then we'll conduct the exit conference with you. Typically, it's personnel from your agency as well as your HUD POC who participate in this call. Everyone introduces themselves. We talk about the purpose for the exit conference, which is really just to get everyone familiarized with what has taken place so far on this review. We'll talk about the scope of the review. Any potential findings or observations that we have at that

time, we would communicate that to you, because we're giving you the opportunity to go back, find additional supporting documents before we actually close out the entire review process.

If there were any things that we had outstanding at the time for the exit conference, we would list those outstanding items and we'd also give you a due date for when we would need those outstanding items in order to complete the review timely. Also, we'd give you an expected date for when we plan on completing everything provided that you provide the documents in a timely timeframe, and then we'd conclude the exit conference.

Once the exit conference ends, then we'd get to the reporting phase, which is phase three of the review. For agencies that—I'm sorry, did I skip a slide? Okay, I'm sorry. This should read phase three as the reporting phase. In this phase we would finalize the site visit reports. If there are no findings, then we send a draft report to your HUD POC. Your HUD POC would review it, let us know if they have comments and then, they would give it to us to finalize it. Once we've cleared everything, then we're in a place where we can actually issue the reports to you guys, but that would have to be after your HUD POC reviews and signs off on the report.

Now, if there are no findings for agencies that have no findings, it's pretty much once we've completed the entire process, we've had the exit conference call, we've completed all of the work, there are no findings, then we would issue a draft report to your HUD POC for review. Once they have reviewed that, if they don't have any further comments or questions or anything like that, then we will finalize the report and send the report to you.

If there are findings, then we give you an additional 10 days after the exit conference to provide us with the remaining documents to be able to complete the review. Note, that we have to really be strict with this timeframe because we have to be complete with the FAR in a specific timeframe per our contract with HUD. We ask that you provide the information within 10 days after the exit interview, because if not, then we will have to issue the report and let HUD know that we weren't able to receive additional documents to satisfy those findings so it would be a finding on your report.

Once that is complete, then we'd send a draft report to your HUD POC. If they have any comments, then we'd incorporate those comments. Once

HUD is satisfied, then we would finalize the report and then, at that point, we would be able to issue the final report to your HUD POC as well as your company. Note that by this point, you will be certain of if there are any findings at your agency, you would have known what those findings are, because we would have to communicate that to you.

If during the exit conference, we would talk to you about any potential finding and it would be based on the communication with the auditor and your company's representative to remedy those findings. You would be able to know if there is a potential finding and you would know whether or not it resulted in a finding because you weren't able to remedy that within the specified timeframe and then, we would also communicate to you that we're drafting the report; these are still the findings that are going to be written up in the reports, so it wouldn't be a surprise to you should you get a finding. Hopefully, no one has findings.

The next phase is the technical assistance phase and this is only for agencies that have findings. So, if an agency has a finding, then we would recommend technical assistance in the body of the report that is being issued. We would provide a description of the finding based on our communication with you, what caused the finding. We'd also provide

recommendations for resolving the finding and the recommendation for the type of technical assistance that you may need to address the finding.

Some common findings that we've noted based on the years of providing or conducting FARs, we'll see instances where the budgeted rates are being used versus actual rates for employees. We'll see where indirect costs that are charged to the grant weren't calculated properly. They weren't being done in accordance with their company's policy whether or not that's the NICRA or their cost methodology. A lot of agencies may not have had proper supporting documents for their reimbursement. So, if it's an expense selection perhaps at the time they had some supplies for their FY16 grant when that was allowable, they didn't have the proper invoices, or they couldn't show proof of payment, things like that would constitute inadequate supporting documents.

We'd also see situations with documentation for payroll where agencies weren't able to support the payroll paid, so they submitted salaries and fringe benefits to HUD. They received reimbursement, but they don't have the proper supporting documents on file to show that they actually paid these employees or they can't justify the hourly rates that they charged HUD for these employees. When we do our recalculation, of

course, if we have questions, we make sure that we talk to your agency at that time so that we can get a clear understanding of how those hourly rates were calculated.

We've seen situations where agencies that have timesheets or personnel activity report records, so work performed on the grant, they weren't able to evidence that by having supporting documents on file. Some other common findings: late quarterly financial reports or if the quarterly financial report wasn't done properly, you didn't meet all of the reporting requirements per your HUD agreement. We've also seen inadequate procedures for supporting or tracking leverage funds. So, in the application process, you said you would have received a \$50,000 in leverage funds, but you didn't have any documents to support the fact that you did.

Then, we've also been unable to reconcile the different reports that we receive from the agencies, so general ledgers to the quarterly financial reports and request for payment. Also, we've seen instances where sub-grantees have used unapproved indirect cost rates. They didn't have a NICRA. They didn't apply the 10% di minimis rate, but they had an indirect cost rate that they charged that was not pre-approved.

We've also seen inadequate supporting documents for sub-grantees' reimbursement. So, a parent agency's issued a reimbursement, but there wasn't proper supporting documentation on file to justify those charges. Some sub-grantees may not have responded to the confirmations. That's a finding. That's why we communicate to you and let you know that we sent out the confirmation letter to your sub-grantee, but we haven't received it from this sub-grantee or that one. Please, reach out to them and have them respond to us timely.

Insufficient or no invoice verification process—this is what we were talking to your internal controls. We do limited testing of your internal controls, so at least trying to see the approval process at your agency and seeing what processes you have in place to make sure that not just anyone can go ahead and process payments or not just anyone without proper approval can process certain transactions at your company.

Also, if you don't have adequate policies for monitoring your sub-grantees, the new Uniform Guidance was enacted in 2014, so by the time you received your FY16 or FY17 grant, you should have had systems in place to make sure that you were in compliance with the regulations

prescribed in the Uniform Guidance and with the changes, they require a lot more oversight from parent agencies. When we're looking at your policies and procedures for monitoring your sub-grantees, we're looking to see if you were compliant with especially those new requirements that they required of parent agencies.

Also, when you're looking at your billing methodology, we want to see that you have a billing methodology that is compliant with HUD's requirements at the time, making sure that you're only preparing quarterly financial reports when you actually need the funds based on a class reimbursement type basis, and that once you get the funds then you are issuing the funds within a certain timeframe to your sub-recipients.

Some lessons learned based on these reviews, we've noted that agencies needed some additional training or additional technical assistance on certain topics especially related to indirect cost rates. Now, with the indirect cost rates, agencies really only have two ways of submitting indirect cost for reimbursement under the grant, and that's whether or not you have a NICRA or a 10% di minimis rate.

Now going forward, we want to make sure that agencies are aware of that and that they know how to compute it. Also, we've seen where grantees needed training on tracking expenditures and maintaining supporting documents for expenditures. Based on the type of expense, you have to make sure that you have supporting documents on file for at least three years after the end of the period of performance, because for example, now in 2019, you're going to be reviewed on a grant that you received, your FY16 grant. So, you have to make sure that you have your documents on file and readily accessible for three years, because you can get selected for a review within a three-year timeframe.

Also, receiving training on tracking program income, some agencies do receive program income, but they don't track it specifically for their housing counseling program.

How they implement their timekeeping and personnel activity policies and procedures, that's an area that agencies needed assistance with, and also with tracking leverage funds, and making sure that especially inclined leverage funds that they're making sure that they're accounting for that properly.

The last on is filing their financial reports on time. You have to make sure that the reports are accurate in the first place and then you have to have policies in place at your agency to make sure that you can file it on time.

We always encourage parent agencies to give their sub-recipients due dates. You can even give them reporting templates, facilitate trainings with them so that they know what to do and that they can submit their reports to you on time, so that you can then turn that information around to HUD in a timely manner. If you can't make your deadlines, then request an extension from your HUD POC, just justify the reason and make sure that you keep your extension information whether it's an email or a letter, keep that on file just in case you get selected for a review in the future.

Some frequently asked questions that we've had regarding the FAR: It is usually [ph] asked how many days do they have to submit the documents that we requested in the notification letter and how many days do they have before they submit the sample request information? Usually, when we send out this information, we tell you the due dates.

A couple of agencies have asked for requests and that is fine. You just need to communicate to us that we can't meet that due date; can you give

us an extension? We will, of course, work with you, but if the due date is on the site visit date, then there's not a lot of flexibility that we can have at that time.

The preferred method for sending documents—we can get information by email or the document repository or once we get on site, whatever works for your agency, we can be really flexible as long as they make sense.

Will the meeting with BMC and the HUD POC occur before or during the site visit? We communicate with your HUD POC throughout the process, so it can be before, during, and after if your HUD POC has questions.

What would be the approximate duration of the site visit? It's usually one business day, one full business day that we're on site. We usually don't need to stay longer than that because if we have follow-up questions and follow-up requests, we can ask for those and have you submit them electronically.

How many days does the agency have to submit the additional documents to mitigate any findings? You have an additional 10 days to submit any documentation that you have that could mitigate a potential finding.

If the final report findings lead to technical assistance, what would be the duration of the technical assistance? We will try to get all of the technical assistance sessions done within 30 days at the maximum. If we can do it before then, we will, but we'll of course keep you involved in the process and try to get the work done and wrapped up as soon as possible.

I'll open the floor for questions. I don't see any questions in the control panel, but I'll open up for questions before we conclude.

Moderator [Operator instructions].

Petergay Okay, so I got a question online asking if we'll notify the intermediary if a sub-grantee was selected. Yes, we'll let you know the sub-grantees that we select, especially because we're going to be sending the confirmation letters to them. We'll communicate that to you.

Moderator [Operator instructions]. Just so you know, there are no questions in queue at the moment.

Petergay Okay. Alright, if you think of any additional questions, please send them to housing.counseling@hud.gov. You can also directly communicate with

the auditor who's going to be working with you if you have questions specific to your review. I want to thank you all for having participated today. Again, if you have questions, send them to housing.counseling@hud.gov or the auditor who's going to be coming on site.

Have a good day everyone.

Moderator

Ladies and gentlemen, that does conclude our conference for today.

Thank you for your participation and using AT&T TeleConference. You may now disconnect.