HOME Monitoring Series

Program Oversight, Financial Management, and Match

Thursday, April 15, 2021

Monte Franke: Thanks Paul. Hi everybody. Monte Franke here again. I'll pause for a moment for a collective groan [sic].

Many of you listened in on Tuesday when we started a [inaudible] overview of this session, and I am happy to be back to begin to actually dig into the monitoring Exhibits that we promised we would as the core issue or function of this series.

I am very happy to be able to say that Les Warner is joining me today, Les Warner of ICF. I've worked with him for a number of years. He's been a friend and an associate, and I'm very happy to be to the presenting with him again. Les, do you want to say hello and give a little background?

Les Warner: Sure. Welcome everybody. So I'm Les Warner. I've been working with ICF for, I think 14 years. But prior to that, I worked at the state level and much like Monte was working at the point when the HOME funds first became available as the program was launched. So kind of been in your shoes to some extent on the work that you're doing. I think that's probably enough.

Monte Franke: Okay. Thanks Les. And as I mentioned to you all the other day, I've been working with the HOME Program working with the head office, Affordable Housing Program since actually before the program started and I worked with them on a variety of trainings and materials that you've used over the years.

And I work with states and local PJs around the country on their implementation of the program. So between us, you've got more years than I care to count and I hope that that will be useful to you as we go through the topics and try to give you background on the monitoring questions that we'll be asking as they monitor you.

We did show you this on Tuesday that this is the series that we'll be doing over the five weeks, Tuesday and Thursday presentations. We started with the understanding monitoring sort of the overarching view of monitoring on Tuesday. Today, we're going to do program oversight, financial management and match as the first of three topics on the general administration layer of the presentations.

Thursday lesson, I will be doing CHDOs and then next -- no, I'm sorry. Next Tuesday, Les and I will be doing CHDOs and next Thursday we'll be doing oversight of program partners and written agreements talking about state recipients and contractors who help you administer the programs.

After those sessions have been covered, we'll then cover homeowner activities and rental activities. Each of those layers will have three sessions and the homeowner activities will be on Tuesdays and the rental activities will be covered on Thursday and homeowner will cover HOME buyer development projects, we'll cover HOME buyer assistance or what many people call DPA down payment assistance separately and then we'll also have a session on homeowner rehab and we will get into the Exhibits that pertain to each of those in those sessions.

On the rental side, the Thursday presentations, you'll have one on rental development, one on tenant based rental assistance, and one on long-term or ongoing rental compliance. With those 10 sessions, we will have covered all of the HUD monitoring guides that are or Exhibits that are in the monitoring handbook. What we're going to cover today are just two of those Exhibits. Exhibit 7-25 and 7-33.

Remember that the HOME monitoring Exhibits are in Chapter seven of the CPD monitoring handbook and CPD -- I got called on the fact that I was using acronyms the other day, and didn't always explain them. CPD stands for the Office of Community Planning and Development which is the office within which the Office of Affordable Housing Program sits. And so a lot of things come out like notices, labeled CPD-, and then some numbers that's coming out of the Office of Community Planning and Development.

And I'll also be using PJ from here on in to stand for the participating jurisdiction which is the state local government or consortium that has HOME money directly from HUD to administer the program. A couple of other, the acronyms that we might mention along the way just to get them out of the way, I'll mention IDIS the Integrated Disbursement and Information System which is the system that you draw down the HOME funds from and you report the information back into the system on how those funds were utilized.

I'll also mention at one point NAHA, the National Affordable Housing Act of 1990 which is the act that created the HOME program and title II of NAHA. I might -- I've already used the word -- the acronym CHDO Community Housing Development Organization, will be mentioned and have its own session.

So our goal or our objectives today are to introduce these two Exhibits and how HUD will monitor your overall program management. We will first go into a discussion of the regulatory requirements, and then we will go into an overview of the related compliance questions and documentation that are in the monitoring Exhibits.

And then we will recommend some steps to getting prepared for HUD monitoring whenever that is scheduled for you.

Les Warner: And Monte I'll just point out --

Monte Franke: Go ahead.

Les Warner: I'll just ahead point out for folks that are joining us for the first time that might've missed the Tuesday session, I did put in the chat box, there is a link and the recording for that session has been posted, and we would encourage folks if you missed Tuesday's session to go back and listen to that recording because it does give the overview of monitoring and I think will help prepare you for the rest of these sessions.

Monte Franke: Yeah. And if nothing else Les, it'll be a good sleep aid, right? Thanks for posting that link, Les. I realized that there were some people who weren't able to register because we exceeded the thousand capacity for the session, so if you miss it, please go and download the materials and now the recording and you can catch up to the things we covered last time. Good comment.

We'll first cover the regulatory requirements that pertain to these three topics and then we'll go into the monitoring Exhibits in those three topic areas, what the monitoring Exhibits look at for program oversight, for financial management and for match. And you can see some of the main topics listed below each of those in the slide you're viewing now. And then after we do that, Les will go into the program design considerations that you may want to consider.

What we've discovered is that there are a number of issues that are really about good management practice, that aren't technically regulatory issues, so we don't want to put them in with the regulatory requirements, but yet we still wanted to mention them because as I did say last time, monitoring is not just about compliance, but it's also about evaluating your programs and making them better. And so the program design session is aimed at giving you some additional suggestions beyond the basic regulatory requirements.

We can't have all of you introduce yourselves because we're approaching 600 people on the call right now but we do ask you to respond to this poll. I'll turn it back over to Paul, who can post the poll in the right-hand part of your screen. And please hit -- answers appropriate to you and hit the submit button at the bottom right of the screen. Paul, I see it's up.

Paul: Yes. The poll is open. Results are coming in. [Inaudible] we'll start closing the poll soon. It should close in 20 seconds so make sure that once you've selected your answer, you hit that submit button in the bottom corner of the poll so that way your answer is recorded. Poll results should be coming up soon.

Monte Franke: Okay. I see there's a role next to people, some of you work just on one of the areas, some of you do multiple things and some of you don't have a year's experience in any of those areas. I point that out because I want to make you feel comfortable that you should -- you won't always understand everything the first time through in HOME it's a complicated program.

And it is important that you take advantage of any training opportunity that you get to learn the program. Les and I, as we've mentioned have been working on this for decades, and quite honestly, we still learn things as we go along. We learn things as we prepare these webinars for you. So please feel free to post your questions in the Q&A.

Les will be monitoring the Q&A questions while I am talking and then we'll reverse roles in the second half of the webinar. We'll monitor the Q&A, if Les feels that he needs to interrupt to clarify something while we're on the topic, he'll do that. Otherwise we'll save them for when we do the handoffs.

Some questions we won't get to because there's so many people on this this session but we are recording all of those and we will analyze them and we will talk to HUD about them and maybe we can get you guidance in the long run if we're not able to give you guidance right now. So

please feel comfortable posting the question. And as Paul had pointed, out the Q&A is where you want to post your questions for Les and me.
The chat box is where you get in touch with Paul if you're having any trouble with the hearing or viewing the presentation or things like that. With that, let's go ahead and get started. I'm going to go over very quickly just the regulatory requirements or the -- for program administration. As I'd mentioned in the session on Tuesday, I always, always anchor my HOME presentations in the regulatory requirements.

That's always my starting point, and that gives me something to go back to and anchor to as I move through a range of topics. So let's go ahead and talk about some of those things. I mentioned on Tuesday for those of you who are new to HOME, and we do have some new people on the call.

The HOME rule is in Book 24 of the Code of Federal Regulations -- that's the CFR -- and its Chapter Part 92 so anytime you see a 92, that's something that's a HOME rule. The sections of the HOME rule that pertain to our topic today are those that you see listed here. 92.504, I'd mentioned on Tuesday as the basic administrative responsibility and oversight responsibility, including your obligation to have written agreements and your obligation to monitor.

In addition to other ones that will be important in today's discussion are 92.502 which goes into IDIS as I mentioned, that's the way HUD puts the money out and how you expend it and track it. And then 92.503 goes into program income repayment, recaptured funds. Those are the key things in terms of administration and financial management.

Now Part 92 gives HOME rules, but it is built on the assumption and understanding that our starting point really is the uniform federal administration requirements for federal grants. Some of you may have known those historically as OMB circulars. 87, A110, A122, A133 and so on. They, as of 2015, have now been all located in one place in the federal rules in book two of the code of federal regulations and it's Part 200.

Those have been -- those collect all of the issues that are uniform across federal grant programs including HOME and the HOME rule assumes that you will adhere to those. 92.505 says you will follow those that have some exceptions and those exceptions are when there's a specific HOME rule that has to override the uniform standard that are -- that's in Part 200.

The sections we're going to be dealing with today are the subparts D, E and F that you see listed there. It's really the bulk of the uniform requirements are really on the topics we're going to be discussing, financial program management, cost principles, and audit requirements. I want to mention something though that I did mention the other day, HUD -- I'm sorry, the federal government published an update to Part 200 last August, August 13th, 2020.

And although it didn't significantly change the topics we're going to discuss today, it did read number, a number of sections in that by -- when they added a few, it just sort of dropped everything down and it changed some numbering. I mentioned that because it's going to cause a little bit of confusion. You might look at 92.505 and see the sections that don't apply to you. And they are actually based on the old rule and haven't been updated for the 2020 changes.

So please just be careful when you see reference to know whether they're referring to the pre-August, 2020 Part 200 rule or the rule as changed in August, 2020. And one of the places that that has an impact on us today is that in addition to me talking about Exhibit 7-25 which is the program oversight and financial management exhibit, HUD also uses the Chapter 34 of the CPD monitoring handbook to do financial monitoring because Chapter 34 is how HUD addresses the Part 200 requirements.

You will see that there'll be several cases where we'll say HUD will also use Chapter 34 to look at this particular issue. You will see references in particular to two Exhibits in Chapter 34, Exhibit 34-1 and Exhibit 34-2. The notation that you see there on the screen, I have it noted as 34-1a. in November HUD -- the federal government began publishing updates. HUD began publishing updates to Chapter 34 to reflect the August, 2020 changes.

And so just be aware that if you're downloading or have downloaded those exhibits, there is a new 34-1a that applies this year. There's also new 34-2a that has been published. So if you're -- if -- what HUD will use might be influenced in part by how old the program year is that they're looking at, but they are supposed to be using the new exhibits going forward, the 34-1a and the 34-2a. So I just mentioned that so that you're looking at the same thing that HUD is when they come to do their monitoring.

Now, the other topic then that we're going to be talking about is match and Les we'll be talking about that in a few minutes. I do need to say that match was in NAHA, the National Affordable Housing Act section 220 and it said that each PJ must contribute to affordable housing, not less than 25 percent of the funds drawn from the jurisdictions HOME investment trust fund in such fiscal year.

So you incur a 0.25 obligation as you draw the funds and Les will discuss the requirements more. But the regulatory section that you will need to look at is in the 92-218 to 222 sections, as you see listed there. How much match you've got to have when it's recognized, what forms it can be in, when it gets recorded and also the reduction of matching requirements?

The statute and rule permits had to reduce the match obligation for cities and jurisdictions experiencing economic distress, and also in presidentially declared disaster areas. Most of you are aware that we currently are under the pandemic disaster declaration, and therefore near term, some of our match obligations are waived, and that this is the section that authorizes HUD to do that.

So the Exhibits that you'll see, we just posted a little picture there so I can talk about them for a minute. These are the two Exhibits we're going to talk from. You will also notice the top of your screen that Paul has placed tabs at the top of the screen. You're currently on the HOME monitoring slides, but there's also the self-assessment guide which we introduced last time.

And Paul's also put up versions of Exhibit 7-25 and Exhibit 7-33 pertaining to match and we'll be covering both of those. Remember, as I told you, we're not going to go through question by question because there would be too many questions to cover and these presentations are long enough as is.

So we've sort of grouped them into logical clusters and summarize them in a way that you will find -- you'll be able to go back and look them up later. The important thing to point out here is if you look at the top of the screen -- at the top of the slide, I should say, you'll see, there is an Exhibit cues here and all the screens where we are talking about a specific Exhibit question. The question will be marked up there so that you can later go back and look that up. You don't need to go look it up now as we talk.

Although the forms are there and available to you on those tabs at the top. But just make a note that Exhibit question in the upper right part of the slide, and you'll be able to find it from there. Now, Chris introduced this to you last time. Our basic framework here is that for each of these topics, we're going to quickly review the requirements, the regulatory requirements that -- on which that particular Exhibit question is based, and that's what you'll see in an orange or burnt orange or slightly brown or tan, depending upon how your screen looks.

It will be headed by a requirements heading in that color. Documentation items will be in the green that you see because as you know in the federal system, everything has to be documented, so we'll go through some of the documentation obligations. And then if there's something beyond the basic requirements and documentation that HUD is supposed to review such as looking across projects to see if you've done something consistently, you might see notations that we call compliance review items, and that'll be in the blue or teal or green, or however -- whatever color is showing up on your screen with that bottom one.

So that's just the general color coding that we use to warn you about what we're discussing on those questions. We won't have a compliance review topic on each of these. It's only when it's necessary when the requirement and the documentation by themselves are not sufficient. With that said, let me start into some of the Exhibit questions and issues and I'm going to be talking from Exhibit 7-25.

And guess what? The very first question is on policies and procedures. I warned you last time, the drum beat of this presentation series will be policies and procedures. HUD feels very strongly that you have written policies and procedures that you follow in order to ensure that you're transparent, consistent and then everybody knows what it is that they're supposed to do.

And HUD does rely on those when they do their monitoring to see if you are -- if, when they discover a non-compliance issue, whether it's an issue of that particular project, or if it's a systemic issue that relates to how you do business. So they start right off with this, and I really think that this is one of the most important messages I can get across to you in this whole series is, HUD has an expectation.

They have the requirement in 92.504a as I mentioned last Tuesday. They have the requirement that you have written policies and procedures and we focused on the monitoring, the risk-based monitoring system that they refer to as part of the procedures. But they're asking you to have policies and procedures for your whole operation, your comprehensive program management.

I'm also going to acknowledge that several of you asked last time is, is there a template or a tool or other guidance to follow in developing those? And we did raise that topic to HUD after the session on Tuesday and we hope somewhere down the road, we'll be able to work on something like that and give you a model or some guidance to follow but currently there is not one that exists.

What we urge people to do is to talk to your peers if you're in a metro area, talk to some of the other PJs to see what they have and share documents among yourselves and build the system that you can because you're required to have these and HUD will be looking for them. So when they come in, they'll ask to see your policies and procedures, and they will look at them to the extent they need to, to make a determination of any issues that they see.

They'll also want to know that you have a risk-based monitoring plan and we have also raised that topic to HUD as something that more guidance has been requested based upon your questions posted onto [inaudible]. And you want to make certain that you have files that show that you have actually conducted the monitoring. So you have a plan, a schedule of monitoring to do.

You will have documentation that you collect, checklists that you use, monitoring reports, monitoring letters that -- all that show that you conducted it, and once you have conducted it, that you have in fact followed up and have addressed any issues that were found in your monitoring.

Another thing in general program administration that's covered in the Exhibit 7-25, you see the question through two, three, and five in the -- in that Exhibit, is how you oversee your partners. We mentioned this topic last time, even though the money is given to the PJ, the PJ has the right to bring in what we're calling generically partners to help them administer the program.

We're talking about, if you're a state government that gives money to local governments, they're called -- the local governments are called state recipients. If you're using other public entities or nonprofits to administer a program activity on your behalf, they are subrecipients. If you're hiring procuring an entity, private or nonprofit to administer something to conduct part of your administrative activities, they're called contractors.

With each of those, you have certain agreements and you have to have procedures to monitor and review their performance at least annually and to make certain that you're taking corrective action if there's a lack of progress. It says in the next webinar, the next Thursday webinar will focus on the written agreements with these entities, next Tuesday, we'll attack the CHDOS.

The thing that I want to remind you is that in HUD's perspective, you can use all these entities to help you run the program, but ultimately you are responsible for their -- what they do. And you have to think of them more as part of your administrative team than as an independent entity. Then you need to make certain that they follow the rules in the same way that you do.

So your documentation for these questions will be the evidence that you have the written agreements with them that require them to comply and let you have the monitoring procedures in order to monitor them and that you have conducted at least annual reviews of compliance and performance.

And if they're not performing according to the schedule that you had laid out, what actions you've taken to deal with their lack of progress. So make sure that you've got monitoring records in your files. Some of you have very close relationships with your subrecipients and state recipients, interact with them regularly and don't tend to think of the day-to-day interactions as part of your monitoring, but it really is.

And just keep track of all those interactions that you have and the reviews that you do and the work that you do with them to improve their progress. That's all part of your monitoring. Sometimes monitoring is just the day-to-day technical assistance and interaction and not some overt and formal monitoring visit. It can be a range of things as we discussed on Tuesday's session.

Another thing that comes up in the general program administration questions in Exhibit 7-25 is the IDIS information. IDIS, I mentioned earlier, Integrated Disbursement and Information System, it's the way HUD distributes the money to you and it's also the way they collect information.

If we were in training, I'd spend some time reminding you how important the IDIS information is. It's what HUD uses to keep a track of your progress, and it's also what HUD uses to report to the Congress on the progress of the program which is very important because this program needs to defend its performance to make sure it gets funded annually. We go year to year on funding for this program. And so our -- your performance directly can impact what Congress will appropriate to the program.

So what HUD wants you to do is to enter the data in IDIS in timely manner. Most of you are aware of the -- that a lot of your information begins with your consolidated plan annual plan and then you start to build and enter projects as you make commitments. You draw your funds through that. You do completion reports. You do occupancy data. HUD needs that data from you and when you're behind and entering that data, HUD is concerned about your performance, but it also can't accurately reflect all the good that you're doing.

And so they're keeping the impression on the -- they want to leave you with the impression that it's really important, not just because they want to be able to watch you, but they need to be able to support the program. HUD publishes a lot of different reports on status of the program, and some of them come out to you. There used to be when we had more deadlines on commitment and expenditure. There used to be deadline reports like that.

They're also -- they will issue reports on open activities, on vacant units. Remember, if you can complete a rental activity with a vacant unit, but you have to go back in and put in the first occupant data, or it shows up as being a vacancy and could ultimately trigger potential repayment.

So what HUD does with these is, they already have this IDIS information that they're able to get -- draw from the system. They will look at the report, they'll look at the flags that are raised by the report, and they will ask you about these when they do their monitoring. And you may recall last Tuesday when I talked about the HUD monitoring part of the regulation, I said, they monitor you constantly through IDIS and then occasionally do the in-depth site visits.

So don't just think they're looking at these when they come to visit. They're watching these all the time and talking to you about them, if that shows that you are not performing. But when they go on site to do their onsite monitoring which is the focus of the -- is monitoring Exhibits, they will specifically look at some of these timeliness issues and things that are lacking and include those in the items that they cover with you.

The next section in the Exhibit is actually -- goes into the financial management issues. Financial management requirements, I've got to go back and anchor us again in two things, the HOME rule and the 2 CFR 200, the uniform administrative requirements for federal grants. I'm going to start with the Part 200 stuff and the financial management section which I identified earlier as Subpart D.

There are two key sections in that are triggered around financial management and those are 200.302 and 303. 302 goes into the financial management system requirements and 303 goes into the requirements on internal controls. The financial management requirements in 302, there are seven items in particular in that rule to talk about your accounting systems have to label and accurately identify the federal funds as they flow through your system.

You have to be able to disclose the financial results. You have to have records. You have to have effective controls. You have to do budget versus actuals. You have to have written procedures for payments and that you'd have to have procedures for cost allowability. All those things are basic obligations you have with any federal grant that you receive.

In addition, in 92 -- I'm sorry, in 2 CFR 200.303, the internal control section, this goes into a little more detail on the expectation of internal controls. Now, internal controls, when I say that in training people say, you mean like double signatories on checks or a separation of duties, things like that. And I say, yes, and because to me with deep apologies and probably royalties to John Mayer, controlling the same control as a verb.

You need to think about control as overarching your whole system. It's a system or environment that includes the people, the procedures, the documentation, the direct tracking report, the use of federal funds. And it's not just something done by your finance and accounting folks, but it's the program management staff as well. It's a situation of, it's not them that has to do it, it's us.

And you may say, I'm not an accountant and I may -- and I will say, yeah, that may be true, but you are accountable to HUD for this. It's -- it really runs through the whole operation. It starts with the consolidated plan and the annual plan when you allocate funds to activities, and it runs through the last period of affordability in that particular program year. It covers the whole thing.

Internal controls, there are key control points for internal controls. It's the -- and when I train this in a training session, I talk about the control points being your policies and procedures, your budget requirements, your cash management procedures, your purchasing procedures, your asset control which in this case is more asset management or oversight of the properties that you assist, the reporting in the audits. It's all those things where you as an agency have to have control over the federal funds.

I guess I could put it this way. When the dust settles, can you trace every federal dollar from the day it's transferred from your treasury HOME account to the final ineligible use and its compliance with all the requirements? So really the bottom line is financial management and controls are the chassis on which your whole program is built. It's not just an additional function when it comes time to draw money.

Before you start to accuse me of being a control freak, I guess I better move on, but I really do feel like we don't often recognize that this is not something that can be left to our kind of lean staff.

Les Warner: And Monte I'll just add from my time at the state, really the most common audit finding we would find where there just wasn't enough documentation to be able to show how the funds were used, what the costs were associated with. And so it is that critical thing to make sure that you won't have a question cost later by just having good systems in place and capturing that documentation as you're processing those costs.

Monte Franke: That's a good point, Les. And the thing to keep in mind is that a lot of PJs have had to repay a lot of money over the years for being unable to document that funds were properly or used or that the activity complied. So there's always that dirty R word, repayment in the HOME rule -- in the statute that can come back to haunt us if we can't prove that we've used the funds properly according to regulatory requirements.

Within the HOME rule itself, there's some specific things that go beyond the financial -- the financial management standards in the uniform rules, the Part 200 rules. A couple of those things are the eligible and allowable costs are in 92.206, primarily in 92.206, but there's also things that run in -- that go beyond that into admin costs and certain other costs all the way up through 209.

92.500 talks about the HOME funds being drawn down into the local HOME account from the treasury account. 92.502(c) points out that funds need to be disbursed in a timely manner. There's a 15-day rule for disbursement that you will be monitored for.

There are requirements that pertain to the -- any funds that you hold, HOME funds that you hold in the interim, including program income or other remitted funds, and they have to be an interest-bearing accounts and that interest earned either becomes program income or it gets remitted HUD.

There's also the requirement in 92.503 to specifically require you to be able to track and report on and utilize program income repayments and recaptured funds. I should mention by the way that -- and I know it'll come up at other times in this presentation, that for those of you who work with IDIS, they did update in the last couple of years to be able to better track those program income and other recaptured funds.

There is a HOME facts out, volume seven, number one, that can be downloaded from the HUD Exchange. That goes into the categories they've created. They have a PI category for program income, PA for program income administration only because you can take 10 percent of your program income and use it for admin.

And it also goes into HP for recaptured funds and IU for repayment funds. I think they probably should have named that sub fund IOU, but they only named it IU. If you work with IDIS, you're supposed to receive the money promptly, get it into the right sub fund. And as you may recall, the grant county rules changed how we handle program income, and you can accumulate it and commit it in your subsequent annual plan now, as opposed to having to re-spend it or to put it out immediately for the next expense.

I would urge you to get the HOME facts volume seven, number one. They also did a webinar last year on that that would be useful for you to review that you can also access by looking up the past webinars. So again, these questions are all in Exhibit 7-25, but whenever HUD gets into financial management, they also have to go back to Exhibit 34. And so Exhibit 34-1a will be used as part of this review.

You may want to see what those questions are as well as you prepare for HUD's review in this area. The rest of these slides that I'm going to cover, just get into the documentation that you need to have to respond to the Exhibit 7-25 and Exhibit 34-1 questions. First category, the requirements that you have records to support your IDIS. I think the point to mention there is IDIS is the federal system.

You all have your own internal accounting systems, either within your jurisdiction or within your agency, and there has to be a bridge between the two, and they have to be able to be reconciled and support each other and be consistent. Some of you have built up software bridges. Others do this manually, but you need to make certain that they stay in sync as you go along.

Eligible costs need to be documented every -- HOME funds must be spent for eligible cost and you've got to have the appropriate budget controls and reconciliation. So the documentation that they'll be looking for is to make certain your written agreements have budgets that commit funds to eligible costs and that invoice and send backup documentation support the eligible costs that were incurred.

You have the internal control procedures to review, verify, approve invoices and to draw the fund and do the disbursements and appropriate separation of duties among those different functions to ensure that you have adequate control over the funds. And of course, you've got to have the ability to track those funds as they've come into and moved out of your HOME account with statements and reconciliations.

I know this is dry but I'm almost done with this, with the financial management stuff, folks. The next thing again and I almost launched into it with that last statement in the previous slide is cash management. There's a timely disbursement requirement that it has to be extended within 15 days of draw.

Some of you just draw reimbursement after you've already outlaid the money and just take reimbursement, but some of you rely upon receipt of the funds to disburse to the parties that ultimately are the recipients to pay for the eligible costs and you need to do so in a timely manner.

I've already mentioned that your -- any local HOME money needs to be in an interest-bearing account. The interest becomes program income or if it's large enough, it might need to be returned, or if you sit on it longer than the 15 days that you're allowed to, that might have to be returned as well. And then you have to have the records that show that you've adequately recorded all your program income, recapture, repayments, and other funds. And as I just mentioned, HOME FAQs volume seven, number one, as the identification of the different sub funds you can use to record those funds.

Les Warner: And Monte, we had a couple of folks that asked again for that reference and I did put that in the Q&A, so you can also reference it there.

Monte Franke: Thanks, Les. Internal controls and program income, I pretty much have covered this with my soapbox speech on the importance of internal controls earlier, internal controls are -- run across your whole system. The specific Exhibit question asks if you have adequate budget control and whether the -- you're covering and managing budget versus actuals, and then the account reconciliation in terms of the local HOME account, tracking that and reconciling it.

With respect to program income, the questions run to, do you have procedures and records that you've timely receded your program income in IDIS. This second bullet, before we got into grant year accounting and you were allowed to accrue program income to the subsequent program year annual plan, you were supposed to disburse it immediately before you drew any new funds from the treasury.

Now that we're under the grant year accounting rules, what this is saying is that when you have -- you do allocate program income to specific projects through the annual plan, and when you do allocate or obligate those funds to a specific project, you should disburse the PI that has been obligated to that project first before you draw new money from the treasury account for that project.

So in other words, this requirement has gone from program-wide to being project specific now under the grant year accounting rules. And then the transfer of funds and receivables upon the expiration of subrecipient agreements, when you close out with your subrecipients, one of the things in the closeout procedure should be to determine if there's any remaining funds that they may be sitting on that need to be returned to you or receivables that need to be returned to you or things being assigned to you, you're responsible for making certain that you closeout those subrecipient agreements properly.

Last topic then is cost allowability. Most of you know this is probably the core cost principle in sub party of Part 200. I like to talk about cost allowability in these five key words. For a cost to be allowable, the cost must be eligible under the program. It must be allocable to the program activity. It must be a necessary expenditure for the activity. Its cost must be reasonable, and it must be documentable.

To me, those are the words that define it; allowability. The other aspect of allowability is consistent application of those principles so you treat everything the same, but again, eligible allocable, necessary, reasonable, documentable. Those words capture most of what cost allowability is about in Part 200, but I urge you to read that section yourself.

And there's a lot more details in terms of specific costs, the general federal guidance that I'm not covering. I'm just talking about the general principle. The other thing that cost principles raises the issue of indirect costs when they can be charged. And I assume you know that you have to have a federally approved indirect cost structure rate if you're going to use it, but the new -- the 2015, Part 200 rule put in a de minimis rate that somebody can charge if they do not have a federally approved indirect rate cost structure.

That would be the cost over and above salary and direct expenses that cover things such as fringe benefits and other things related to the administration of the program but aren't directly charged to the program. In addition, there's the requirement that planning and administration costs being within the limit.

As you know the HOME program has a statutory 10 percent admin limit currently suspended and waived under the COVID waivers that are in effect through the end of September, but it's a fairly limited thing and so HUD needs to make sure that your planning and admin costs are within the applicable limits and that they are allowable and allocable to the program.

And that gets into issues of staff, how staff are charged to HOME and working on activities. Most of you know that HUD also permits you to charge staff, not just the general admin of the program, but when they are working on specific projects to be charged to that project as a project cost, what we tend to call project delivery or activity delivery under the HOME and other CPD programs, and that those need to be within the limits that are provided in the program.

The last category then of a question runs to pre-award cost. Most of you are administering the HOME program on a year-to-year ongoing basis. You have running accounts or allocations of admin money and so it's not -- the pre-award cost thing doesn't really tend to be that much of an issue for PJs these days.

But sometimes it is for subrecipients, newly retained subrecipients that want to begin to incur cost and be reimbursed for costs even before you have your HOME award and your signed agreement. There are limits in 92.212 on pre-award costs and when they can be incurred. They can only be incurred after the program year starts and the comp plan has been submitted, that they can be incurred before the agreements. Vin [ph] actually signed.

They are capped at 25 percent of the HOME allocation. There's some requirements in 92.212 with regard to having met the citizen participation requirements before those costs are incurred. And if you do allow a sub recipient to incur those costs, it's got to be explicitly authorized in writing that they have been authorized to incur those costs.

So the last three questions in the financial management Exhibit are about those issues of pre-award cost to the extent that they apply to you. With that, I have completed my section. Les, what kind of questions have been coming in?

Les Warner: Well, at first, we had just a flurry of questions about match which means people apparently are very excited about hearing about match. But recently, we've had some questions mostly about, you mentioned about costs needing to be eligible, allocable, and reasonable, and they liked that information. Some questions about IDIS and program income and I've referred folks back to the HOME FAQ that you mentioned.

And I think, we had a couple of questions specifically about setup within IDIS. I know I'm not -- I'm no longer working in IDIS -- hallelujah [sic]. And so I suggested that they also may want to talk with their local field office and most field offices have at least one staff person who's been designated as the go-to IDIS expert and they usually can assist you with some of those specific questions.

I think since it's -- we appear to be right on schedule. I'm going to suggest that we take a quick, maybe five-minute break and allow folks just to stand up, stretch, run to the restroom get some more coffee, and then we would start at 205 and we will handle the second half of our materials for today.

Okay. All right. Welcome back folks. We're going to move into talking about match and a couple of other topics. Monte, over the break we've seen questions continue to roll in. I've answered a few of those, but so you've got -- if you can try to pick away at some of our lists of questions, that would be great.

All right. So, as Monte mentioned, today's session, you know, we're kind of covering a variety of topics and two different Exhibits. So we're going to switch to talking about 7-33 which is our Exhibit that relates to the match requirements under the HOME program. If I can get my slide to move appropriately. There we go.

All right. So just in review and we are going into great depth and trying to teach the requirements in this series. So I will suggest for folks that are new and as we are reviewing these requirements, you're thinking, I really need to learn more about this. We'll be mentioning at the end. There is an existing online training referred to as E building HOME. And there are corresponding sections of those trainings that would go into a lot more depth in what these requirements are and how to implement them.

So that may be helpful for folks that might -- as part of our review of the key requirements, feel a little bit overwhelmed with those. So the key requirement for match under the HOME program is that they're really looking for a local investment in the program along with the federal funding. And this is part of the statutory requirements for the HOME program.

So match requirements are required to be recorded for not less than 25 percent of the HOME funds that are drawn from the PJ's account and that's on an annual basis. Now we're going to be mentioning that. In some cases, communities may have either a partial or a completely eliminated match requirement.

Usually that's based on either financial distress for that area or also where it's related to disaster area declaration. Now, there are references to that within the regulations at 92.222, and as Monte mentioned related to the pandemic, we sort of have an across-the-board reduction in match at the moment.

But one thing I'll just point out here, and I don't know that we have it anywhere in our slides, but even though you might have a match reduction or a waiver of match, we're going to be talking about the fact that you do have the ability to cumulatively carry forward any credits that are not used.

So you might have a reduced match obligation currently, but if there is a match that you can record and build that credit, that can be helpful for you going forward. So I do suggest even though you might be under a reduction for match requirements, keep an eye out for match anyway and track it where you have it available for you.

So the key here is that we're looking for non-federal contributions that are going to be permanent contributions to the HOME program or a specific project. And I know we're going to have lots of questions about specifics of individual kinds of match. And I always say to folks that when we talk about match, going back to the match notice, and really looking at the details because each kind of match, there are different requirements about, whether it's eligible, when it might be eligible, and what portion of that could be counted towards match.

And so topic by topic, the answers to some of that will be different so I really recommend continue to use that match notice, pull it out, look at it. We'll be mentioning in a moment that we are expecting an updated match, notice to be coming out but use that match notice as an important tool for you.

So as part of the PJ's responsibility on meeting this requirement, it means looking at those projects, identifying eligible sources of match, making sure that we track those and record them, and that we have appropriate documentation in place to be able to show that you've met those requirements. This tracked cumulatively is really important so you may have periods with your program that you have large chunks of match that might be accrued and the good news is that you're able to roll that forward.

And so you may have some projects that don't really produce any match or very little match, but in other cases, you will have more than you happen to need during that particular year and you're able to carry that forward. So your compliance requirement is based on your federal fiscal year and so you have to meet that annually, but then if we have excess match that we've been able to record, or we have rolled forward some match from prior years, we're able to hold onto that and that can be really useful for folks.

So to be able to meet this requirement, that PJ's required to have a match log in place, so needing to be able to track for each fiscal year what's my match obligation versus credits, match credits that I have been able to document, and that would include if I have some accumulated match that we are rolling from prior years. With that, you need to make sure that you have appropriate supporting documentation and that's not only for the current match but also for some of this accumulated match.

And then I'll just mention that we've had in somewhat recent years, some attention, some audits that were done looking at match. And I will say, I've been in some communities where when we looked at that accumulated match, that we found that the documentation that was in place really wasn't adequate to be able to show how those match, how they were eligible and be able to track that.

And so we've seen across the board that there are some weaknesses in that documentation, it's getting more attention in monitoring and so we had a number of folks at the beginning of this that were asking questions about, hey, I've started, I'm relatively new and I'm in a community that has quite a supply of accumulated match. That's a great thing, as long as you have appropriate documentation in place.

So I do think one of the takeaways on this, and one of the preparations perhaps for monitoring would be to look at the documentation that you have in place and make sure that you were well-prepared with that supporting documentation. So the current match notice has been in place for quite a long time. It's CPD notice 97-03. And that is our current guidance for what is eligible for match, the timing on that, the portion of the non-federal sources that could be counted as match.

We are expecting that there will be an updated match notice coming soon. I don't have more specific information on that. And so we expect that when the new match notice is issued, it's going to include some additional information about some specific types of projects, but really specifically talking about the calculation and the record keeping that has been in place. And part of that goes back to some of the audits that were done and some of the concerns about having appropriate documentation in place.

So once that notice is issued, you may, as the PJ need to go back and review your own tracking and log system. I also suggest, as I just mentioned about, if you're a community that has rolled forward some tasks, credits, take a look back at that documentation. I mentioned, I worked in a couple of communities -- with a couple communities that had some issues with that. And in a couple of those situations, it was a matter of, this match credit that was in their books essentially was from a much earlier period. The folks that were related to recording that match were no longer working for that PJ.

And so making sure that there actually was enough documentation in place to be able to show that based on the match notice, that you actually had eligible match in that credit. And so in a couple of cases, we had communities that felt really competent, that match wasn't a real issue because they had this large buildup and then found that, gee, there may be some problems with that.

So keep an eye out for the new notice. One of the things we'll probably mention throughout the training is this issue about signing up for the Listserv on the HUD Exchange for the HOME program, and so you would immediately be notified about new notices, new guidance, new training opportunities. Field offices would send that out, but this is just one more linkage to keep you up to date on those requirements.

So let's talk a bit about the management of the match and as Monte mentioned, each of our slides, we will be referencing in the top right-hand corner. And we're talking about Exhibit 7-33 specifically for match, and then we're referencing the questions that are part of that Exhibit that relate to the topic that we're talking about.

So as part of our match monitoring Exhibit, we need to know that the PJ has policies and procedures in place to kind of laying out what's my process going to be in identifying and tracking a match as part of that. Also need to make sure that the PJ is maintaining a match log and records and that again is something that we've seen as a little bit of a weakness as part of that.

So we mentioned that the match obligation is something that is on an annual basis. So at the end of each federal fiscal year, you would need to be able to document that. So HUD's going to use the PR 33. So this is an IDIS report that can be generated and it's showing the match liability report and as part of that also the CAPER match report.

So they're going to be looking at for each fiscal year, federal fiscal year, the match liability that has been accrued based on your expenditure of funds, and then your match log would need to be able to show how you are meeting that obligation. Again, that might be through new match that has been identified during that program year, or it might be that it's also using a crude match credit that you had from prior years.

And then, we specifically have a question in this Exhibit, question 13, about how adequate that documentation is that's in place to be able to document the eligibility of that. And there was an office of inspector general audit which focused on match. And part of what they found was that there were a lot of issues for PJs that didn't have the adequate backup and supporting documentation to be able to show that what they were claiming as eligible match that they were using to meet this annual obligation was in place. And so making sure that you have that documentation in place is important.

And I think as sort of a reaction to the OIG audit is that HUD is paying some additional attention to this potential weakness in the program. And so that would be, again, something for a PJ to want to spend a little bit of time looking at your systems, making sure that everything is in place and up to snuff as part of that.

So as part of this, the review of the individual match entries, HUD would be sampling looking at your match log to make sure that the match that you were claiming to meet your annual obligation is actually an eligible form. So they were essentially going to be going back to that match notice which gives very specific guidance about each type of match and whether that is something that is eligible.

The regulatory reference to that is 9220 and then it's question one within Exhibit 7-33 that is specifically calling out. Also looking then to see that when you made that calculation based on this investment of non-federal funds, that you made the calculation correctly on how much of that you actually can take credit for.

Also the issue here is the timing of the match. And within that match notice for each of the types of match, there are rather specific instructions about when you can take credit for that. So for instance, if I as a PJ reviewing applications, and I think most PJs will, as part of their process, be asking about non-federal sources of funding that are related to the particular proposed project looking for as part of their review process where these eligible sources of match would be, and that would be then included in written agreements. But we would then need to be tracking of when that investment was actually made.

So we could have infrastructure, maybe we have water and sewer lines that have been put in to support this development and so they may already be in the ground. And so we may be able to look back and actually take credit in our match log immediately for those or we may be tracking when that investment actually is made.

So HUD's review is going to look at the documentation, this calculation on, did you really -- are you claiming the correct amount, but also the timing on this. And so part of the policies and procedures that you need to have in place is thinking about how am I going to put this into action with my program?

So thinking about that identification on the front-end, what I might be calling out within written agreements, funding agreements on that, and then the kind of documentation that you would be receiving to know when that match was actually eligible, who's going to be responsible for tracking that and recording that within the match log.

And again, once that new match log or match notice has been issued, you may need to go back and make some updates to those policies and procedures based on any new guidance that would be included in that new notice. So there's some specific types of calculations that need to be made for a specific scenario so what's going to be eligible.

And so we have a series of questions within 7-33 which is telling the HUD monitor you need to look for these specific types of projects and whether those calculations have been done correctly. So this goes a little bit beyond the basic match obligations and is going into sort of case specific or unique situations on how those would be calculated. So we have -- and we have some questions early on about some forms of match are eligible only for a HOME assisted project.

We have some other types of match that are actually eligible for projects that don't actually have any HOME funds in them but they meet all the eligibility requirements. So they've got income eligibility, long-term affordability, there are written agreements in place that are going to enforce those requirements over time. And so based on the type of match and whether the project is a HOME assisted or simply a HOME eligible project is going to change what the answer is on the calculation on that.

So in cases where we have at least 50 percent of our units are -- in the project are HOME assisted, then we're able to be able to account the entire contribution of the match because essentially, we're seeing this as a majority of the project is going to be HOME assisted. But in cases where we have less than 50 percent of the HOME units are assisted, then that proration of funds that are going into support that overall project, they have to be prorated for what you're going to be able to account.

So for instance, we might be funding the development of a 60-unit, newly constructed rental project. But if we look at our written agreement, we may have called out that we have 10 HOME assisted units. So in that case, even though there are 60 units in that project, we've only got 10 of those that are assisted so we're below that 50 percent of the units assisted.

And so in looking at the calculation on the match requirements for that would be looking to see that we've prorated that match contribution based on the overall percentage of the units that are actually being funded with our HOME funds. We also oftentimes are going to have mixed use projects. We might have -- let's say we have a downtown structure that the ground floor is going to be commercial, might be retail and then the upper floors are affordable housing, so that may have an impact on the calculation also.

So in that case for a mixed-use project, if 51 percent, at least 51 percent of that structure is residential and at least 50 percent of the units are assisted, then we're able to count that entire match obligation. Otherwise, again, we're going to have to prorate the assistance for that. So having that adequate documentation within the file for that project and being able to demonstrate that the calculation was done correctly would be important.

Again, we're also going to have cases where we have a project that is jointly funded with another PJ. And so in those cases if it's a HOME assisted, then the PJ is going to be providing -- that's providing that specific match is going to make that decision. If it's not HOME assisted, then the PJ is going to retain that match.

And in some cases, the state might choose to keep that match or might allow that local PJ to claim match. So for instance, in the state I worked in because of having state trust fund dollars, they had plenty of match, and so in that case, might've chosen to allow the local PJ who would have a little bit more struggle perhaps in putting match in place to make sure that that was going -- they were going to be able to meet their calculation.

In some cases, we also will have non-HOME-funded TBRA that would be match eligible. And again, when we're looking for a match eligible project, it's a HOME-like, so we've got income requirements, we have eligible costs that we are funding in this that we have tenant selection policies in place, rent reasonableness. We have some requirements about the property standards in this case for tenant-based rental assistance.

We're talking about HQS which is the housing quality standards which is the property standard that applies for TBRA. So we're going to need to follow the guidance for that and make sure that that has been properly documented.

All right. Monte, before we switch gears into program design considerations, is there anything on match that we should try to revisit or shall we keep moving?

Monte Franke: I've been trying to answer the questions directly to people because they tend to run the specific items of what's eligible and I don't think necessarily need to be dealt with on a class-wide level.

Les Warner: Okay. And again, I think particularly with match, this is one of those areas that based on the type of match, the type of project, you really need to go back to the notice. It's a really important reference tool on that and so we -- we aren't really going to be teaching the requirements on that, but notice is really the go-to for them.

So we're going to switch gears a bit here, as Monte mentioned in the front-end, now that we've talked about the regulatory requirements, we're also going to talk about some of the design -- program design considerations.

So I think Monte mentioned that one of the purposes of monitoring is to allow us to be able to do some evaluation of our program. And it's not just, are we in compliance, have we avoided having a risk of having to repay funds but also making sure that with the way we laid out our program, that we're actually making the impact that we were looking for and that we're assisting the folks that we really were targeting as part of a need in our [inaudible] plan and in our specifically in our action plan.

And so as part of this, we're going to talk a little bit about looking back at program design based on our monitoring process, thinking about the efficiency of our program and the effectiveness on that. And so we're going to go through a number of evaluator questions here.

So one of the first things we want to think about, and Monte mentioned about the fact that you have options on whether you are going to administer something directly using PJ staff or whether you're going to outsource this. So you might have a sub recipient that was going to be running this on your behalf. You might be contracting to have some part of your implementation handled.

So thinking about how is this working, how does that line up with having the best skillset and resources available? Are the partners that you're working with, is that actually -- are they actually performing, Monte mentioned about timeliness on that. And so this is one of the points where we suggest as part of monitoring that you take stock in thinking about, is this working well, are there things that should be tweaked as part of that?

And that would include things such as admin and delivery costs and how we're tracking things, the timeliness on this. And that then would inform your decisions moving forward about, should I maybe bring some of these outsourced activities back in-house and build my own staff capacity? Are there some opportunities where I'm currently implementing things in-house where

I really could use some additional capacity and perhaps there are some potential partners that I could identify that would make this more efficient or effective.

As part of that, we need to be able to have adequate oversight in place of any of our administrative partners. And this really is not only in-house to make sure that for all the good work that you've done on having really well thought out policies and procedures, knowing what all the requirements are, is this actually working in the way that you intended it?

So part of our monitoring is to check, are the systems that we've put in place, are they actually being used? Are they working for us? Is this happening in a timely manner? And we try to learn from that to determine when we have some performance issues, how might we have avoided that? And to me, that's the key here on -- HUD's trying to look, evaluate and give us some feedback, not only about regulatory compliance, but also are there some things that would make your program more effective?

And so we will sometimes see recommendations from our HUD monitoring. We would want to do the same thing internally and also in our oversight of all of our partners to think about, are there some tweaks that we need to make as part of this. That oftentimes goes back to that question of, how did this happen? Was there a way to have avoided the issue that we have identified as part of monitoring?

And that may go back then to, do people need additional training? Is there additional technical assistance? Are there things about the oversight of our partners that we might want to do differently? Should we have looked at something earlier? Were there indicators within reports that we were getting that we weren't really picking up on those red flags and making good use of that? So it's an important evaluation process that I would really recommend not to miss some of those warning signs.

So one of the challenges for PJs and I certainly recall this from my days as PJ is keeping those policies and procedures up to date. And so you have to have an ongoing process and then whether that's something that's rotating, where you are, focusing each year on a couple of different portions of your policies and procedures, but we need to make sure that the PJ's policies and procedures actually reflect how you currently are operating your program.

And part of that is to make sure that they are up to date, but also to make sure that folks are actually using them and I've certainly seen in cases where when we did monitoring that we saw that we had really good policies and procedures in place that should have led us to compliance, good documentation in place, but they actually weren't being fully implemented and so that's part of our monitoring process.

As part of HUD's evaluation, as they're monitoring your program, when there are compliance issues, they may be looking back at your policies and procedures, they have requirements on their checklist of verifying that you have policies and procedures in place, but when there are compliance issues, there'll be a further review perhaps of those policies and procedures to see if they adequately handle and detail that process to make sure that you will going forward, be able to fix these issues and have consistent systems that will lead you towards requirements.

So one of the requirements that you may have as part of a corrective action would be to go back and revise and update those policies and procedures. And when we talk at the end of this section about preparing for your HUD monitoring, one of the things that I would recommend that you do, and it might be too late to wait until right before that HUD monitoring is to keep an ongoing eye and review on those policies and procedures to make sure that they are current.

Things that have an impact on that are changes to staff, to partners, changes in some of those roles, but also learning from prior non-compliance and making updates to make sure that those are going to be effective. And then I think also this last bullet is really important that you can have great policies or procedures in place, but if folks have not been trained adequately on this, it will not lead you to an end result that's going to be adequate on that.

So let's talk a little bit about financial management. So Monte, talked about the HOME regulations on financial requirements, but also the separate checklist that we have for 2 CFR 200. And so we need to make sure that the PJ has appropriate financial systems in place to have appropriate control over those funds, making sure that we are reporting information in a timely manner into IDIS and that we have appropriate internal controls in place.

So this goes back to, again, our policies and procedures, as Monte talked about, you'll keep seeing us circle back to this issue to make sure that the systems that you put in place and how you're going to implement, it's one thing to know what the rule requires, but the policies and procedures are really your implementation plan on what steps am I going to take? Who's going to be responsible for what, when am I going to do this to make sure that we're going to be in compliance.

And so having policies and procedures in place, making sure that we've done adequate training, not only for our own staff, but for partners that we're working with can be really important. Part of that also is again some ongoing evaluation. This issue about looking at your process for draws and disbursements. One of the things that we oftentimes talk about when trying to make sure that we have an adequate supply of contractors working for the program is making sure that folks actually are going to get paid in a timely manner.

And so doing some process mapping and tracking, what's the turnaround time on getting disbursements out? Do we -- are we collecting adequate documentation? Do we have the checks and balances to make sure that everything that is being paid is eligible, allocable, and reasonable, which Monte was talking about earlier?

And then this issue of IDIS and there's been a lot of focus on making sure that we have, that we're capturing that information and getting it into IDIS. As we'll mention in a few minutes, when HUD is preparing to monitor a PJ, really one of the first places they're going to is looking at what you have in IDIS which is reflecting what's the current state of my program, how am I using my funds, HOW are those projects moving along, who is being served?

So if that data entry isn't current, then you're not going to have an appropriate view that you're providing part of what's happening there and so that needs to be timely. We also need to make sure that our oversight of our partner is adequate because that becomes, as Monte mentioned, you can have in your written agreement all the things that your partners need to be doing, but in the end, you as the PJ, are going to be held responsible for the actions of those partners.

So we need to make sure that we have adequate control in place and that includes program income as Monte talked about in the HOME FAQ that goes into a little bit more depth on that issue.

One of the things as part of the policies and procedures on that, I'll just point out is this separation of duties and depending on the size of the PJ, in some cases, it's a large staff, that's really easy to make sure you have appropriate separation of duty, but essentially you want to make sure that the person who is setting up and drawing funds, that there's a separate person that is overseeing that and making sure that those are appropriate. And so those are the sorts of things that will be included in our financial policies and procedures.

Talk a little bit about maximizing match. So I mentioned about the fact in thinking about in your policies and procedures on, when that match process begins, and that may be as part of your application process and collecting information for potential projects, as you're reviewing them, not only making sure that the project is eligible and something you want to fund, but identifying as part of that process where you have eligible sources of match.

And those procedures then would also include how you're going to record, how you're going to track, what your standards will be for documentation for that. So, that's part of your program planning. We have -- we know that you have an annual obligation, and so you're projecting what that annual obligation is going to be, and then planning for how you're going to meet that.

So through project selection and also accruing and rolling forward, any match that you're able to have, so that you're going to have a match log to clearly document what that source of matches and be able to document that you have at the end of each federal fiscal year met those requirements.

So as part of that, you'd want to conduct an annual audit both internally and also if for, at the subrecipient level to make sure that you were getting that information back, that you recording those sources of match and that the folks that are responsible for some of those key tasks and making sure that you're going to meet your match obligation, that everybody knows what their responsibilities are and that they are completing that.

So we're going to do a poll question here and we just want to get sort of a source. And again, this is anonymous, so you're not self-reporting but we're wanting to know what kind of match compliance issues are you finding with your local programs? So now maybe you found that there isn't an existing match log or some concerns about how match has been calculated in the past, both of those issues.

Maybe you found that your match files are in perfect order and that you're not having issues which should be great. So Paul has the poll open now, if you could go ahead and vote, please.

Paul: Right. The poll is open right now and we will close it in a few seconds. Again, make sure that [inaudible] your answer the submit button to make sure that your answer is recorded. And the poll will finish closing in about 10 seconds, and then you will have the results up soon.

Les Warner: All right. So we've got a small group that are saying no match log. That's obviously a problem. Also some folks saying, they've seen some issues with how that was -- how the calculation had been done on that. And then, some of you luckily have said, hey, we don't have any issues. We're in good standing on that and that's great.

I will just mention that we've pointed out some of the issues here of making sure you have systems in place that they're timely on match and also, I would -- particularly for those of you that are carrying forward match from prior years and in some cases rolling that from many years prior, just you might want to go back, look at the documentation that's in place and make sure that everything that you have within that match log is something that you're able to support and document appropriately.

All right. So let's talk a little bit about preparing for the HUD monitoring. And so here's just a visual for the two match or the two CPD monitoring Exhibits that we've been talking about. Monte was talking about 7-25 which is the program oversight, financial management and cost allowability. And then we've been talking about match which is 7-33, is the particular reference on this.

I always have found with programs that I was working with, that it was really useful as part of planning, your, not only policies and procedures, but your file documentation to look at the monitoring Exhibits. Think about the types of documentation that you need to make sure that you've captured and maybe develop file checklist based on what you're going to need to have in place so that you have a plan on how you're going to collect and have things in place.

So some things to note here as Monte mentioned, the 2 CFR reference sets have changed just slightly, but the second bullet point under CPD monitoring handbook Exhibits, we have the updated reference for 34-1a but our second reference here also needs to be updated and it's 34-2a. And so those are our Exhibits related to 2 CFR 200, and then 7-25 is covering the HOME regulatory end of things. And then as we mentioned, 7-33 is specific to our match requirements.

So as part of the monitoring process, HUD's going to be looking at our policies and procedures. They're also going to be looking at our administrative partners and the oversight that the PJ has in place. So as Monte mentioned, it's important that we create a paper trail that's going to be able to document what we're doing.

So we may have reports that are coming, they're going to be reviewed by staff, maybe our policies and procedures talk about that process when there are issues that are identified, staff would be making contact with that sub recipient or partner and following up on those issues. So having some kind of attached documentation that shows when it was reviewed, notes, if they made a follow up contact corrective actions that were done. So creating some paper trail to be able to document part of that process.

I also want to make sure as we talked about the importance of IDIS and then again, compliance with Part 200 as part of that. For match itself, again, policies and procedures, our match log is going to be really critical. And then we talked a lot about the importance of making sure that that documentation was in place identifying the source of match, how it was eligible, but timing on that, and then making sure that the calculation that was done was correct.

So the amount that you were taking credit for as eligible match actually meets those requirements. Again, we're expecting that there will be an updated match notice which may have some impact on some of the guidance on that. So as HUD's preparing for monitoring, they're going to be looking at the IDIS reports, their CAPER match reports, past audits and findings that it's input.

And again, I recommend for the PJ, look at those same things because that's what HUD is preparing on their view of what's currently happening with your program. And again, we were going through these monitoring exhibits as a way for you to familiarize yourself in specifically, what is HUD going to be looking at? And so it gives you a little bit more ability to prepare.

So it's part of the self-assessment, what we're suggesting as part of that self-assessment that you review those policies, procedures, not only to make sure that they are current, but that they adequately reflect how you're implementing your oversight, maintaining compliance, and make sure that they're actually being implemented.

And that would include some testing of the documentation. So when HUD comes in, they're going to be sampling and looking at project files, are going to be looking at your financial record, your match log and looking at specific entries. So as part of a self-assessment, it would make sense for the PJ to do some sampling, to make sure that your policies and procedures are actually being followed, that that documentation that's going to be so important for you on showing compliance is actually in place.

And then as part of that thinking about looking at the monitoring questions that we've been reviewing and making sure that you were well-prepared to be able to respond and that you are -- have a paper trail that's going to support your operations in meeting those requirements. So as part of that pre-self-assessment, again, we've talked about the policies, procedures, but also looking at written agreements and those documents. So that's how you are then imposing or transferring those requirements to your project partners.

Thinking about the regulatory limits and requirements. So we have no caps on admin, we have some timing requirements so we need to make sure that we have systems in place to be able to track that and then thinking about the eligibility, the documentation that we have in place under each category to make sure that that's in place.

And we had some questions at the beginning of our -- this session about where do I find these Exhibits? So the CPD monitoring Exhibits are on the HUD Exchange but also, we've included a self-assessment handout and the link is included on this slide which is kind of a tool to help a PJ think about the steps that they could take and go through and try to prepare themselves and do an assessment in advance of HUD's monitoring.

So looking at IDIS reports, looking at your actual production versus what your ConPlan goals were there. And then also thinking about your monitoring process, not only internally, but also for any of your partners. Well, generally when you've had prior monitoring concerns, as part of your corrective actions, you oftentimes have said, okay, going forward, I've put a new system in place. I have put some safeguards in place.

They're oftentimes going to revisit those items to make sure that you are actually implementing those changes so look at what those past monitoring findings were. Think about citizens' comments, complaints that have come through, media things that your program were related to your program, that assessment of your staff and its capacity and skills, and then changes that have happened to your program since that last monitoring.

We're going to close out today talking as we will in each one of our -- the series and what some of the resources and tools are for you. So, as we've been mentioning today, specifically for the topics we've been covering, the two specific CPT monitoring Exhibits we've been talking about our 7-25 and 7-33. Here is the link, again, for pulling those up, along with all of the other CPD Exhibits so this is sort of your go-to linkage on that.

Also on the HUD Exchange landing page there is specifically a section on HOME program administration and management which provides a lot of resources that will be related to particularly oversight requirements, but also some of the guidance tools as part of this. So, this is where you could find policy guidance FAQs. You could also look up the HOME facts that we were talking about earlier but this is also where training manuals and other resources are that would be available.

One thing I will mention, we talked a little bit about -- hoping for some -- maybe some new resources in the future for policies and procedures. I believe that posted on the HUD Exchange, there was the old HOME administration certification, and in that manual in Chapter four, there was a section that goes into detail about what policies and procedures need to be in place and some of the standards that a PJ would need to think about in adopting.

That's not been updated since 2013 final rule, but I think that may still be a helpful resource for folks and that should be at this page under training materials from past trainings. As we mentioned for folks that are new to the program and need to learn more about the regulations themselves, the building HOME online training would be a great place to go back to.

There are three initial sessions that you need to -- all participants need to go through, and then that would allow you to then take any of the rest of the sessions. And so, if you needed to learn more about match, you could go back to that. If you needed to learn more about financial requirements or any of the topics that we're going to be talking about in the upcoming sessions, those also would be available to you and there is a link here on this page for that online training resource.

Additionally, we mentioned, keep an eye out for the new match notice. It will be posted on the HUD Exchange when it becomes available. I mentioned about registering for the Listserv on the

HUD Exchange so that you would also get notification on that. And then again, here's our link for the self-assessment tool which we think would be a good sort of starting point for a PJ in thinking about doing that internal self-assessment for itself and its partners in preparation for that HUD monitoring visit.

There also is a way online to request technical assistance and so our link provided here request TA on the HUD Exchange, you can go in, log in and put in a request and then HUD would link you essentially with a TA provider to work directly one-on-one with you and trying to deal with whatever issues your program was facing.

So Monte that brings us to the end of our slides. Before we go into our review of what's coming up, are there questions that we should be talking about or revisit any topics before we do our final slide here?

Monte Franke: Last week I had a lot of questions on individual types of match and when you can claim them and things like that. This webinar was not on teaching the match sources. I would anticipate that HUD will conduct a webinar just on match when the match notice comes out. But a lot of the questions that were asked can be answered in the 9703 existing current match notice.

And I want to emphasize again that, HUD is updating that because the inspector general had some criticisms of how the logs were being maintained and how HUD was monitoring it. It doesn't change the match sources or the guidance so please go back to 9703 and look at that until the new notice comes out.

The new notice will be more about the management of -- and reporting and documentation of the match log. The other thing that I wanted to say about match was that there were a number of questions on this confusion over match, the federal fiscal year and not on the PJs program year. And just to say again, folks, that's not something HUD can control. The statute requires the match obligation to be determined based on the federal fiscal year as of September 30th.

So I know that it doesn't sync up with your other tracking and reporting but that's when HUD has to monitor it. We could spend another hour on the match questions that we got while you were talking Les but that's probably the main things to stress.

Les Warner: Absolutely. And I would just say, I think that the match notice itself is very user-friendly. And I wouldn't necessarily always say that about all of the HOME notices, but I -- it's -- it really walks you through by the source what the specific requirements are and I think that's something that I keep mentioning, pull that out, and use it each time as you were thinking about and trying to determine whether something is eligible, how you would calculate that, things about the timing on taking credit for that.

So just want to pull back up the webinar schedule as Monte mentioned in the beginning. We -- our next sessions, we're going to have next week a session on community housing development organizations, and then on the 20th -- on the 22nd, the oversight of partners and written agreements.

And then in the following week, we'll be launching into sessions related to specific eligible activities, and as Monte mentioned, we've got two tracks, the homeowner and the rental section. And we would suggest to folks that based on the types of projects that you were currently implementing or might in the future that you register and participate in those sessions.

Thanks everybody. I know this was a lot of information but I hope this was useful for folks and we'll be looking forward to joining us again next week.

(END)