



# Housing Authority of the County of San Bernardino, CA

## Continuum of Care Grants

**Office of Audit, Region 9**  
**Los Angeles, CA**

**Audit Report Number: 2019-LA-1005**  
**April 17, 2019**

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**To:** Rufus Washington, Director, Los Angeles Office of Community Planning and Development, 9DD

**//SIGNED//**

**From:** Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

**Subject:** The Housing Authority of the County of San Bernardino, CA, Did Not Adequately Support Administrative Fees Charged to Its Continuum of Care Grants

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Housing Authority of the County of San Bernardino's Continuum of Care grants.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



**Audit Report Number: 2019-LA-1005**

**Date: April 17, 2019**

**The Housing Authority of the County of San Bernardino, CA, Did Not Adequately Support Administrative Fees Charged to Its Continuum of Care Grants**

## Highlights

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### What We Audited and Why

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We audited the Housing Authority of the County of San Bernardino's Continuum of Care grant funds received from the U.S. Department of Housing and Urban Development (HUD). We audited the Authority because it is among the top 15 percent of competitive grantees in HUD's Office of Community Planning and Development's risk analysis. Our audit objective was to determine whether the Authority administered its Continuum of Care grants in accordance with HUD requirements.

### What We Found

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The Authority did not have adequate support for the administrative fees charged to its Continuum of Care grants. This condition occurred because the Authority lacked a detailed written administrative fee cost allocation methodology in its policies and procedures. As a result, HUD had no assurance that administrative fees of \$663,070 charged to the Continuum of Care grants were appropriate.

### What We Recommend

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We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to (1) adequately support the administrative fees or repay its Continuum of Care grants \$663,070 from non-Federal funds, (2) submit an indirect cost rate schedule for its Continuum of Care grants to HUD for approval, and (3) develop and implement written policies and procedures for its administrative fee charges.

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# Background and Objective

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The Continuum of Care grant program was authorized under the McKinney-Vento Homeless Assistance Act, as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.<sup>1</sup> The Continuum of Care grant program (1) promotes communitywide commitment to the goal of ending homelessness; (2) provides funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; (3) promotes access to and effective use of mainstream programs by homeless individuals and families; and (4) optimizes self-sufficiency among individuals and families experiencing homelessness.

The Housing Authority of the County of San Bernardino was organized in 1941 and is the largest provider of affordable housing in the County. The Authority owns or manages more than 10,000 housing units and serves approximately 30,000 individuals throughout the County. As a public agency, the Authority is tasked to address the local housing needs throughout the County. Therefore, it works aggressively with various community partners and local government officials to acquire, build, and manage high-quality housing. The Authority is responsible for administering the Continuum of Care grant program, in cooperation with the County's Department of Behavioral Health, to provide quality, permanent, supportive housing and long-term mental health services to mentally ill or dually diagnosed participants and their families. All applicants must meet the definition of disabled and be chronically homeless according to the Continuum of Care program definition, depending on the program type. Applicants are referred by the Department of Behavioral Health, and it uses a network of resources to provide a variety of services related to mental health care, job training, health care, child care, and educational advancement.

The Authority received 15 Continuum of Care grants between 2011 and 2018 from the U.S. Department of Housing and Urban Development (HUD) totaling \$11.8 million, of which \$9.2 million had been disbursed as of September 2018. (See appendix C.)

Our audit objective was to determine whether the Authority administered its Continuum of Care grants in accordance with HUD requirements.

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<sup>1</sup> The Act streamlined HUD's homeless grant programs by consolidating the Supportive Housing Program and the Shelter Plus Care and Single Room Occupancy grant programs into the Continuum of Care program. Unless otherwise noted in this audit report, the term "program" refers to the Supportive Housing Program, the Continuum of Care program, or both programs.

# Results of Audit

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## **Finding: The Housing Authority of the County of San Bernardino Did Not Adequately Support Administrative Fees Charged to Its Continuum of Care Grants**

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The Authority did not have adequate support for administrative fees charged to its Continuum of Care grants. This condition occurred because the Authority lacked a detailed written administrative fee cost allocation methodology in its policies and procedures. As a result, HUD had no assurance that \$663,070 in Continuum of Care funds charged for administrative fees was appropriate.

### **The Authority Lacked Support for Its Administrative Fees**

The Authority charged both rental assistance and administrative costs to its Continuum of Care grants, with the administrative costs at 7 percent of the amount charged for rental assistance. Although, the Authority was able to fully support sampled rental assistance expenditures, it did not adequately support how it determined the 7 percent in administrative fees. Program regulations under 2 CFR (Code of Federal Regulations) 200.403 state that costs must be adequately documented to be allowable under Federal awards. (See appendix E.)

The Authority used an Excel workbook to show how it determined the 7 percent, which reportedly based the administrative fees on the Authority's direct and indirect personnel costs for each month. However, it used several percentages within the Excel workbook that were not based on formulas but on conducting interviews and estimating time spent reviewing the work of employees. In addition, the Authority's workbook contained budgeted amounts for direct and indirect costs associated with its administrative fee allocation. Program regulations under 2 CFR 200.430 state that budget estimates determined before services are performed do not qualify and adjustments have to be made based on the actual work performed so the final amount charged to Federal awards is accurate and properly allocated. (See appendix E.)

The Authority stated that it reviewed budgeted amounts and adjusted them to actual amounts. However, supporting documentation showed that the amounts were based on budgets and no adjustments were made to reflect actual costs. The comparison made by the Authority was a comparison of the budgeted amounts entered into the Authority's systems and the budget workbook, which was approved by the County's board. Therefore, the amounts in the workbook were budgeted amounts that were transferred from one document to an electronic system and did not reflect actual costs.

Further, the Authority's grant agreements stated that no indirect costs could be charged to the grant by the recipient if its federally recognized indirect cost rate was not listed on the schedule. The Authority did not have a federally recognized cost rate, nor had it submitted one for HUD approval. (HUD is the only provider of Federal grants for the Authority.)

### **The Authority Had Insufficient Policies and Procedures**

The Authority had insufficient policies and procedures for its cost allocations. As part of the Authority's fiscal policy, revised November 3, 2004, section IV, Internal Controls, states the following under Cost Allocation: "all direct cost associated with a specific housing program shall be accounted for accordingly. Overhead costs which are shared by various housing programs shall be allocated based on percentage of units and/or percentage of time that can be identified to a specific program." This policy alone was not specific enough to determine the cost allocations charged to the Continuum of Care grants and did not reference the applicable HUD criteria. There was no specific written methodology describing how the Authority should determine and charge the direct and indirect administrative costs.

### **Conclusion**

The Authority did not have adequate support for its administrative fees charged to its Continuum of Care grants. This condition occurred because the Authority's policies and procedures specific to cost allocations lacked detailed methodology for how it determined the 7 percent in administrative fees that it charged to each of its Continuum of Care grants. As a result, HUD had no assurance that \$663,070 in Continuum of Care funds charged for administrative fees was appropriate.

### **Recommendations**

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to

- 1A. Provide support for the administrative fees or repay the Continuum of Care grants \$663,070 from non-Federal funds. (See appendix D.)
- 1B. Submit an indirect cost rate schedule for its Continuum of Care grants to HUD for approval.
- 1C. Develop and implement written policies and procedures for its administrative fee charges.

# Scope and Methodology

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We performed our audit work at the Authority's office located at 715 East Brier Drive, San Bernardino, CA, from August through December 2018. Our audit generally covered the period 2016 to 2018.

To accomplish our objective, we performed the following:

- Reviewed HUD's grant agreements with the Authority and information found in HUD's Line of Credit Control System (LOCCS).<sup>2</sup>
- Reviewed contracts between the Authority and other entities.
- Reviewed Federal regulations at 2 CFR 200.403 and 200.430 and HUD regulations at 24 CFR Part 578.
- Reviewed relevant Authority policies, procedures, and controls regarding the grants.
- Reviewed the Authority's accounting records and single audit report for years 2016 and 2017.
- Reviewed the Authority organizational charts.
- Reviewed Authority drawdowns, supporting documentation, and timesheets.
- Interviewed appropriate Authority employees.

We determined that the Authority had 15 grants within our audit scope as of September 27, 2018.<sup>3</sup> These grants covered six different programs, all of which had multiple grants: Stepping Stones, Laurelbrook Estates, Project Gateway, Lantern Woods, Cornerstone, and New Horizon (see appendix C). Using the newest grant for each program, we obtained a list of draws (vouchers) made for each program from LOCCS and determined that the total universe of draws was 62. We used Excel to randomly select three paid vouchers for each of the six programs. We then reviewed the voucher requests and the supporting documentation. Each drawdown had two line items, which were rental assistance and administrative costs. We found no problems with the rental assistance. However, there were problems with the administrative costs, which led us to further review those costs. We performed additional sample testing on payroll related to the allocation. We used Excel to randomly select 7 of 15 direct and indirect employees listed as charged to the grants in the Excel workbook provided by the Authority. The testing included reviewing payroll registers covering the last month of 4 quarters between October 2017 and September 2018 and timesheets for the corresponding period. The results from our review were limited to the non-statistical sample and cannot be projected to the universe; however, the Authority's consistently questionable administrative fee practices called into question the untested administrative fees charged to the 15 grants during our audit period.

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<sup>2</sup> LOCCS is HUD's primary grant disbursement system, handling disbursements for most HUD programs.

<sup>3</sup> This is the date on which we pulled the LOCCS reports from which we took our sample.



We found that data contained in source documentation provided by the Authority agreed with data contained in LOCCS. We, therefore, assessed the data from the Authority to be sufficiently reliable for our use during the audit.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of program operations – Implementation of policies and procedures to ensure that program funds are used for eligible purposes.
- Reliability of financial information – Implementation of policies and procedures to reasonably ensure that relevant and reliable information is obtained to adequately support program expenditures.
- Compliance with applicable laws and regulations – Implementation of policies and procedures to ensure compliance with applicable HUD rules and requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiency**

Based on our review, we believe that the following item is a significant deficiency:

- The Authority did not have written policies and procedures or maintain adequate supporting documentation to support administrative fees charged to its Continuum of Care grants (finding).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Unsupported 1/</b>
1A	\$663,070
<b>Total</b>	<b>663,070</b>

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve legal interpretation or clarification of departmental policies and procedures. In this instance, the unsupported costs included \$663,070 in administrative costs charged to the Continuum of Care grants without adequate documentation. (See appendix D.)

# Appendix B

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Housing Authority of the County of San Bernardino | 715 East Brier Drive | San Bernardino, CA 92408

April 4, 2019

Tanya E. Schulze  
U.S. Department of Housing and Urban Development  
Regional Inspector General for Audit  
611 W. 6<sup>th</sup> Street, Suite 1160  
Los Angeles, CA 90017

Re: Office of Inspector General Draft Audit Report No. 2019-LA-100# (Housing Authority of the County of San Bernardino, Continuum of Care Grants)

Dear Ms. Schulze,

The Housing Authority of the County of San Bernardino (the "Authority") is in receipt of the draft audit report prepared by the U.S. Department of Housing and Urban Development's ("HUD") Office of Inspector General ("OIG") following its recent audit of the Authority's Continuum of Care grants ("CoC"). The Authority appreciates the opportunity to review the draft report and to provide you with the following response for the one finding outlined in the report.

The Authority has successfully administered the CoC grants for several years and we are proud to assist hundreds of families in finding and maintaining stable housing. The Authority's success is also evidenced by conducting rental assistance operations in an appropriate manner as outlined in this audit report.

We strongly believe that we collected the appropriate amount of administrative fees in our administration of these grants. However, we understand that we need to incorporate some technical requirements in order to satisfy all administrative requirements of the grants.

#### I. Purpose of the Audit

As stated in the draft report, the OIG audited the Housing Authority of San Bernardino's Continuum of Care grant funds received from HUD because it is among the top 15 percent of competitive grantees in HUD's Office of Community Planning and Development. The audit objective was to determine whether HACSB administered its Continuum of Care grants in accordance with HUD requirements. The audit covered the period from 2016 to 2018.

#### II. Finding

The Authority did not have adequate support for the administrative fees charged to its Continuum of Care grants. This condition occurred because the Authority lacked a detailed written administrative fee cost allocation methodology in its policies and procedures. As a result, HUD has no assurance that administrative fees of \$663,070 charged to the Continuum of Care grants were appropriate.

#### III. The Authority's Response to Draft Recommendation

The Authority asserts that it collected the appropriate amount of administrative fees and disagrees with the statement in the audit report that HUD has no assurance the administrative fees of \$663,070 charged to the CoC grants were appropriate. While the Authority did not have a federally approved cost rate schedule for indirect charges, it used industry accepted accounting practices to calculate all costs

Comment 1

Comment 1

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Comment 2

Housing Authority of the County of San Bernardino | 715 East Brier Drive | San Bernardino, CA 92408

associated with the administration of the grants. This is further evidenced by the fact that the Authority collected 7% in Administrative fees which is below the maximum allowable rate of 10%. In the Authority's executed CoC grant agreements the exhibit for the Federally Recognized Indirect Cost Schedule is blank. Based on the currently executed grant agreements, the Authority was under the impression that the federal cost rate schedule was not necessary as an item for cost allocation.

Comment 3

While the Authority did not have written policies and procedures specifically for the CoC program, its overarching fiscal policy used to govern all programs, outlined that a cost allocation methodology can be used for overhead costs that are shared by various housing programs. This was the methodology the Authority used and presented to the auditors in determining administrative costs associated with the CoC grants.

Comment 4

The Authority provided backup documentation to the OIG auditors during the course of the audit to substantiate all costs related to administrative fees collected. The Authority is confident it has not collected any administrative fees in excess of incurred costs and as such no reimbursement of said fees is required.

**OIG Recommendation:** We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to 1) adequately support the administrative fees or repay its Continuum of Care grants \$663,070 from non-Federal funds; 2) submit an indirect cost rate schedule for its Continuum of Care grants to HUD for approval; and 3) develop and implement written policies and procedures for its administrative fee charges.

Comment 5

The Authority will pursue a federally approved cost rate schedule. As well as revise its fiscal policy to include cost allocation information specifically relating to CoC grants. All necessary backup documentation related to the administrative fees collected will be provided to HUD's Los Angeles Office of Community Planning and Development.

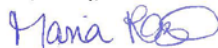
Comment 1

#### IV. Conclusion

We were pleased to learn from the audit that HUD OIG agrees that we conducted rental assistance operations in an appropriate manner for all audited CoC grants. We strongly believe that we collected the appropriate amount of administrative fees in our administration of these grants. However, we understand that we need to incorporate some technical requirements in order to satisfy all administrative requirements of the grants. We commit to working with the HUD Los Angeles Community Planning and Development team on the aforementioned recommendations.

Please feel free to contact me if you have any questions concerning this response.

Respectfully,



Maria Razo  
Executive Director

## Auditee Comments and OIG's Evaluation

### Ref to OIG Evaluation

### Auditee Comments

Housing Authority of the County of San Bernardino | 715 East Brier Drive | San Bernardino, CA 92408

cc:

Rufus Washington, Director, Office of Community Planning and Development  
Gary McBride, CEO, County of San Bernardino  
Ebony Madyun, Program Manager, Office of Community Planning and Development  
Michael J. Kovalski, CPD Representative, Office of Community Planning and Development  
Ray Brewer, Los Angeles Field Office Director  
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Oscar Franklin, Director, Audit Liaison Division, FMA  
Kathryn A. Nicholson, Management Analyst, Audit Liaison Division, FMS  
Aaron Taylor, Management Analyst, DOP  
Kimberly R. Randall, Acting Assistant Inspector General for Audit, GA

## OIG Evaluation of Auditee Comments

- Comment 1 We appreciate the Authority's acknowledgement of the need to incorporate some technical requirements in order to satisfy all administrative requirements of the grants.
- While the Authority believes it collected the appropriate amount of fees, due to the lack of documentation and use of cost allocation methodologies that were not in accordance with program requirements, it was not able to demonstrate this during the course of the audit.
- Comment 2 We agree that the Authority charged less than the maximum allowable rate; however, it is still required to charge and support its actual reasonable costs in accordance with program requirements (see appendix E). We also agree that the Federally Recognized Cost Schedule attached to its grant agreement was blank; however, a blank schedule does not mean it was unnecessary, nor release the Authority from following program requirements.
- Comment 3 We agree these policies and procedures were used; however, they were not specific enough to ensure the Authority determined its Continuum of Care administrative costs in accordance with program requirements.
- Comment 4 Although the Authority provided backup documentation to the OIG during the course of the audit, it was insufficient to support the various cost allocation percentages. The Authority will have additional opportunity during the audit resolution process to demonstrate to HUD that the amounts charged to the grants were reasonable.
- Comment 5 We appreciate the Authority's commitment to address the audit recommendations. The Authority will have the opportunity during the audit resolution process to demonstrate to HUD that it has addressed them.

## Appendix C

### Continuum of Care Grants Schedule

Count	Project name	Grant no.	Authorized	Disbursed	Balance
1	Stepping Stones	CA0816L9D091406	\$377,231	\$377,231	\$0
2	Stepping Stones	CA0816L9D091507	331,739	324,487	7,252
3	Stepping Stones	CA0816L9D091608	331,739	197,074	134,665
4	Laurelbrook Estates	CA0876C9D090900	912,993	912,993	0
5	Laurelbrook Estates	CA0876L9D091501	357,984	357,984	0
6	Laurelbrook Estates	CA0876L9D091602	357,984	278,030	79,954
7	Project Gateway	CA0878C9D090900	521,182	521,182	0
8	Project Gateway	CA0878L9D091501	182,550	177,989	4,561
9	Project Gateway	CA0878L9D091602	182,550	136,756	45,794
10	Lantern Woods	CA1018C9D091000	2,050,320	572,103	1,478,217
11	Lantern Woods	CA1018L9D091601	225,214	104,202	121,012
12	Cornerstone	CA1138C9D091100	1,928,520	1,928,520	0
13	Cornerstone	CA1138L9D091601	400,415	228,281	172,134
14	New Horizon	CA1223L9D091503	1,865,076	1,727,785	137,291
15	New Horizon	CA1223L9D091604	1,865,076	1,409,478	455,598
<b>Total</b>			<b>11,890,573</b>	<b>9,254,095</b>	<b>2,636,479<sup>4</sup></b>

<sup>4</sup> \$1 difference due to rounding



## Appendix D

### Schedule of Administrative Fees Drawn

Count	Project	Grant number	Start date	End date	Administrative fees drawn
1	Cornerstone Original*	CA1138C9D091100	10/1/2012 <sup>5</sup>	9/30/2017	\$143,526
2	Cornerstone Renewal 1	CA1138L9D091601	10/1/2017	9/30/2018	16,627
3	Lantern Woods Original*	CA1018C9D091000	12/1/2011	11/30/2017	42,378
4	Lantern Woods Renewal 1	CA1018L9D091601	12/1/2017	11/30/2018	8,286
5	Laurelbrook Estates Original*	CA0876C9D090900	2/1/2011	1/31/2016	67,629
6	Laurelbrook Estates Renewal 1	CA0876L9D091501	2/1/2016	4/30/2017	22,716
7	Laurelbrook Estates Renewal 2	CA0876L9D091602	2/1/2017	4/30/2018	18,191
8	New Horizon Renewal 1	CA1223L9D091503	9/1/2016	10/31/2017	113,033
9	New Horizon Renewal 2	CA1223L9D091604	11/1/2017	10/31/2018	110,676
10	Project Gateway*	CA0878C9D090900	2/1/2011	1/31/2016	38,606
11	Project Gateway Renewal 1	CA0878L9D091501	2/1/2016	2/28/2017	11,622
12	Project Gateway Renewal 2	CA0878L9D091602	2/1/2017	2/28/2018	8,946
13	Stepping Stones Renewal 1	CA0816L9D091406	10/1/2015	12/31/2016	23,939
14	Stepping Stones Renewal 2	CA0816L9D091507	10/1/2016	12/31/2017	21,095
15	Stepping Stones Renewal 3	CA0816L9D091608	1/1/2018	12/31/2018	15,800
<b>Total:</b>					<b>663,070</b>

\*See footnote number 5.

<sup>5</sup> This grant was originally a Shelter Plus Care grant with a 5 or 10-year term. The grant term ended within our scope and was, therefore, included in our total.

## Appendix E

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### Criteria

#### **2 CFR Part 200, Uniform administrative requirements, cost principles, and audit requirements for Federal awards**

2 CFR 200.403, Factors affecting allowability of costs. Except where otherwise authorized by statute, costs must be adequately documented in order to be allowable under Federal awards.

2 CFR 200.430, Compensation – personal services, Standards for Documentation of Personnel Expenses.

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE [Institutions of higher education], this per the IHE's definition of IBS [institutional base salary]);
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
- (vi) [Reserved]
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
  - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

**Grant Agreement Between HUD and the Authority**

The grant agreement between HUD and the Authority states the following:

“If grant funds will be used for payment of indirect costs, pursuant to 2 CFR 200, Subpart E – Cost Principles, the Recipient is authorized to insert the Recipient's federally recognized indirect cost rates (including if the de minimis rate is charged per 2 CFR 200.414) on the attached Federally Recognized Indirect Cost Rates Schedule, which Schedule shall be incorporated herein and made a part of the Agreement. No indirect costs may be charged to the grant by Recipient if their federally recognized cost rate is not listed on the Schedule.”