



Financial Management for Disaster Recovery Grants

2018 CDBG-DR Problem Solving Clinic

Atlanta, GA | December 12-14, 2018

Welcome & Speakers

- Session Objectives
 - To help grantees understand the financial management requirements & what to expect in terms of technical assistance and oversight
- Speaker
 - Phyllis Foulds, HUD



*Once upon a time,
there was a Presidentially declared disaster...*



Tornadoes

Flooding

Hurricanes

Wild fires

Terrorist attacks



Disaster Recovery Grants - Funding Process

- Appropriation – Congress appropriates funds.
- Allocation – Who gets the funding/how much?
 - Federal Register Notice(s) published (Identifies Grantees/Award Amount/General Guidelines)
- Award – Grantees must submit the following for HUD acceptance:
 - Certifications
 - Implementation Plan
 - Action Plan
- Obligation – Making grant funds available to grantee



HUD Management Assignments

- Headquarters Held Grants (Over \$500 million / High Risk / Prior HQ Grantees)
 - Grant Manger – DRSI Staff
 - Financial Analyst – DRSI Financial Analyst
- Field Office Held Grants
 - DRSI Managed (when available)
 - Grant Manager – DRSI Staff
 - Financial Analyst – DRSI Financial Analyst
 - Field Office Managed
 - Grant Manager – Field Office CPD Rep
 - Financial Analyst – Field Office Financial Analyst



Obligation Process - Making Grant Funds Available

- Obligation Documents Developed –
 - Grantee coordinates with HUD CPD Rep
 - HUD-7082/Grant Conditions
- Grant Agreement Executed –
 - Signed by Grantee and HUD
 - HUD Signature = Obligation Date (beginning of “Expenditure Period” when applicable)
- HUD 7082 Processed by HUD Accounting
 - Grantee Line of Credit (LOCCS) Authorized Amount in DRGR
- HUD DRGR Specialist reduces Restricted Balance in DRGR

NOTE: Obligation process may be repeated multiple times if the grantee is allowed “partial obligations”



Establishing CDBG Funds in DRGR

Grantee establishes Projects/Activities in DRGR

- Projects must be a reflection of the written Action Plan (i.e. Administrative / Planning / Housing / Business Development /Infrastructure /etc.)
- Activities identify the specific traits of individual assistance
 - Activity Type
 - National Objective
 - Responsible Organization
 - Location/Beneficiary Information
 - Accomplishment Metrics



Initial DRGR Action Plan Requirements

Grant funds are “BLOCKED” in DRGR until the following:

- Grantee submits initial DRGR Action Plan
- HUD CPD Rep reviews/accepts the DRGR Action Plan
 - CPD Rep notifies DRSI/DRGR Specialist
 - Grant is “unblocked” in DRGR
 - DRGR voucher threshold is established
(Typically \$5 million – vouchers over this amount must be reviewed/approved by HUD before processed in LOCCS)
- Grantee may begin submitting DRGR vouchers to draw grant funds



Recent DRGR System Update

**** NEW ** NEW ** NEW ** NEW ** NEW ** NEW ****

- System enhancement from the latest DRGR Release
- Even after the initial DRGR Action Plan has been approved:
- Grantees cannot draw funds against newly created DRGR Activities until the new activities have been “Reviewed/Approved” by HUD.

When grantee creates a new DRGR Activity –

- Grantee must be **SUBMIT** the DRGR Action Plan; and
- HUD Grant Manager must **REVIEW/APPROVE** the DRGR Action Plan
before any funds can be drawn against the new Activity.

(For more details – see DRGR Fact Sheet – Release 7.15 – July 2018)



DRSI Financial Analyst Roles

- Financial Policy Development/Regulatory Compliance
- Oversight of Financial Condition of DR Grants
- Financial Data Reconciliation
- Technical Assistance to Grantees
- Monitoring Visits
- Grant Closeout



Regulatory Hierarchy

- All Federal Funding: OMB 2 CFR 200 Uniform Requirements
- HUD CPD Block Grants: 24 CFR 570 & CPD Directives
- Disaster Recovery Program: Federal Register Notices, Grant Conditions & DRSI Guidance & Waivers



All Federal Funding...

- OMB – 2 CFR 200 Uniform Requirements
- Objective of the guidelines are to ensure:
 - Compliance with Cost Principles – Subpart E
 - Audit requirements – Subpart F
 - Grantees or subrecipients with annual expenditure > \$750,000 have a single audit conducted that includes
 - An opinion on whether the financial statements conform with GAAP
 - Compliance with the laws, regulations and provisions of the grand agreement or contract
 - Definition of the participant's corrective action to resolve findings
 - Contract provisions for non-federal entity contracts under Federal awards (Appendix II)

NOTE: 2 CFR 200 replaces obsolete regulations: A-87, A-110, A-133



HUD CPD Block Grants...

- 24 CFR 570 HUD Community Development Block Grants
 - Appendix A – Guidelines and objectives for evaluating Project Costs & Financial Requirements
 - Guidance objectives are to ensure:
 - Project costs are reasonable
 - Sources of project financing are committed
 - CDBG-DR funds are not substituted for non-Federal financial support
 - Project is financially feasible
 - Funds are disbursed in a timely manner and on a pro rata basis with other finances provided to the project



HUD CPD Block Grants... (cont.)

- 24 CFR 570 HUD Community Development Block Grants
 - Subpart I – State community Development Block Grant Program
 - Guidance objectives are to ensure:
 - Prior approval before charging pre-award costs (24 CFR 570.489(b))
 - Procedures are in place to ensure timely expenditure of funds (24 CFR 570.489(c))
 - Fiscal controls/accounting procedures are in place to ensure compliance with applicable statutory/regulatory provisions (24 CFR 570.489(d))
 - Program income is accounted for by the grantee (24 CFR 570.489(e))
 - The grantee has adequate procurement requirements (24 CFR 570.489(g))
 - Conflicts of interest are minimized (24 CFR 570.489(h))
 - Conformance with the cost principles of 2 CFR 200 (24 CFR 570.489(p))
 - Recordkeeping requirements to demonstrate program requirements have been met (24 CFR 570.490)



HUD CPD Block Grants... (cont.)

- 24 CFR 570 HUD Community Development Block Grants

- Subpart J – Grant Administration

Guidance objectives are to ensure:

- Amounts budgeted are for eligible activities[24 CFR 575.01(b)]
 - Funds obligated when contracts are executed or purchase orders issued (24 CFR 575.06)
 - Access to information on obligations readily available (24 CFR 575.06)
 - Adequate source documentation (24 CFR 575.06)
 - Expenditures are supported by invoices, contracts or purchase orders (24 CFR 575.06)

**Subpart J applies to all non-State units of local governments*



HUD CPD Block Grants... (cont.)

- HUD CPD Directives
 - Specially issued guidance from HUD to address specific financial and programmatic issues, for example:
 - CPD Notice - Admin/Project Delivery
 - CPD Notice - Grant Closeout
- CPD Notices may be found on HUD Exchange



Disaster Recovery Specific...

- Disaster Recovery grants are also subject to Program or even Grantee Specific requirements that may be found in:
 - Federal Register Notices
 - Grantee Certifications
 - Grant Conditions
 - HUD Approved Waivers
 - Other DRSI Guidance

Grantees must always consider all levels of regulations to ensure compliance with their program development or management of grant funds.



Recent Appropriation FR Notices

Federal Register Notices provide waivers and alternative requirements. Some of the most recent FR Notices are:

- 2017 Events
 - 83 FR 40314 – 8/14/18
 - 83 FR 5844 – 2/9/18
 - 82 FR 61320 – 12/27/17
- 2016 Events
 - 83 FR 36812 – 8/7/17
 - 82 FR 5591 – 1/18/17
 - 81 FR 83254 – 11/21/16



Financial Condition of DR Grants

DRSI Financial Analysts and CPD staff track Financial Conditions of DR Grants including:

- Overall Financial Condition of DR Grant
 - Funds fully budgeted in DRGR
 - Financial Caps & Goals being achieved. For Example:
 - 5% cap on Admin / 20% cap for Admin+Planning
 - Overall Benefit of Grant being met (i.e. 50% grant for Low/Mod Activities)
- Timelines and Deadlines
 - Obligation and/or Disbursement Deadlines of funds (such as PL 113-2)
- Financial Progress (Expenditures)
 - Monthly Analysis of grants to identify slow spenders or grantees who may be ready for Closeout.





[Home](#) > [Programs](#) > [CDBG-DR: Community Development Block Grant Disaster Recovery Program](#) > CDBG-DR Reports

CDBG-DR Reports

Report Descriptions

Community Development Block Grant Disaster Recovery (CDBG-DR) Grant History Report: A list of CPD administered disaster grants since 1992

CDBG-DR Grants Financial Report: A list of all active CDBG-DR grants, sorted by state. Identifies grant balance, as well as Top Performers and Slow Spenders

2008 Grants Targeted for Closeout: A list of grants targeted for closeout, sorted by the grant balance. Identifies grants that are In Closeout, as well as Top Performers and Slow Spenders

CDBG-DR Affordable Rental Housing Expenditures: A report of 2006 and 2008 grantees progress toward achieving the Affordable Rental Housing expenditure requirements

Disaster Recovery Enhancement Fund (DREF) Expenditures: A report of grantee progress toward achieving the DREF expenditure requirements. Identifies spending and reporting shortfalls

2-Year Expenditure Report: A report of grantee progress toward achieving the 2-year expenditure requirements

CDBG-DR Grant History Report

As of April 10, 2018

- [CDBG-DR Grant History Report](#)

Monthly Reports

As of May 1, 2018

- [CDBG-DR Grants Financial Report](#)
- [2008 Grants Targeted for Closeout](#)
- [CDBG-DR Affordable Rental Housing Expenditures](#)
- [Disaster Recovery Enhancement Fund Expenditures](#)
- 2-Year Expenditure Reports
 - [Sandy Grants](#)
 - [NDR Grants](#)
 - [2013 Disaster Grants](#)
 - [2011/2012 Disaster Grants](#)

As of April 1, 2018



Technical Assistance to Grantees

- From time to time, grantees may receive Technical Assistance from HUD staff or HUD contracted TA Providers
- TA topics might include:
 - Assisting grantees in developing DR Programs
 - Developing policies and procedures
 - Developing subrecipient management processes
 - DRGR systems
 - Other financial or programmatic areas
- HUD Staff and/or TA providers may NOT administer the grant on behalf of the grantee



Monitoring Disaster Recovery Grants

- HUD uses a Risk Analysis process to determine when Disaster Recovery grants will be monitored
- Financial Management Monitoring typically includes:
 - Financial Management System
 - Internal Controls
 - Accuracy of Grantee Reporting
 - Program Income
 - Salaries And Wages
 - Grantee/Subrecipient A-133 Audits
 - Reporting Compliance (QPR & FFATA)
 - Financial Progress and Timeliness



Monitoring Financial Management Systems

- The participant's financial management system is evaluated for compliance with applicable regulations under:
 - Title 24, Part 570 of the Code of Federal Regulations: Housing and Urban Development
 - OMB 2 CFR 200 Uniform Requirements



Monitoring Internal Controls

- Participants must have an organizational chart to demonstrate established lines of responsibility/approving authorities
- Key employees duties are well defined
- Approval controls must provide reasonable assurance that appropriate individuals approve recorded transactions
- Transactions and events are properly documented, recorded, and auditable



Monitoring Internal Controls (cont.)

- Administrative Costs

- HUD allows up to 5% of the grant award to be used for administrative costs
 - Funds must be spent only for reasonable and necessary costs of program operations
 - Program funds may not be used for general expenses of the state or local government
- Procedures must support the ability of the grantee to prepare financial statements conforming to GAAP and other requirements



Monitoring Internal Controls (2017 DR Grants)

83 FR 5844 – 2/19/18 as modified in 83 FR 40314 - 8/14/18 for 2017 grantees

- Requires cost verifications to demonstrate project construction costs are necessary and reasonable and consistent with market costs at the time and place of construction
- Method and degree of analysis may vary but the description must address controls for:
 - Housing projects involving eight or more units (new construction, rehabilitation or reconstruction)
 - Economic revitalization projects (construction, rehabilitation or reconstruction)
 - Infrastructure
- HUD may issue guidance and require a grantee to verify cost reasonableness from an independent and qualified third party architect, civil engineer or construction manager



Monitoring the Accuracy of Grantee Reporting

- Systems and/or procedures must ensure that accurate information is collected and reported to HUD
- Financial information recorded in DRGR must match the official accounting records of the program participant
- Grantee should have an IT system to “bridge” grantee’s financial accounting and DRGR system
- At a minimum, the reporting must include:
 - Amount budgeted
 - All disbursements to date
 - Program income and other revenue
 - Actual expenditures/disbursements



Monitoring Program Income

- Program Income (PI) must follow:
 - 24 CFR 570.489(e) for State governments
 - 24 CFR 570.504 for Non-State governments
 - FR Notice requirements for specific disasters
- Grantees must:
 - Establish revenue accounts to record PI
 - Disburse PI to pay program costs prior to making further cash withdrawals from the U.S. Treasury
- PI received after closeout shall be used for activities that meet requirements identified in FR notices



Monitoring Salaries and Wages

- Charges for salaries and wages, whether treated as direct or indirect costs, must be based on payrolls documented and approved by a responsible official(s) of the governmental unit
- Salaries and wages solely charged to the program must be supported by periodic certifications that employees worked solely on that program for the reporting period



Monitoring: Single Audits - Grantee

- Non-Federal entities that expend at least \$750,000 of federal funds in a fiscal year must have a single or program-specific audit conducted. (2 CFR 200.501)
- The audit report must include:
 - an opinion on whether the financial statements conform with GAAP
 - a statement that the grantee complies with all laws, regulations, and provisions of contracts or grant agreements
 - corrective actions required to resolve Findings
- Follow-up with Grantees to ensure corrective actions are implemented



Monitoring: Single Audits - Subrecipients

Grantees are responsible for ensuring subrecipients comply with single audit requirements

During grantee monitoring, HUD will review:

- P/P to ensure Subrecipient Compliance:
 - Identify which subrecipients need single audit
 - Determine when audits are due
 - Process for reviewing those audits and any follow-up
 - Process for implementing sanctions for non-compliance
- Tracking tools or reports used to demonstrate P/P are being followed



Monitoring: Reporting Compliance (DRGR/FFATA)

- Is grantee QPR reporting current?
 - Grantees must submit a DRGR Quarterly Performance Report (QPR) within 30 days after each quarter end
- Is grantee reporting FFATA data under FSRS system?
 - Federal Funding Accountability and Transparency Act (PL 109-282) applies to federally funded grants/contracts awarded on or after Oct. 1, 2010 for \$25,000 or more
 - Prime Award Data – reported by Federal Agency (HUD)
 - Sub-Award Data - reported by Grantee
 - Applies to sub-grants/contracts \geq \$25,000
 - Reporting due by the end of the month following the month in which sub-award or contract was executed



Monitoring Financial Progress/Timeliness

DRSI Financial Analysts track Financial Conditions of DR Grants and coordinate with CPD Reps to address:

- Timelines and Deadlines
 - Federal Register notice covering the allocation will specify expenditure and, if relevant, obligation deadlines
 - PL 113-2 (Sandy) - All funds obligated to a grantee must be expended within two years of the date that HUD obligated funds to a grantee
 - 2016 and 2017 grantees - 100% of total allocation of CBDG-DR must be expended within six years of HUD's initial obligation of funds
- Overall Financial Condition of Grants
 - Monthly Analysis of grants to identify slow spenders or grantees who may be ready for Closeout



Additional DR Considerations - Procurement

- 83 FR 5844 dated 2/9/18 modifies a state's procurement requirements for 2017 disasters to:
 - Adopt 2 CFR 200.318 - 200.326; or
 - Follow its own state procurement policies based on full and open competition and include an evaluation of cost or price of a product or service in advance of each procurement and require the same of its subrecipients; or
 - Adopt 2 CFR 200.317, follow state procurement policies and evaluate the cost or price of a product or service in advance of each procurement but impose 2 CFR 200.318 - 200.326 on subrecipients
- Grantees must monitor the procurement actions of their subrecipients



Additional DR Considerations - Procurement (cont.)

- To be complete for audit purposes, procurement files must include the following:
 - Description and rationale for the type of procurement
 - Independent cost estimate provided in advance of procurement
 - Complete Request for Proposals, Request for Quotations (including scope of work, evaluation criteria, MBE/DBE/WBE requirements, Section 3 (if applicable), Davis Bacon (if applicable))
 - Method of publication – documentation of “free and open competition”
 - Bid responses
 - Evaluation scoring
 - Award letter
 - Notification of unsuccessful bidders



Additional DR Considerations: Excluded Parties Verification

- Grantees are expressly prohibited from:
 - ***Making any award or permitting any award (sub grant or contract) at any tier to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs.***
- HUD funds cannot be used for debarred/suspended parties
- Review prior to entering into any agreement
- Conducted by entity awarding grant, loan or contract
- Must be documented in grantee's procurement file
- All parties receiving contracts under HUD award must have DUNS number



Disaster Recovery Grant Closeout

- DRSI and CPD Staff coordinate with grantees when grants appear to be ready for closeout
- DRGR Microstrategy Closeout Reports
 - SharedReports, StandardReports, HUD Field Office User Reports
 - Fin Rept 01: ACTPLN (financial caps/overall benefit)
 - Fin Rept 06a: CUM – Fin Data – Grant Level (remaining balance)
 - Fin Rept 07b: CUM – Fin Data – Activity Level (status of activities)
 - Perf Rept01: CUM – Projected vs. Cum Totals (accomplishments)
 - Perf Rept 06: QPR – Direct Benefits (beneficiary data)
- DRSI Financial Analyst and Closeout Specialist assist CPD Reps with the final closeout process



Financial Management Conclusions

- Grantees and subreipients that CDBG-DR funds must:
 - Comply with applicable Federal, state and local laws, regulations, standards & procedures
 - Conduct financial management methods and procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS)
- Grantee reporting must accurate and timely
- All financial management practices are monitored



... and they all recovered Happily Ever After!

*The End
(plus post-closeout monitoring)*



Resources

- 24 CFR 570:

http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr570_main_02.tpl

- OMB 2 CFR Part 200

<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200.pdf>

- Federal Register Notices

<https://www.hudexchange.info/programs/cdbg-dr/cdbg-dr-laws-regulations-and-federal-register-notices/>



Questions

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Financial Analyst – Field Offices:

- CPD Rep for Field Held grants will provide contact information

Closeout Lead - DRSI/HUD Headquarters:

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