



OFFICE OF BUSINESS OVERSIGHT HOW TO PREVENT QUESTIONED COSTS AND UNOBLIGATED FUNDS

Presentation for:

GPD National Program Office

Presented by:

Office of Business Oversight

December 13, 2023



Introductions and Agenda

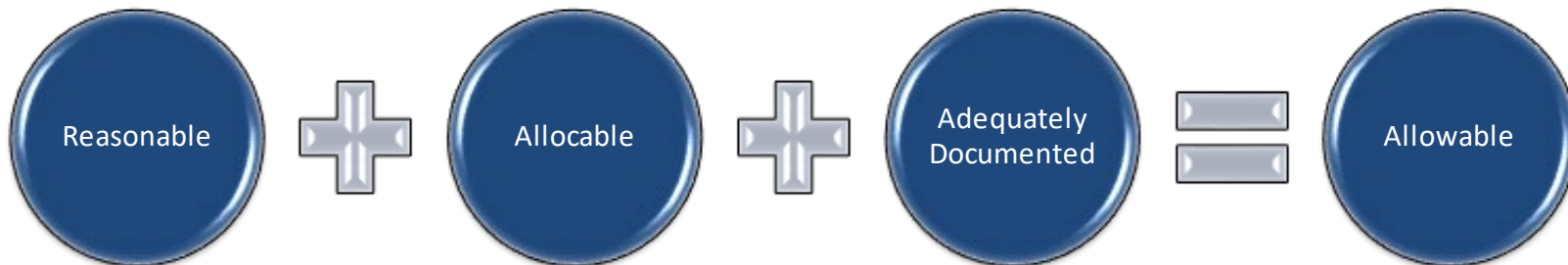
- **Welcome message by GPD** – Yvette Green
- **OBO Team Members** – Omar Ochoa, Tony Huff, Nick Rayo, Christian Lopez-Gavilan
- **Training Agenda** – The Office of Business Oversight (OBO) will provide grantees with the knowledge, skills and abilities to prevent questioned costs and unobligated funds. The following are OBO's top 10 audit findings:
 1. Unallowable costs
 2. Unsupported costs
 3. Cost Allocation
 4. Commingling of funds
 5. Timekeeping
 6. Untimely and Inaccurate SF-425s
 7. Unobligated Balances
 8. Indirect Cost Rate
 9. Conflicts of interest
 10. Single Audit





Basic Principles of Allowability

- **Allowability of Costs** – The Grantee should address the allowability of costs as follows:
 - To be allowable under a federal award, costs must be reasonable, allocable, and adequately documented
 - A cost is reasonable if it does not exceed what a prudent person would incur under similar circumstances
 - A cost is allocable to a federal award to the extent the goods or services benefited the program
 - A cost is adequately documented if it is supported by accounting records and source documentation, such as purchase orders, vouchers, invoices, payroll allocation reports, payroll summaries, timesheets, etc.





How to Prevent Questioned Costs – Unallowable

- **DO:**
 - Create policies and procedures for all expenditures in accordance with federal cost principles **2 CFR Part 200**.
 - Ensure costs are reasonable, allocable, and adequately documented.
 - Email the GPD program office if you are unclear regarding the allowability of expenses.
- **DON'T:**
 - Use GPD funds for non GPD expenses.
 - Use GPD funds for cash transactions.
 - Purchase equipment, capital acquisition, maintenance and repair costs that equal or exceed \$5,000 **without preapproval** from the GPD Program Office





How to Prevent Questioned Costs – Unallowable (Case Example)

Case Example #1 Misuse of Grant Funds

- GPD review revealed the following:
 - Grantee inappropriately utilized approximately \$400,000 of GPD funds to purchase property without the approval of the GPD Program Office.
 - Grantee had \$2,000 in ATM cash withdrawals
- Resolution – disallowance and indebtedness of approximately \$402,000

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Unsupported

- **DO:**
 - Create policies and procedures **for documenting** all expenditures in accordance with federal cost principles **2 CFR Part 200**.
 - Ensure grantee staff is trained on how to adequately support GPD program expenses with proper documentation.
 - Attach the vendor invoice to the check request, along with any other supporting documentation.
- **DON'T:**
 - Discard your expense receipts or contracts (i.e. gas receipts, lease agreements, and detailed invoices).
 - Use credit card statements as the “receipt” for accounting purposes.
 - Circumvent established policies and procedures.





How to Prevent Questioned Costs – Unsupported (Case Example)

Case Example #2 Unsupported Grant Expenses

- GPD review revealed the following:
 - GPD grantee did not maintain adequate documentation to support Veterans Hotel stays. The accounting records and source documents did not identify specific Veterans and the amount of days housed. This resulted in \$160,000 in unsupported expenses.
- Resolution – disallowance and indebtedness of approximately \$160,000

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Cost Allocation

- **DO:**
 - Create policies and procedures to ensure costs are allocable to a particular Federal award or other cost objective in accordance with relative benefits received.
 - Maintain support for methods used to calculate cost allocations (i.e. square footage, bed days, & locations etc.).
 - Apply and monitor cost allocation policy regularly to segregate and consistently charge different project costs.
- **DON'T:**
 - Say “we’ve always done it that way” for your allocation.
 - Wait five years to update your allocation policy.
 - Blanket allocate all costs (i.e. use bed days for all allocations).





How to Prevent Questioned Costs – Cost Allocation (Case Example)

Case Example #3

Improper Allocation of Grant Funds

- GPD review revealed the following:
 - Grantee had significant changes to its housing grants and failed to revisit established allocation methods. As a result, GPD was overcharged for shared direct cost (utilities and supplies).
- Resolution – disallowance and indebtedness of approximately \$15,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Commingling of Funds

- **DO:**
 - Create policies and procedures to create unique identifiers to differentiate between various funding sources.
 - Make sure that funds and expenditures are clearly identifiable with specific programs within the accounting system.
 - Ensure funds from each federal, state, local, and private funding source are identified with a clear audit trail for each source.
- **DON'T:**
 - Commingle funds!
 - Be afraid to ask the GPD program office for help!
 - Use funds specifically budgeted and/or received for one project to support another.





How to Prevent Questioned Costs – Commingling of Funds (Case Example)

Case Example #4 Commingling of Grant Funds

- GPD review revealed the following:
 - GPD grantee did not maintain a financial management system that provided identification, in its accounts, of all Federal awards received and expended. Additionally, the grantee did not establish or maintain effective internal controls over its GPD award to ensure its compliance with Federal statutes, and the terms and conditions of the awards.
 - The grantee did not create unique identifiers to differentiate between various funding sources. This caused the funds to be comingled and unidentifiable.
- Resolution – disallowance and indebtedness of approximately \$850,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Timekeeping

- **DO:**
 - Create policies and procedures for all payroll expenditures.
 - Require timesheets for **all employees** and hours worked and include all projects for allocated employees.
 - Retain employee offer letters to support annual salary or hourly rate.
- **DON'T:**
 - Accept time worked on multiple grants/projects not recorded separately.
 - Allow salaries and wages charged to the grants based on estimates or budgeted amounts instead of actual after-the-fact time
 - Allow bonuses & overtime without established policies and approvals.





How to Prevent Questioned Costs – Timekeeping (Case Example)

Case Example #5

Timekeeping Misuse of Grant Funds

- GPD review revealed the following:
 - Grantee daily timesheets did not reflect actual time worked by employees on individual projects. As a result, we could not substantiate the payroll amounts charged to GPD.
- Resolution – disallowance and indebtedness of approximately \$50,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Untimely and Inaccurate SF-425

- **DO:**

- Create policies and procedures to review and reconcile grantee's SF-425.
- Review SF-425 training PowerPoint on GPD Program Website.
- Assign designated individual(s) to submit a PDF of the SF-425 and the related general ledger tie-out no later than 120 days after the Federal fiscal year-end to GPD425@va.gov with the grantees' FAIN in the subject line.

- **DON'T:**

- Wait until the last minute to prepare your SF-425!
- Submit an SF-425 with total amounts that differ from the support provided.
- Submit an SF-425 with amounts not relating to the fiscal year (October-September).





How to Prevent Questioned Costs – Untimely and Inaccurate SF-425 (Case Example)

Case Example #6

Inaccurate reporting of Grant Funds

- GPD review revealed the following:
 - OBO found the grantee inaccurately reported cash disbursements on their SF-425 resulting in \$180,000 in unobligated funds that were not returned to the VA.
 - In addition, the grantee's SF-425 was submitted past the 120-day deadline set by the GPD Program Office.
- Resolution – disallowance and indebtedness of \$180,000

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Unobligated Balance

- **DO:**
 - Develop standard operating procedures and related oversight activities to ensure unobligated funds are returned promptly
 - Monitor grant expenditures monthly to ensure that overspending or underspending can be addressed before the end of the grant period to avoid unobligated balances.
- **DON'T:**
 - Keep unobligated funds!
 - Use unobligated funds to supplement other programs.
 - Carryforward unobligated funds into the next fiscal year.





How to Prevent Questioned Costs – Unobligated Balance (Case Example)

Case Example #7

Misuse of Grant Unobligated Funds

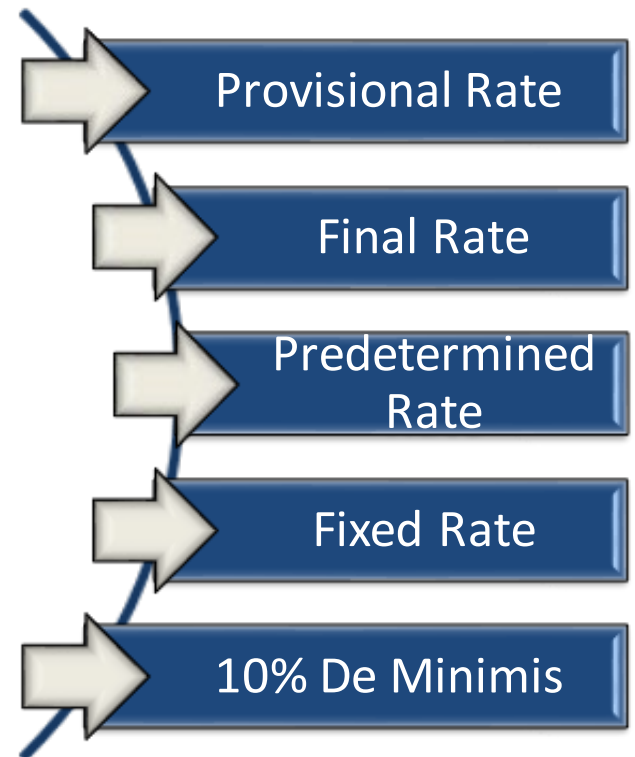
- GPD review revealed the following:
 - Grantee utilized approximately \$400,000 of unobligated funds to purchase property without the approval of the GPD Program Office.
- Resolution – disallowance and indebtedness of approximately \$400,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Indirect Cost Rate

- **DO:**
 - Create policies and procedures to submit an indirect cost rate proposal or election of 10% De-Minimis rate and retain related supporting documents to substantiate costs.
 - Apply for a negotiated indirect cost rate and receive an Indirect Cost Certification from a cognizant federal agency.
 - Consistently apply approved indirect cost rate across all awards.
- **DON'T:**
 - Allow provisional or final rate to expire.
 - Forget to obtain a final rate.
 - Create your own rate.





How to Prevent Questioned Costs – Indirect Cost Rate (Case Example)

Case Example #8

Misuse of Grant Funds with Indirect Cost Rate

- GPD review revealed the following:
 - Grantee failed to implement sufficient oversight procedures to ensure indirect costs were supported by an approved rate.
- Resolution – disallowance and indebtedness of approximately \$25,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Conflict of Interest

- **DO:**
 - Establish policies and procedures to prevent employees, consultants, members of governing bodies, and others involved in grant-supported activities from using their positions for purposes that are, or give the appearance of, motivated by a desire for private financial gain for themselves or others, such as those with whom they have family, business, or other ties. Address the conditions under which outside activities, relationships, or financial interests are proper or improper
- **DON'T:**
 - Use official position for private gain.
 - Lose complete independence or objectivity.
 - Make an official decision outside of official channels





How to Prevent Questioned Costs – Conflict of Interest (Case Example)

Case Example #9

Misuse of Grant Funds with Conflict of Interest

- GPD review revealed the following:
 - The grantee did not perform the proper procurement procedures required for less than arm's length and noncompetitive vendors.
 - The grantee lacked proper internal control procedures and supporting documentation for noncompetitive bids from other vendors and inconsistently applied their current procurement policy and procedures when procuring an arm's length agreement with related party vendors
- Resolution – disallowance and indebtedness of approximately \$15,000.

What type of internal controls does your organization have to prevent this type of finding?



How to Prevent Questioned Costs – Single Audit

- **DO:**
 - Create policies and procedures to ensure compliance with single audit requirements including the schedule of expenditures of federal awards.
 - Verify the accounting firm's license status is current and in good standing.
 - Complete and submit to the [Federal Audit Clearinghouse - Home \(census.gov\)](https://www.federalauditclearinghouse.gov) either 30 days after receiving the auditor's report, or nine months after the end of the nonprofit's fiscal year, whichever comes earlier.
- **DON'T:**
 - Exclude GPD from your schedule of expenditures of federal awards.
 - Ignore increases in federal funding as this could require federal single audit requirements.
 - Wait too long to engage with an audit firm.





How to Prevent Questioned Costs – Single Audit (Case Example)

Case Example #10

Non-compliance with Single Audit Requirement

- GPD review revealed the following:
 - GPD grantee was unaware of the requirement to complete a single audit since they have not previously reached the \$750,000 threshold in their prior fiscal years.
 - GPD grantee did not include the GPD grant on its Schedule of Federal Expenditures reported in the Single Audit for FY 2022. The Single Audit was also filed late.
- Resolution – Corrective action plan for grantee to engage with audit firm to complete the Single Audit and submit the final report to the Federal Audit Clearinghouse.

What type of internal controls does your organization have to prevent this type of finding?



Key Points Of Contact

- **OBO GPD Audit Team**

- Omar Ochoa, Supervisory Auditor - Omar.Ochoa@va.gov
- Tony Huff, Senior Auditor - Tony.Huff@va.gov
- Nick Rayo, Senior Auditor - Nicholas.Rayo@va.gov
- Christian Lopez-Gavilan, Auditor - Christian.LopezGavilan@va.gov
- Jeff Brean, Director - Jeffrey.Brean@va.gov

- **GPD Program Office**

- Yvette Green, GPD Program Office Auditor - Yvette.Green@va.gov

- **GPD Program Staff**

- GPD Program Questions: GPDGrants@va.gov
- Fiscal Questions (per diem rates): GPDFiscal@va.gov
- SF-425 Questions: GPD425@va.gov
- Indirect Cost Rate Proposal Questions: GPDICRP@va.gov



Additional Information

- GPD Recipient Guide
 - [Recipient Guide Transitional Housing.pdf \(va.gov\)](#)
- GPD Provider Website
 - https://www.va.gov/HOMELESS/GPD_ProviderWebsite.asp
- 2 CFR Part 200 Website
 - <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>
- 38 CFR Part 61 Website
 - <https://www.ecfr.gov/current/title-38/chapter-I/part-61>
- GPD Financial Management Training: Tracking and Recording Costs
 - <https://www.va.gov/HOMELESS/docs/GPD/FiscalResources/VAOBOFY21TrackingandRecordingofCostsTraining.pdf>
- GPD Federal Cost Principles Training
 - <https://www.va.gov/HOMELESS/docs/GPD/FiscalResources/GPDCostPrinciples-10-27-2021.pdf>
- GPD SF-425 Completion Training
 - https://www.va.gov/HOMELESS/docs/GPD/FiscalResources/SF425_Training_Final_Revised_1-12-2022.pdf
- GPD Grantee Training – How to Prepare for a GPD Review
 - https://www.va.gov/HOMELESS/docs/GPD/providers/How_to_Prepare_for_a_GPD_Review-Final.pdf



Conclusion

Questions?