



Office Hours for ESG-CV State Recipients

November 18, 2021



Housekeeping

The slide deck and a copy of the Chat and Q&A content will be shared with registrants within 2-3 business days

Archive of State Recipient Office Hours recording, and meeting materials located at:

<https://www.hudexchange.info/programs/esg/esg-cv/#webinars-and-office-hours>



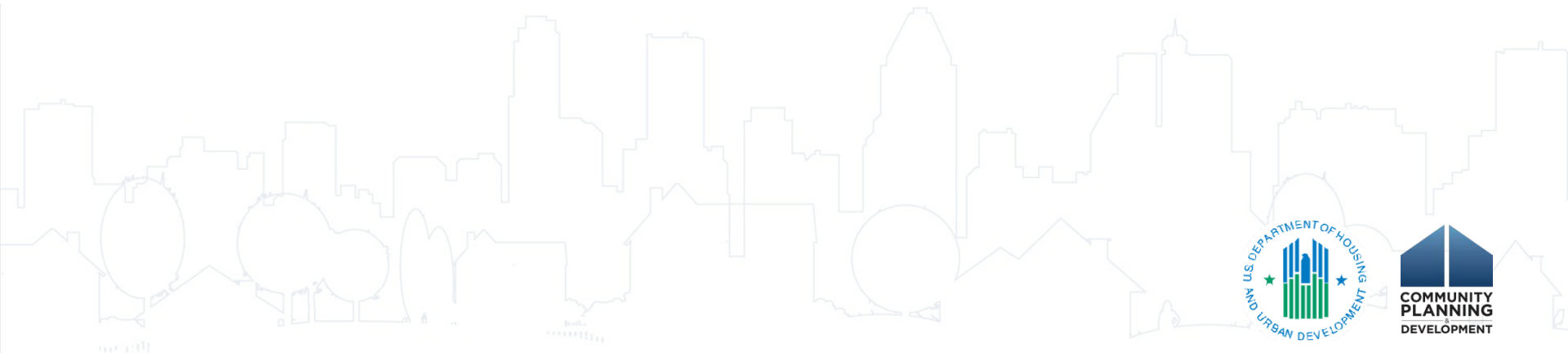
Presenters and Resource Advisors

HUD SNAPS Office:

- Marlisa Grogan

HUD Technical Assistance Providers:

- Natalie Metzger-Smit
- William Rotert
- Andre Brickhouse



Announcements

Updated 2022 HIC and PIT Count Notice:

https://www.hud.gov/sites/dfiles/CPD/documents/2022_HIC_and_PIT_Data_Collection_Notice.pdf

Webinar: Tuesday, November 23rd @ 2:00pm EST

Registration:

<https://abtassociates.webex.com/abtassociates/onstage/g.php?MTID=eee506d0b7300ea802d8cd3729d42685f>



Announcements

New Winter Planning Resources:

<https://www.hudexchange.info/resource/6193/covid19-homeless-system-response-winter-planning-resources/>

COVID Detection/Mitigation Webinars:

- December 1st
- December 8th
- December 16th

This Friday's HUD Office Hours (11/19) will feature:

- Mobile Outreach and Vaccine Efforts (Lawndale Christian Health)
- Review of the new Biden Administration Vaccine Mandate (NHCHC)
- New HUD TA Vaccination Resources



Announcements

NEW! ESG Virtual Binders Released

Eligible Activities:

<https://www.hudexchange.info/homelessness-assistance/coc-esg-virtual-binders/esg-eligible-activities/overview/>

ESG Program Components:

<https://www.hudexchange.info/homelessness-assistance/coc-esg-virtual-binders/esg-program-components/overview/>





Emergency Solutions Grants (ESG) Program Financial Management Series

Part I: Managing Grant Payments



Presenters

- Andre Brickhouse, Corporate F.A.C.T.S., Inc.
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Logistics

- All participants are muted.
- The webinar will be recorded and posted to the HUD Exchange.
- HUD has reviewed and approved this presentation.
- The Webinar has poll questions throughout to gauge audience knowledge.
- Type into “Questions” box. Will cover all questions at the end.



Objectives

- Provide Training to Assure that Emergency Solutions Grant (ESG) and ESG-CV Grant Payments Are Managed in Accordance with Applicable Rules and Requirements.
- Strike a Reasonable Balance Regarding Grant Payment Documentation (Adequate Recordkeeping) vs. Streamlined Grant Payment Process



Goals for Proper Management of Grant Payments

- Compliance with Umbrella OMB Rules Regarding Uniform Administration, Cost Principles and Audits @ 2 CFR Part 200 (See Subparts D & E)
- Compliance with HUD ESG Regulations @ 24 CFR Part 576 (See Subpart F – Grant Administration)
- Compliance with Special Rules for ESG-CV @ HUD Notice CPD-21-08
- Adequate Internal Controls to Protect Funds
 - Written Internal Policies and Procedures
 - Checks and Balances



Helpful Reminders

- Subrecipients are subject to all the same federal rules as direct recipients.
- ESG-CV differs from regular ESG program including ability for States to carry out activities directly (see HUD Notice: CPD-21-08).
- Providing funds to subrecipients and other third parties does not relieve grant recipients of responsibility for compliance.



Goals for Proper Management of Grant Payments

- Streamline Grant Payment Process As Much As Possible
 - Balance Adequate Internal Controls with Need for Prompt Payments
- Consistency with Reporting Requirements Including Homeless Management Information System (HMIS) and Integrated Disbursement and Information System (IDIS)
 - Tie Grant Payments to Reporting and Recordkeeping.



Goals for Proper Management of Grant Payments

Poll Question #1

Adequate internal controls include written policies and procedures.

True

False



Goals for Proper Management of Grant Payments

Answer: True. All grant recipients and subrecipients must have adequate **written** financial management policies and procedures.



Grant Payment Options

- Reimbursement Method
- Based on Actual Expenditures After Costs Incurred
- Documentation submitted for reimbursement includes:
 - Vendor payments
 - Personnel expenses paid to employees
 - Other expenditures paid by the subrecipient such as shelter operating costs
 - Client services expenses such as rent, motel/hotel vouchers, transportation, etc.



Grant Payment Options

Advance Payment Method

Recipients may disburse - in **advance** of actual expenditures - payments to a subrecipient. Subrecipients must meet the following 2 CFR 200.305 requirements to be eligible for advance payments:

- The subrecipient has a financial management system in place that meets the standards for fund control and accountability and written procedures in place that minimize the time elapsing between the transfer of funds and disbursement by the recipient.
- Cash advances to a subrecipient must be limited to the minimum amounts needed and in accordance with the actual, immediate cash requirements.
- Cannot be a portion of the contracted award amount each month.
- Agreement should be reached with subrecipient on documentation submission requirements or maintained on file to support advance payments.



Grant Payment Options

Poll Question #2

Any subrecipient can elect to receive advance payments.

True

False



Grant Payment Options

Answer: False. Only subrecipients that meet 2 CFR 200.305 requirements are eligible for advance payments.



Risk-based Financial Management

- How to Conduct and Document a Risk Analysis.
 - Not advisable for new subrecipients; reevaluate after six months
 - Develop a checklist to establish risk criteria and rating including the following factors:
 - Submits vouchers on time
 - Policies and procedures are in place to include recordkeeping requirements
 - Documentation from prior submissions is sufficient to substantiate payments
 - Accounting system produces complete and accurate grant expenditure reports
 - Audits do not identify internal control deficiencies
 - Monitoring (desk-top and on-site) did not identify any findings or concerns



Risk-based Financial Management

Voucher Documentation Tied to Level of Risk

- Require voucher documentation for subrecipients based on monitoring results.
- Higher level of risk requires more documentation for each reimbursement request.



Risk-based Financial Management

Examples:

- New subrecipients may be required to submit timesheets
- Experienced subrecipients could have timesheets reviewed during monitoring visit
- May require documentation for expenses above dollar threshold, e.g., over \$5,000
- Documentation required for capital expenses such as shelter renovations



Risk-based Financial Management

- Adjust risk based on experience and changing circumstances
- Document risk analysis in files
- Communicate rationale for documentation requirements in writing to subrecipients
- Conduct periodic desktop monitoring by requesting documentation based on random sampling of voucher line-item or entire voucher
- **Note: REDUCTION OF VOUCHER DOCUMENTATION DOES NOT REDUCE RECORDKEEPING REQUIREMENTS**



Risk-based Financial Management

Poll Question #4

Risk-based financial management may need to be revised based on experience with the subrecipient and changing circumstances.

True

False



Risk-based Financial Management

Answer: True. Risk should be re-evaluated on a regular basis and updated based on experiences and circumstances. For example, a low-risk recipient might have critical staff turnover that could change their status to high-risk. Conversely, a high-risk recipient might become a low-risk recipient if monitoring shows good performance.



Program Expense and Documentation Policies

Expense Management starts with effective internal controls to include:

- Policies and Procedures that govern expense eligibility and payment
- Grant agreements that include:
 - Budgets that define allowable costs by cost objectives or categories
 - Allowances and requirements for budget amendments
 - Voucher documentation requirements guided by risk analysis



Program Reimbursement/Voucher Requests

Voucher requests should be submitted along with the following suggested financial management reports or documentation:

- Separate vouchers should be submitted for each individual federal award.
- Voucher cover sheet with amounts requested, grant or contract number and signed by appropriate authority.
- Financial statement/report showing expenditures charged to program; ideally this report is generated from financial management or accounting systems.
- Program budget to actual report.



Program Reimbursement/Voucher Requests

Recommend subrecipients track and report expenses as compared to budget in grant agreement

Budget adjustments should be provided with sufficient documentation to explain and justify the change.

Use of a budget tracker enables the recipient to easily determine when there is a change that exceeds program policies and identify unexpected budget activity – which may generate additional inquiry or monitoring or documentation



Source Documentation Requirements

- Expense Documentation vs. Documentation for Compliance or Monitoring.
- Personnel Costs (Salaries and Benefits).
- Professional Fees and Contractors.
- Goods and Services.
- Indirect Costs.
- Direct Program Costs Vs. General Administrative and Management Costs.



Source Documentation Requirements

Personnel Costs - Salaries 2 CFR 200.430

- Timesheets or Personnel Activity Reports reflecting total hours compensated for the pay period including hours charged to ESG or ESG-CV programs.
- Payroll earnings records showing wages paid for the employees and pay period(s) covered.
- Financial report converting hours charged to ESG or ESG-CV programs to personnel costs based on payroll records



Source Documentation Requirements

Fringe Benefits 2 CFR 200.431

- Payroll taxes supported by payroll records showing amount of employer paid taxes.
- Medical, dental or other benefits supported by benefit provider invoices.
- 401(k) or retirement benefits supported by employer contribution payroll record or employer contribution statements. Recipients may also require submission of employer contribution plans.
- Compensated leave supported by annual submission of compensated leave policy.



Source Documentation Requirements

Fringe Benefit Rate

- Fringe benefit rates can be calculated and submitted by the subrecipient to their cognizant agency annually for approval.
- All fringe benefits including employer payroll taxes, medical/dental, retirement and life insurance are included in the rate. Compensated leave (holidays, vacation, sick-time, etc.) can also be included in the fringe benefit rate.
- Rates are typically based on prior year audited expenses.
- Subrecipients must maintain records that details these costs including compensated leave.
- If a fringe benefit rate is used, no documentation is required with vouchers.



Fringe Benefit Calculation

Prior Year Audit/Payroll Summary

Salaries and Wages

\$500,000

Employee Fringe Benefits Rate (Computation)

Holidays, Vacation, Other leave (PTO)	60,000	12%
Payroll Taxes (FICA, Medicare, Unemployment)	40,000	8%
Medical Benefits	50,000	10%
Retirement	15,000	3%
Workers Compensation	7,500	2%
Total Fringe Benefits	172,500	35%

Allocation Base Computation

Salaries and Wages	\$500,000	100%
Less: PTO	(60,000)	12%
Total salaries less (PTO)	\$440,000	88%

Fringe Rate Computation

Total Fringe Benefits	172,500	35%
Total salaries less (PTO)	\$440,000	88%

FRINGE RATE

39%

Note: Percentages are computed as a percentage of Salaries and Wages from Prior Year Audit or Payroll Summary Report

Example

Computation Average PTO :
 15 Holidays - $15 \times 8 = 120$ hrs.
 17 Vac. Days - $17 \times 8 = 136$ hrs.

Total Average PTO HRS per Employee = 256

Tot. Annual Hrs. = 2080

$$256/2080 = 12\%$$



Fringe Benefit Calculation

Reimbursement for an ESG-CV funded employee for one pay period

Compensation (excluding PTO expense)	\$	2,500.00
Hazard Pay @ 10%		250.00
Total EE Compensation	\$	2,750.00
Fringe Rate (previous slide)		39%
Fringe benefit (inclusive of PTO expenses)	\$	1,072.50
Fully burden compensation	\$	<u>3,822.50</u>

Example of reimbursement for one employee working on ESG-CV program activities eligible for 10% hazard pay. The fringe rate as calculated on previous slide is applied to total compensation using the 39% fringe benefit rate.



Source Documentation Requirements

Direct Program Costs

- Housing costs: rent receipts, lease agreements, utility bills.
 - Temporary shelter: rent receipts, hotel/motel voucher receipts.
 - Transportation: taxi or motor vehicle transportation receipts.
- Shelter facility expenses: invoices from insurance carrier, utility companies, etc. detailing property covered.
 - Job Training: bills from training companies including names of eligible program participants.



Source Documentation with Payments

Professional Fees and Contractors

- Invoices showing services rendered, time period and fees or costs.
- If services are rendered to a ESG client, invoices should include client names and dates of services
- Proper approvals in accordance with financial management policies and procedures.
- Requirements for allowability of professional fees can be found at 2 CFR 200.459.

Materials and Supplies

- Direct program supplies: invoices showing materials or supplies received, dates and costs such as laundry supplies or food.
- If services are rendered to a ESG client, invoices should include client identification and dates of services
- Proper approvals in accordance with financial management policies and procedures.
- Requirements for allowability of materials and supplies can be found at 2 CFR 200.453.



Source Documentation with Payments

Indirect Cost Reimbursement Options

- The 10 Percent De Minimis Rate. 2 CFR 200.414(f)
 - Negotiated Indirect Cost Rate Agreement - (2 CFR 200.19)
 - Cost Allocation Plan
-
- Grant agreements must include provisions for reimbursement of indirect costs.
 - No documentation is required with voucher reimbursement requests using 10% De Minimis or Negotiated Indirect Cost Rate.
 - Subrecipients may but are not required to include invoices or personnel records for indirect costs when cost allocation plan is used.
 - Recipients should monitor subrecipient compliance with cost allocation plans, indirect rates or fringe benefit rates



Source Documentation with Payments

Poll Question #5

Recipients can require subrecipients to submit documentation of general overhead expenses if the subrecipient elects to use the 10% De Minimis rate.

True

False



Source Documentation with Payments

Answer: False. Federal regulations do **not** require documentation to support reimbursement of indirect costs if the De Minimis rate is elected.



Source Documentation with Payments

Common Voucher Problems

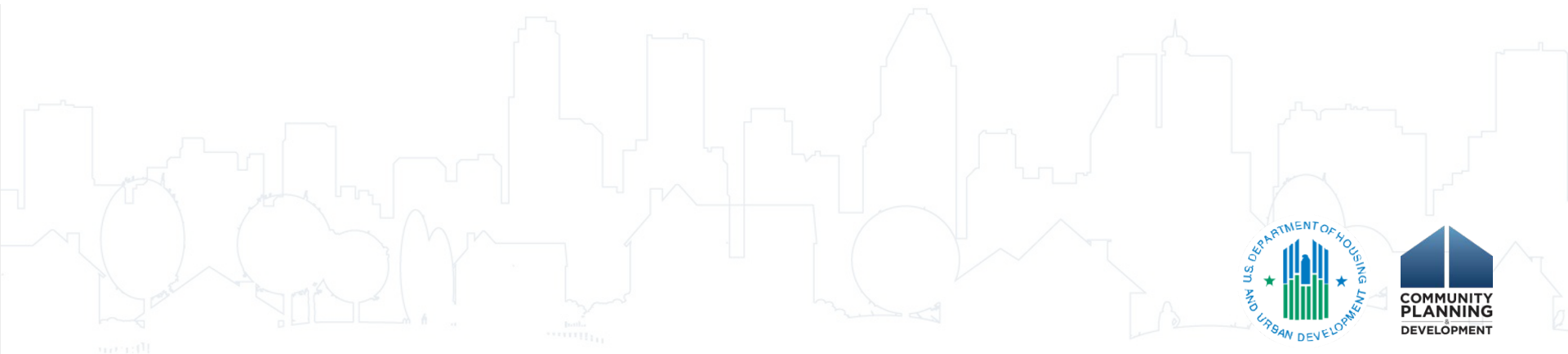
- Costs weren't actually incurred
- Costs were incurred for purposes other than intended or for another grant
- Costs incurred outside the grant period
- Costs not adequately documented
- Costs exceed or are not in the approved budget
- Indirect cost rate applied to incorrect allocation base



Recordkeeping

See 24 CFR 576.500 of ESG Regulations

- Records Must Be Adequate to Demonstrate Compliance with All Requirements Including Homeless Status, Match, HMIS Input and Privacy Act
- Record Retention – Generally Five Years [See 24 CFR 576.500(y)]



Compliance and Monitoring

Monitoring Procedures and Tools

- HUD CPD Monitoring Handbook (See Chapter 28, ESG Program)
 - Risk Analysis
 - Monitoring Preparation
 - Conducting Monitoring Reviews (On-Site and Internal)
 - Monitoring Letters
 - Recordkeeping



Compliance and Monitoring

Poll Question #6

Compliance and monitoring of subrecipients is not required due to COVID concerns.

True

False



Compliance and Monitoring

Answer: False. Covid concerns do not relieve grant recipients of their responsibility for proper oversight. Methods might differ based on Covid concerns. For example, more remote or desk monitoring might be used in place of on-site reviews.



Find Assistance

- ESG Regulations (24 CFR Part 576)
- ESG-CV Notice CPD-21-08
- OMB Uniform Administrative Requirements (2 CFR Part 200)
- HUD Exchange website (Be Sure to Register)
- HUD CPD Monitoring Handbook 6509.2 REV-7
- “Basically CDBG” Manual, Especially Chapter 11, Financial Management
- Indirect Cost Toolkit for Continuum of Care and Emergency Solutions Grants Programs (HUD Exchange)



Q&A



Next State ESG-CV Office Hours

Thursday, December 16, 2021
1:00-2:00 EST

