

## Lessons and Tips from OIG Reports and Audit Findings

Due to recent OIG reports and audit findings, we have compiled a list of key items of which PHAs need to be aware regarding allowable and unallowable expenses, fiscal controls and audit issues. The way you handle federal funds is dictated by OMB Circular A-87 (found at 2 CFR Part 225), 24 CFR Part 85, and your procurement and other fiscal policies.

Having a visit from OIG is not fun and if they dig up expenses that are not allowable and/or undocumented, you will be asked to repay that amount to the housing authority out of non-federal funds, which in most cases with small agencies, will be impossible because you have little chance of getting that non-federal money. What generally happens is that OIG reports their findings to HUD and then it is up to HUD to determine the corrective measures it will require from the PHA.

Below are some of the most common noncompliant areas, according to an auditor, a fee accountant and OIG agents with whom we have been in contact.

1. If a PHA has any audit performed by an Independent Public Accountant (IPA) even if it is not required by OMB A-133 (that is, expending over \$500,000 in Federal funds) it must submit that audit to HUD's REAC no later than nine months after the end of the fiscal year.
2. According to 24 CFR Part 85.32, you are supposed to prepare a physical inventory of PHA-owned equipment every two years.
3. According to 24 CFR Part 85.36, you are supposed to prepare an Independent Cost Estimate (ICE) for each procurement action and have it documented in a file.
4. According to OMB A-87 (included in 2 CFR Part 225), Cost Principles for State, Local and Indian Tribal Governments

\*\*Allowable public relations costs include ONLY those specifically required by a Federal award or costs of communicating with the public or press pertaining to specific activities or accomplishments which result from performance of Federal awards, costs of conducting general liaison with media and government public relations officers such as notices of Federal contract/grant awards, financial matters and such (Section 1, d, Appendix B),

\*\*Costs of promotional items and memorabilia including models, gifts and souvenirs are unallowable, as are advertising and public relations designed solely to promote the governmental unit (PHA) (Section 1, f, 3 and 4, Appendix B)

\*\*Alcoholic beverages are unallowable (Section 3, Appendix B)

\*\*Contributions or donations, including cash, property and services, made by the governmental unit (PHA), regardless of the recipient, are unallowable. (Section 12, Appendix B)

\*\*Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging,

rentals, transportation, and gratuities) are unallowable. (*we are told this includes holiday decorations*) (Section 14, Appendix B),

**\*\*Organization of fund raising activities, regardless of purpose, are unallowable (Section 17, Appendix B)**

**\*\*Goods or services for personal use are unallowable regardless of whether the cost is reported as taxable income (Section 20, Appendix B)**

**\*\*Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences (Section 27, Appendix B)**

5. According to 24 CFR Part 85, you are to have internal controls in place to cover all assets, which means you should have policies and detailed documentation for credit card, fuel card and vehicle usage.

6. 2 CFR Part 225 also

**\*\*describes the factors affecting allowability of costs, which include "be necessary and reasonable for proper and efficient performance and administration of Federal awards (funds).**

**\*\*describes reasonable cost: A cost is reasonable if "in its nature and amount, does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost."**