

U.S. DEPARTMENT OF THE TREASURY
Office of Financial Stability
April 2017 Remote Review of Nevada Hardest Hit Fund
EXHIBIT A

<u>Unallowable Administrative Expenses</u>		<u>Notes</u>
Reimbursement of expenses for CEO's personal automobile	\$ 8,000	Employment agreements provided for payment of \$618 for the employee's fixed expenses, in addition to annual base salary, expenses paid pursuant to NAHAC's existing policies, and benefits available to other employees. This amount (\$8,000) represents the aggregate amount recorded under G/L account number 78300 (General and Administrative Exp: Travel & Entertainment: Auto & Parking) and described as an "auto allowance". NAHAC failed to provide documentation of the employee's use of his personal automobile for HHF purposes. The costs of goods or services for personal use of employees are not allowable, regardless of whether the cost is reported as taxable income to the employees. OMB A-87, s. 20. Costs which are unallowable under other provisions of the cost principles are not allowable <i>solely</i> on the basis that they constitute personnel compensation. OMB A-87, s. 8c.
Bonus paid to CEO in July 2015	\$ 4,500	Costs of compensation for personnel services are allowable to the extent that such compensation, among other things, is reasonable for the services rendered and conforms to NAHAC's established policy. OMB A-87, s. 8a. Board minutes discussing the bonus indicate that NAHAC did not have a bonus program in place at such time. In addition, the employment agreement dated January 2015 does not provide for a bonus. The agreement provides for an annual base salary, expenses and benefits "available to other employees", all of which were "full compensation for services rendered," "the only compensation to which employee is entitled," and that "employee will not be entitled to any other benefits or compensation."
Employee parties, outings, lunches, gifts and similar items	\$ 12,940	Costs of entertainment, including social activities, and any costs directly associated with such costs (such as meals, lodging, transportation, etc.) are unallowable. OMB A-87, s. 14. In addition, the costs of goods or services for personal use of employees are unallowable. OMB A-87, s. 20.
Legal fees associated with Department of Labor investigation	\$ 26,096	NAHAC was required to comply with applicable laws and regulations in the performance of its contractual obligations. HPA, s. 2. We understand that this amount represents the cost of legal representation in connection with an investigation by the Department of Labor (DOL) which resulted in a finding that NAHAC violated Federal laws, rules, or regulations. Legal expenses are allowable only to the extent they are required in the administration of HHF. OMB A-87, s. 10(b).
Settlement of EEOC claims by employees	\$ 8,000	Damages and other settlements resulting from violations (or alleged violations) of, or failure to comply with, Federal, State or local laws and regulations are unallowable. OMB A-87, s. 16.
Expense disbursements not pertaining to the NAHAC HHF program	\$ 2,382	Previously included in Observation 10, Dec. 2014 OFS-CR Rep. This amount reflects a reduction to account for a subsequent recovery of equipment.
Improper disbursements to Home Means Nevada (HMN)	\$ 10,967	Previously included in Observation 10, Dec. 2014 OFS-CR Rep.
Improper employee reimbursements (e.g., per diem and entertainment items)	\$ 1,899	Previously included in Observation 10, Dec. 2014 OFS-CR Rep.
Administrative expense disbursements not in compliance with NAHAC's Travel Policy	\$ 1,760	Previously included in Observation 10, Dec. 2014 OFS-CR Rep.
Disbursements with missing or inadequate supporting documentation	\$ 5,628	Previously included in Observation 10, Dec. 2014 OFS-CR Rep. This amount reflects a reduction to account for subsequently documented disbursements.
	\$ 82,172	