



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

Overview of Financial & Administrative Reviews
December 6, 2016
2:00 PM EST

Facilitated by
Booth Management Consulting, LLC
7230 Lee Beforest Drive, Suite 202, Columbia, MD 21046

Overview of Financial & Administrative Review
Agenda

- Who is Booth Management Consulting?
- What is an Agreed-Upon Procedures Engagement?
- Overview of the Financial & Administrative Review Process:
 - Phase I: Planning
 - Phase II: On-Site Visit
 - Phase III: Reporting
 - Phase IV: Technical Assistance
- Common Findings
- Lessons Learned
- Frequently Asked Questions?
- Questions?

Who Is Booth Management Consulting?

Who Is Booth Management Consulting?

- An SBA Certified Minority and Women owned accounting firm located in Columbia, MD
- Founded in 1997
- Lead by Principal, Robin L. Booth, CPA with a staff consisting of CPAs, accountants, auditors, and financial analysts
- Approximately 25 years of experience performing compliance auditing of non-profit organizations; local, state, and federal government entities

Key Team Members

- Project Manager – Robin L. Booth, CPA
- Alternate Project Manager – Richard Yirenyki
- Financial and Administrative Reviews:
 - Auditors
 - Wilfredo Corps, CFGM
 - Petergay Bryan
 - Delbert Strawther

What is an Agreed-Upon Procedures Engagement?

What is an Agreed-Up 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

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Overview of the Financial & Administrative Review

Overview of Financial & Administrative (FA) Review

PHASE	TITLE	TIME PERIOD
Phase I	Planning	Within 30 days of the review
Phase II	On-Site Visit	1-2 business days
Phase III	Reporting	Up to 2 weeks after the site visit
Phase IV	Technical Assistance	30-60 days after the report issued

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Phase I: Planning

Phase I: Planning

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      S1[STEP 1: Initial notification letter from HUD] --> S2A[STEP 2A: Initial Notification Letter and Document Request from BMC to Grantee]
      S2A --> S2B[STEP 2B: Receive documents from the grantee]
      S2B --> S3[STEP 3: Prepare Preliminary Grantee Evaluation]
      S3 --> S4[STEP 4: HUD sends invite to participate in training prior to the FA Review]
      S4 --> S5[STEP 5: Pre-site visit planning call with the grantee and HUD FOC to schedule on-site review date, coordinate on-site interviews, and confirm the location of records]
      S5 --> S6[STEP 6: Send confirmation letter]
      S6 --> S7[STEP 7: Send a sample selection three to five days prior to a confirmed on-site visit]
      S7 --> S8[STEP 8: Contact the grantee to confirm readiness three days before the on-site visit]
    
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Phase I: Planning

Before the site visit, we will:

- Communicate with the HUD Specialist and Parent (if applicable) to obtain:
 - > LOCCs vouchers and requests for payment
 - > Grant agreement and Form 1044
 - > Award letter
 - > Leveraged funds
 - > Final approved budget and amendments
 - > Concerns about agency
 - > Performance reviews

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Phase I: 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, and post to the accounts receivable ledger
- Monitor the ability to: perform bank reconciliations, reconcile accounts receivable to the general ledger, and approve budgets

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Phase I: 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 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

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Phase I: 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 work are accurate
- Procedure for correcting timecards/timesheets
- Procedure for approving 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

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Phase I: Planning
Policies and Procedures Content
Sub-Grantee Monitoring

- Sub-grantee interviews
- Risk assessments for the Sub-grantees
- Policy and procedure testing
- Spot audits on files, financial information, and system data
- Confirmations

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Phase I: 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

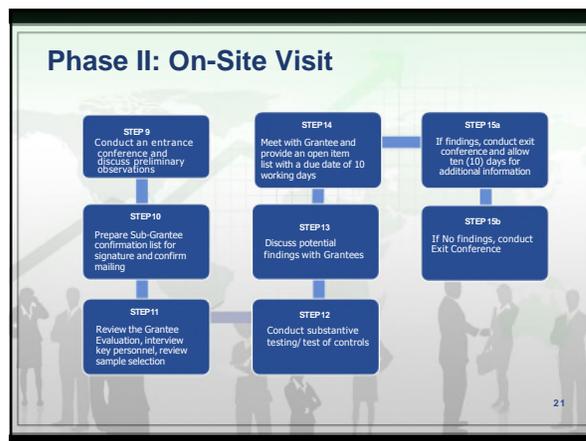
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Phase I: Planning
Three to five working days before site visit:

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

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Phase II: On-Site Visit



Phase II: On-Site Visit

Entrance Conference

Agenda

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

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Phase II: On-Site 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

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Phase II: On-Site Visit

Procedures Performed

Typical Interview Questions:

1. What is your role and what are your responsibilities as they relate to compliance and oversight of funding from HUD?
2. Do you understand your agency's code of conduct?
3. Did you receive training on your agency's compliance policies and procedures related to compliance and oversight of funding from HUD?
4. What are the compliance and/or ethics related challenges you face in your current role?
5. Can you report concerns, issues, or potential violations of laws, regulations, code of conduct, or compliance policies anonymously or confidentially without fear of retaliation?
6. Do you receive refresher training on your company code of conduct, compliance, or ethics policies?

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Phase II: On-Site Visit

Procedures Performed

Sub-Grantee Monitoring

1. Verify the status of Sub-Grantees confirmations
2. Review at least one Sub-Grantee file for compliance with the documented monitoring policies
3. For any positive confirmation letters to Sub-Grantees received, review any discrepancies with the grantee
4. Interview a sample of sub-grantees

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Phase II: On-Site Visit

Procedures Performed

Cash Receipts

- Verify:
 1. Who opens bank statements
 2. Who prepares and reviews invoices/billing documents
 3. Who receives payments/opens mail
 4. Who reconciles posts and reconciles the general ledger
 5. Who approves credit memos or write-offs
- Select a sample of cash receipt transactions and test for:
 1. Invoice date and time
 2. Payment receipt date and time
 3. Post to the accounts receivable ledger
 4. Information included on the bank reconciliation
 5. Information properly reported on HUD reports

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Phase II: On-Site Visit

Procedures Performed

Cash Disbursements

Select a sample of 10 - 20 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

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Phase II: On-Site 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

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Phase II: On-Site Visit

Procedures Performed

Time and Attendance Controls

Walkthrough of the timekeeping tracking procedures

- Sample 5 employees for existence to determine:
 - Documentation exists that supports attendance
 - Documentation exists that supports time allocated to the program as required by OMB Uniform Grant Guidance
- Review support for time allocation:
 - HR employees' list
 - HR documentation verifying employees' hourly rate
 - HR timecard/timesheet charge codes
 - Employees' timecards/timesheets
 - HR leave authorization document
 - Payroll register
 - Personnel Activity Report or equivalent

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Phase II: On-Site Visit

Procedures Performed

- Timely / Accurate Submission of Quarterly Reports
- Reconciliation of report submission dates per HUD to Grantee documents
- Cash Management
 - If funds were received in advance of expenditures, trace them to the general ledger
 - Discuss any weaknesses in the cash management policies and procedures
 - Select two cash transactions and perform a test of controls
- Federal Negotiated Indirect Cost Rate Agreement (NICRA)
 - Review costs charged compared to the approved schedule
 - Review a sample of 5 transactions included in the indirect costs pool and test for allowability, allocability, reasonableness, and correct treatment

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Phase II: On-Site Visit

Procedures Performed

Procurement Process

Test contracts in excess of \$25,000

- Basis for award: cost or price
- Basis for vendor selection
- Vendor disbarment certification
- Justification letter for lack of competition when competitive bids or offers are not obtained

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Phase II: On-Site Visit

Procedures Performed

Program Income

- Inquire if they charge a fee for services
- Test for tracking of fees

Leveraged Costs

- Reconcile the listing of leverage costs from HUD to the general ledger
- 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

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Phase II: On-Site 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

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Phase II: On-Site Visit

Procedures Performed

Exit Conference

- Introductions
- Purpose of the exit conference
- Review of the objectives/scope
- Potential findings and observations
- Discussion of outstanding requested items
- Discussion of due dates
- Report of the audit resolution process
- Closing

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Phase III: Reporting

Phase III: Report

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

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Phase IV: Technical Assistance

Phase IV: 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

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Common Findings

Common Findings

- Grantees lacked policies for monitoring and oversight of Sub-Grantees
- Grantees' and/or Sub-Grantees used unapproved NICRA
- Grantees lacked supporting documentation for Sub-Grantees reimbursements
- Sub-grantees did not return confirmations
- Grantees lacked invoice verification process
- Grantees used budgeted hourly rates instead of actual rates
- Indirect costs charged included excess amounts
- Grantees lacked supporting documentation for reimbursements
- Grantees lacked supporting documentation for payroll
- Grantees lacked time and attendance tracking and reporting
- Grantees' timesheets do not indicate HUD service hours
- Grantees lacked supporting timesheets, PARs, or other records
- Grantees lacked a policy requiring PARs or other documents that could be used as a PAR

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Common Findings

- PARs or equivalent are not prepared
- Grantees filed federal financial reports late
- Quarterly reports did not include staff hours
- Quarterly reports (2nd, 3rd and 4th) were not cumulative
- Quarterly reports were filed late
- Grantees lacked procedures to track and verify leverage funding
- Grantees lacked supporting documentation for leveraged funding
- Grantees were unable to reconcile the general ledger to the SF-424 reports

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Lessons Learned

Lessons Learned

Grantees need more training on the following:

1. Method to apply NICRA
2. Method 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 leverage funding

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Frequently Asked Questions

1. How many days does the grantee have to submit the documentation requested in the notification letter?
 2. What is the preferred method to send documentation requested in the notification letter and the second letter with the scheduled site visit date?
 3. Will the meeting between BMC and the individual agency's POC occur before or during the site visit?
 4. What will be the approximate duration of the site visit?
 5. How many days does the grantee have to submit the additional documentation needed to mitigate all findings revealed during the agreed upon procedures?
 6. If the final report findings lead to technical assistance, what will be the duration of the technical assistance?
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Questions?

