



Final Transcript

HUD: Preparing For an Agency Financial Review - External

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SPEAKERS

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PRESENTATION

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

I'd like now to turn the conference over to our host, Ms. Virginia Holman. Please go ahead.

Virginia

Thank you. Welcome to the staff webinar on preparing a financial administrative review. But as usual before we turn it over to the presenters, I'd like to go over a few logistics.

As Dan said, the audio is being recorded. I'll be posting the playback number along with the PowerPoint in a transcript on OHC's OCB share site, probably sometime next week, and I'll send out an email when that's been done. I did send out the PowerPoint this morning to everyone in the office so you should have that, and again, it will be posted in the archives.

They are going to have a question and answer period at the end of the presentation and at that time, as usual, the operator will give you instructions. But as always, your questions are really important to OHC as well as Allmond, so please submit your questions in the text box in the panel on the right-hand side of your screen. Allmond's staff is monitoring those questions and afterwards, as usual, you can send a question or comment to housing.com/hud.gov.

If you've logged on to the webinar, you're going to receive your certificate of training within about 24 hours, so you need to print it and keep it for your records. Some of you may want to forward it to your

supervisors. I don't know how they collect the information. It varies from office to office.

And now let me turn it over to Allmond & Company for the presentation.

Vanessa

Good afternoon, everyone. Today we will be discussing how to prepare for a financial administrative review. As you know, one of the tasks that the HUD POC's have is to ensure that the grantees and sub-grantees are using the grant funds appropriately. During today's training we'll discuss how we can help you complete this task.

Our agenda for today: we'll have some brief introductions, discuss the course objectives, the purpose of financial review, discuss what happens during site visits, what happens during the review testing, how we report out the review results as well as a few best practices for your grantees and sub-grantees.

I am Vanessa McCollum and I will be your presenter for today, and I have with me Blair Clarke and Raven McGriff, who will be answering your questions in the text box and at the end of today's session.

Our objective for this session is to provide a basic overview of the framework for financial reviews. There will be variations to this framework based on each agency's operations, the reasons for the review request as well as the review type that we are performing.

After completing this course, participants should be able to understand the purpose of a financial review, understand how to prepare for a financial review and understand the review process. The purpose of a financial review is to determine whether the grant recipient is in compliance with regulations from the grant agreement and the NOFA, OMB's Uniform Guidance as well as the handbook.

So basically we are checking to see if the grant expenses were eligible according to the grant agreement, if it fits into one of the eligible activities as listed in the grant agreement, if the grant expenses are reasonable, if they were properly allocated and if they were allowed by the Uniform Guidance.

There are basically two main types of reviews. The first type of review is the financial administrative review. This review is generally considered an all-inclusive review of all financial functions and other processes as it

pertains to your grantee's or sub-grantee's participation in the HUD grant program. So this covers the entire lifecycle of the grants from the application process, the execution process, through grant activities and final financial reporting.

The second type is the financial capability assessment. These reviews are often targeted at specific concerns identified by you, the HUD POC, and may not include all aspects of the participant's process.

Once you've determined that you have an agency and you want a review to be performed, you would notify Matt Finn [ph] or Tracy Field [ph] and they will forward your requests to us at Allmond & Company.

Someone from Allmond & Company usually reaches out to the HUD POC to get a little bit of background on the agency, determine if they're a grantee or a sub-grantee, if there are any issues that you are aware of that we should be made aware of in our planning for the review.

Once that information is obtained from you, the HUD POC, the next thing we do is to reach out to the agency. There's initial contact for the review team. We schedule a site visit or remote review date. We perform review testing. We compile our review results and issue some type of report.

So for initial contact with the agency, usually we send out an email or a letter, or both, detailing the type of review that we will be performing with a preparation checklist, which is a checklist of items that they need to submit to us by a specified due date. Usually we give them about a week. It will also include any tentative site visit dates if applicable.

Right now due to COVID restrictions all of our reviews are taking place remotely. The grant recipient or the agency that's being reviewed, they should submit their documents back to us by the due date and confirm the availability of the site visit date once we start performing site visits again. We'll confirm the site visit date as well as submit a sample selection of expenses to be reviewed while we are on site.

Listed on this slide are just a few of the example items that we may request from your agency. We may request their audited financial statements to determine if they are in compliance with the Single Audit Act. We may review your agency's policies and procedures, review their quarterly financial reports that were submitted to HUD, any sub-grantee agreements and quarterly reports if they have sub-grantees or if they are a sub-grantee. We may ask for a general ledger detail of all expenses from the agency's accounting system as well as an agency organizational chart.

This slide discusses what happens during site visits. Like I said, right now our reviews are remote, but I'll go over this because I guess eventually we will begin doing site visits again. Prior to the site visit we send out a confirmation that will detail the date and the time we plan to be onsite as well as the names of our team members. We're usually onsite for one day and we ask that the agency provide us with a dedicated work space for that particular day.

What happens during site visits? So even though we're not doing site visits, this is taking place remotely, these activities may still take place. It will just be over the phone or over a Zoom-type call or something like that.

There may be an entrance conference with the agency, Allmond and HUD representatives, and during that time we will discuss the purpose of the visit and schedule any onsite review activities or remote review activities. There may be interviews with key grantee staff. We use those interviews to gain an understanding of the organization's operation as they relate to the grant award and identify internal controls.

During our interviews we may ask them about their time and attendance process, how each employee records their time, who is responsible for reviewing their timesheets and how that information is compiled and rolled into the grant report, the financial report. Also, we'll have them walk us through how they prepared the grant report, who's responsible for the preparation, who is responsible for the review, what types of source documents do they use to prepare the financial reports and who ensures that these items are recorded correctly.

Another area that we may discuss is their financial accounting system and how they record transactions in that accounting system, their procurement process, who determines what items they are allowed to buy and who determines which items are chargeable to the HUD grant. And finally, the last topic we may cover is any prior year audit or review findings and what corrective actions the agency has taken to resolve any previously issued findings.

There will be testing, so we will provide the agency with a list of expenses that we will sample. They have to provide us documentation to support those expenses. There also may be an exit conference once again with

agency, Allmond and HUD representatives and during that time we discuss the preliminary results and findings of the review.

So what do we do during the financial review testing? The next slides will go over that. During the financial review process we attempt to answer the following question: was grant funding used in accordance with applicable laws, HUD regulations, agency policies and the grant agreement? So we seek to find out if the agency charged the grant for one of the eligible activities that are outlined in the grant agreement such as housing counseling and group education, oversight and compliance, supervision of housing counseling staff, housing counselor training and certification and marketing and outreach to potential clients.

Additionally, we attempt to determine if the charges were reasonable.

Would a prudent person spend the amount of money on a particular item?

For instance, if an agency purchases pens that cost \$500 each, is that really reasonable? I don't think so.

Were the expenses that they charged to the grant, were they allowable per the Uniform Guidance? And if the expense benefitted multiple programs,

was it properly allocated? So did they charge the HUD grant the amount appropriate for the benefit that the HUD program received?

We will look into if their internal controls are operating effectively to ensure that grant funding was safeguarded against waste, loss and misuse. And was reliable data obtained, maintained and fairly disclosed in the report submitted to HUD? So the expenses that they report in the HUD quarterly financial reports, is it correct? Is it reliable? And was proper expense documentation maintained?

The process may include a review of the agency's written policies and procedures, interviews with program staff, follow-up on audit or review findings, tests of financial controls and grant expenses, entrance and exit conferences, and a comment period for grantee management to respond to any findings or deficiencies that we note during the review. Additionally, we sometimes offer recommendations on how to correct any deficiencies or findings that we find.

So areas of testing: internal controls, compliance and financial reporting, procurement, time-keeping and attendance, cash management. The next

few slides will go into details about what we specifically look at in each one of these testing areas.

So for internal control testing, we will perform an analysis of the control environment, evaluate internal controls, and that can be done by reviewing the agency's audited financial statements, reviewing their policies and procedures, information that we discuss during the walk-throughs or the interview process. Additionally, we review documentation that will evidence performance of internal controls, such as determining if timesheets or personnel activity reports are signed by a supervisor that reviews timesheets for accuracy, determine if expenses are approved prior to purchase or charging to the grant award.

During our compliance and financial reporting testing, we'll review audited financial statements, determine if they're in compliance with the Single Audit Act, if it's based on the amount of federal funds that they receive or if they are just required to have a regular financial statement audit, determine if the quarterly reports such as the 9902s and SF425 were completed accurately, properly approved and submitted on time. We'll compare the budget to the actual expenses as well as review sub-grantee agreements and monitoring plans.

So if an agency has sub-grantees, they are required to have a monitoring plan. We would review that plan, probably sample looking at some of the reviews that they've performed. What are they looking for? Is it appropriate? And if they find any deficiencies, what corrective actions are they are taking with their sub-grantee to ensure that the sub-grantee is in compliance with the HUD requirements?

For the procurement area, we'll test a sample of non-payroll expenses to determine if grant-related transactions agree to supporting documentation and if costs are allowable. So if they charge \$1,000 for training, do they have \$1,000 worth of invoices to support the training and was the training directly related to HUD housing counseling activity?

We look at their overhead rate and was the appropriate overhead rate used. If they have a NICRA, we would request support for the NICRA agreement. If they used a 10% de minimis, we would recalculate to ensure that they used 10% of the modified total that were at cost to calculate the indirect expenses charged to the grant.

Timekeeping and attendance. Most of the grantees, the majority of their expenses come from personnel costs. So this is an area we look into in

detail. We validate the staff's hourly rate and make sure it agrees to the rate that they charged to the HUD grant.

So if one of your agency employees is paid \$20 an hour, they cannot charge \$30 an hour to the HUD grant. Are employees' timesheets reviewed and approved for accuracy by a supervisor, somebody who actually reviews, compares maybe leaflets to the timesheets so that the HUD grant is not being charged for hours that an employee did not actually work on the HUD program?

Cash management. We may review a sample of bank statements. If there's a grantee, sub-grantee relationship we'll look at support for the payments the grantee issued to sub-grantees and vice versa. If it is a sub-grantee we are reviewing we will request documentation for the amounts that they received from the grantee. There should be appropriate financial reports to support the amounts of the payment as well as some sort of bank documentation to support the amount that was actually either paid or received depending on if it's the grantee or the sub-grantee.

Once all of our testing is complete, the preliminary findings of the review will be discussed at the exit conference. Allmond & Company will draft

some sort of review report depending on the type of review that we performed. We will give HUD an opportunity to comment or ask additional questions perhaps that they may have about the draft report. And once we have addressed any concerns or questions that the HUD POC may have, we will issue a final administrative review report or whatever type of report is appropriate for the level of review that we performed.

So best practices for your agencies, grantees or sub-grantees. They should accurately track all staff hours, including hours billable to the grant. We want to make sure that your grantee or sub-grantee is not charging the grant based on a pre-determined budget, but that they are actually charging hours for hours actually spent performing one of the eligible activities outlined in the grant agreement.

They should maintain all documentation to support amounts billed to HUD. That will include timesheets, payroll reports, invoices for any training or other costs that they may have charged to the grant, allocation methods and support for any items that were allocated to the grant.

They should submit any budget revisions to the HUD POC for prior approval. And they, lastly, should prepare all quarterly financial reports based on actual grant expenses. Once again, budgeted items or budget items are not an acceptable method for charging expenses to the grant.

The references that we used for today's presentation was the Uniform Guidance, and we have a link here. As stated, it's very important that you guys become familiar with the Uniform Guidance. We don't recommend you attempt to memorize it, but at least know how to get to it, how to use it, how to find items of interest to your program. There's the Housing Counseling Handbook, we also have a link for that. And then the actual grant agreement, and that is mailed directly to grantees.

So at this time I'm going to turn it over to Blair Clarke to address any questions that you may have.

Blair

There were only a handful of questions in the text box and I answered those. I guess if there any additional questions—to answer Melissa's question, she just sent one through the text. Yes, this presentation has been given to the housing counseling agencies. We gave it to them last Thursday, so they are aware of the best practices and the review protocols.

Rhonda asked, “What are the typical findings like staff hour estimates, not actual hours?” So some typical findings that we’ve had as it relates to personnel have been lack of personnel activity reports. So just some of the requirements for having personnel activity reports or activity reports for the staff has not been adequate or up to the standard of the Uniform Guidance. So that’s been some of the things that we’ve seen. We’ve seen a few that the actual expenses don’t agree to the budget expenses. Usually it’s in like supporting documentation where we’ve seen a lot of the weaknesses are.

To answer how long a FAR [ph] usually takes, typically it depends on how quickly the grantees can submit the supporting documentation to us, but it’s usually about two or three weeks for the whole entire process. Again, if it’s taking the agency a while to retrieve some of the supporting documentation it could take longer, but we typically aim for having an entrance conference and then completing the review within 20 to 30 days.

Melissa has a question on, “I want you guys to maybe review a grantee for FY ’19, but the period of performance is ending very soon.” Typically the reviews we’ve done have been for completed grant awards from the beginning of the grant year to the end of the grant year and they submitted

all the support. So they have an extension maybe going into later. We can look at what they've submitted so far, but typically I would suggest to wait until they've completed everything, all the expenses, so that we can look at the entire expense that has been charged to the grant.

For agencies that operate on fixed rates, again we typically look at—the process that we've outlined here is kind of a general review and I think for most agencies they use itemized budgets. But for agencies that do use fixed fee reimbursements, we will look at their methodology for how they determine the fixed fee rates, we'll make sure that the fixed fee methodology is applied consistently to how they calculated their rates and make sure that their rates are supported by some type of calculation. So however they determine their methodology will be calculated. We just want to go in and make sure that it's actually being applied correctly and then we'll determine whether they applied those rates accurately.

I think that is all the questions in the chat box for now. I guess we can open up the line to see if anyone wants to ask any questions over the phone.

Moderator Absolutely. [Operator instructions]. One moment for the first question.

And there are no questions at this point.

Blair That is all for us today. We will turn it over to Ginger to do the remaining logistic slides.

Virginia Thank you, Blair and Vanessa. That was very good. I think people will look forward to being able to work with you and their agencies on having FARs.

At this point, if you go into the question box in the panel on the right-hand side of your screen, just tell us what you thought about the webinar. Is it going to be useful? Any other comments? We need some feedback so we can continue to always improve our webinars.

And again, as Blair and Vanessa said, thank you for attending. Watch for your certificate and the posting of this on the archives. Again, thank you and have a good day.

Moderator

That does conclude our conference for today. Thank you for your participation and for using AT&T Conferencing Services. You may now disconnect.