



## Final Transcript

**HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Best Practice Lessons Learned from Financial & Administrative Reviews LHCA Conference Call**

September 20, 2016/2:00 p.m. EDT

### **SPEAKERS**

Robin Booth

### **PRESENTATION**

Moderator            Ladies and gentlemen, thank you for standing by and welcome to the Best Practice Lessons Learned from Financial and Administrative Reviews LHCA Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator instructions.] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Miss Robin Booth. Please go ahead.

Robin

Good afternoon, and welcome to the webinar: Best Practices Lessons Learned. Please note that if you have accessed it online and you need to call in, please call 1-800-707-9573 and the participant access code is 400983.

This audio is being recorded, this entire webinar and the playback number along with the PowerPoint and transcript will be available at HUD Exchange. Please note that we're now referencing the [www.hudexchange.info](http://www.hudexchange.info) link as opposed to just the hud.gov, so please go to this link to get the audio and the PowerPoint presentation.

You should have also received a PDF format of the presentation in advance if you had registered. An OHC Listserv will be sent out when the archives are posted so you will get acknowledgement and notification that the archives have posted. Your lines are muted during the presentation, and the handouts that were sent out prior to the webinar, they are consistent with what's in this presentation, so you can also use those as a point of reference.

You should be able to click on the documents, the document name and the download. You should see it in your control panel for this webinar and be able to click on the PDF file in order to see the handout.

Questions and comments: There may be polling questions and we'll respond to them. We currently have two individuals in place that'll respond to your questions if you enter them online during the broadcast. Throughout the broadcast, periodically, I may take intermittent questions and ask if there are some live questions, at which point we would ask you to hit star zero and then you'd be put in the question queue.

There will be discussion activities. At that time, the operator will give you instructions on how to ask a question or your comments, and then if you are going to have a live comment, your line will be unmuted so that everyone can hear your call. That's if we have any live questions. In addition, you still can ask questions through the chat feature on the webinar, and as indicated on the right of the screen, you should have questions. You can enter the questions and we do have staff available to respond to those questions.

If after the webinar you have questions, you can also send those questions to [counseling@hud.gov](mailto:counseling@hud.gov) and put this webinar topic in the subject line item, Best Practices Lessons Learned for LHCA.

During discussions, to the extent we have live discussions, if your lines aren't muted by the webinar, then we'll ask that you please keep your lines muted. This is critically important so we don't hear the feedback and other dialogue as a part of the webinar. Star six will also mute and unmute your phones if you're not sure how to mute your phones.

At the completion of the webinar, you will be asked to complete a brief survey. We really use that information to better schedule future trainings, to identify potential training needs and/or how we can enhance existing training and webinars to be more responsive to your needs, so we do ask that you please complete that survey, and we do use that feedback for future webinars and training.

Your certificate of training, you will receive a thank you for attending. Please consider that your certificate of training. You will not receive a separate attachment. We ask that you please save that, either print it or just save it in such a way that you can get access to it in the future to certify that you received this training, but you will not have it in any kind of separate attachment or separate communication.

At the conclusion, for housing counseling program information, grant information, trainings, counseling and a lot of other resources, please

make use of the HUD Exchange. There's a lot of information on the HUD Exchange that's updated daily if not weekly so that you can obtain information, not just about this webinar but other grant-related information, contacts and other resources.

However, once again, if you do have questions about this particular webinar, subsequent to the webinar we ask for you to please email those questions to [housing.counseling@hud.gov](mailto:housing.counseling@hud.gov) and indicate Best Practices Lessons Learned from Financial and Administrative Reviews in the subject line item.

So thanks for attending and we will now begin the webinar for lessons learned. For those of you that participated or subject to or received a financial and administrative review, we've incorporated some of the best practices that we identified during those reviews and included those in this particular webinar. For those of you that will be subject and have never participated in a review, we hope that you use this information to help you prepare and to be able to really be proactive in anticipation of being subject to a financial and administrative review.

My name is Robin Booth, I'm principal at Booth Management Consulting LLC. Our firm is the quality control and technical assistance contractor

for the Office of Housing Counseling, Comprehensive Housing Counseling Grant. So in addition to providing these webinars and facilitating these webinars, we are also the auditors that perform the financial and administrative reviews as well as action plans and prepare and provide technical assistance as requested through HUD.

So everything that we're talking about is based on our actual participation and facilitation of the various reviews and incorporating the comments and feedback as well, especially some of the best practices from local housing counseling agencies that participate in these reviews.

Note that this is for LHCAs. We had a separate training already for parents such as national intermediaries, MSOs, and state housing and finance authorities. So if your agency falls into one of those categories, you may want to go to the HUD Exchange and get that training presentation because there are areas that we address in that training for best practices and lessons learned that will not be addressed in this training.

This is geared towards LHCAs, so we will not be discussing anything relative to sub-grantee monitoring and oversight and other areas that are

specific to parent organizations. So that's just an FYI if in fact your organization falls into that category.

So first we'll go over lessons learned, and these lessons learned tend to be potential findings and observations. In addition to there just being issues of noncompliance, these are our most common findings and observations throughout our reviews. Yes, this is somewhat a transitional period because for all future grants, when I say future, for FY '16 and FY '17 forward, they will be subject to the Uniform Grant Guidance where there are some emerging and new issues that will need to be addressed as a part of the financial and administrative reviews.

So most of these lessons learned are applicable to the grants FY '15 and '16, but we are trying to incorporate what you can anticipate for financial and administrative reviews from this point forward. This series of financial and administrative reviews that we should be starting somewhere after October 1<sup>st</sup> we will still be reviewing the FY '15 to '16 grant, and those reviews will still be subject to the old OMB circulars. You will not be required to adhere to the Uniform Grant Guidance until we start reviews of the FY '16 to '17 grants.

So I just want you to know that these lessons learned and best practices still apply for the next round of financial and administrative reviews which will start somewhere in October 2016 through August 15<sup>th</sup>.

If your organization is selected, you will receive a notification from HUD in mid-to-late October notifying you that you will be subject to a financial and administrative review, and then at that time you'll start to receive communications from our firm, from our auditors scheduling and planning for those reviews. So you'll know by the end of October if your organization is subject to this round of reviews for the FY '15-'16 grant.

Now, a lot of the lessons learned, and these are our findings, pretty much these are our findings and observations. Failure to train new staff, it's inherent to a lot of non-profit organizations, especially LHCA's, where you have one or two things: You either have very small organizations where you have maybe one or two people that are handling most if not all of your financial requirements and your financial management; or you have organizations where there's change in personnel relative to who's responsible for this particular grant and then the financial and reporting requirement.



Within your organization you have to be able to ensure that that information or that knowledge is transferred to any new staff who become responsible for this grant and we see that a lot. With those changes in personnel, the new personnel aren't required to read the grant so they're not aware what the financial reporting requirements are, what they need to include in the quarterly report, how to properly bill under the program and things of that nature, which result in findings.

Secondly, for another finding, and this will be even more critical in subsequent grant years, not this particular round of financial and administrative reviews because we're still under the old OMB circulars. But internal controls, even if your organization is kind of a one-person shop who's handling all of the accounting and financial matters, then you need to ensure that there's some types of checks and balances, especially in your cash receipts, your cash disbursements, your payroll cash management, contracting, cost and program income areas.

So what that means is you may need to have your board members be a part of the authorization and approval. For instance, you might need to have a treasurer who signs the timesheets for an executive director who may be charging time to this particular HUD grant and that be a part of how the

authorization and approval happened, because your executive director can't sign their own timesheets and approve their own timesheets.

What we try to encourage is you to look at how to use existing resources, not to try to create this complex internal control environment but one where there are certain segregations. You have to segregate your authorization and your approval processes, so we try to encourage you to look at your organization and get an understanding of that.

Now, under the new Uniform Grant Guidance, they've taken it a step further and said that now you have to have an internal control more in line with what we call coastal principles which are the more comprehensive internal control requirements. That doesn't mean that all of a sudden you have to go and identify all these different people to do all these different functions, but what it does mean is that you have to have a documented internal control process that really is just minimizing the abuse or waste of fraudulent use of these grant dollars.

Budgeting: Some of our issues, inadequate budget assumptions or budget submissions. We strongly encourage you to make sure you're clear on when you submit that budget as a part of—after you've received your award notification and you now know how much funding you're going to

receive under this grant, and then you submit that budget as a part of your award package, you need to be real clear not just for HUD but also for you internally about how these dollars are supposed to be spent. What's the budget?

This gets into the change of personnel. A lot of times, when it's not clear what the budget assumptions are—I mean, the assumptions are just one or two sentences explaining what's included in that budgetary line item. That is critical even for you internally because if you do have change in personnel and they're just looking at budget line items, they may not realize, one, for instance, with labor that it has to be based on actual hours worked and not just averages or percentages or things of that nature.

They come in and they start to do the quarterly reporting and the request for reimbursement and say we're within the budgetary line item, but because they didn't have clear assumptions, they weren't clear that they should have been billing based on actual hours and what actual rate. That's why that's so important, not just on the HUD side but for you internally.

You have to monitor budget versus actuals. In the beginning of '15-'16 grant, there was an inclusion of additional requirement quarterly to track

actual expenses versus budgeted, so that should help you to make sure that you're spending within the budgetary line item.

This is not a grant that allows you to have flexibility between budgetary line items up to a certain percentage. This one requires you to spend consistent with what was the approved budget. So with that said, if you realize 90% through the grant that you're not going to use the \$500 you included for supplies, then you have to request in writing from your HUD POC prior written approval to then maybe move that money from supplies to something like labor or salaries or something like that where you know you're going to use the dollars—the theory being that because you have to do that as a part of your quarterly reporting, that should help you to better monitor your budget versus actual.

That gets to the third point. You have to submit budget modification. As I said, this grant does not give you flexibility up to a certain percentage to modify within line items. So that means you have to submit in writing to your HUD POC a written request for budget modification to reallocate dollars in between the budgetary line items. That leads directly to making sure you're communicating with your HUD POC about your budget versus actual activity so that one thing HUD doesn't want to have to do is

to recapture any funds because you didn't necessarily utilize all of the monies for the grant.

So if you're not sure, if you have questions, or like I said, maybe you included something like travel or supplies in your budget then realized that you're not going to incur them for this program, then communicate with your HUD POC, and you all can best agree to the proper budget modification that you still will have to submit in writing.

We also see, especially in organizations where maybe they do have a separate accounting and financial person, but there's not communication between the program areas, the ones that are actually performing the grant, and then the accounting and finance who are responsible for maintaining your financial information in a general ledger, in an account within the accounting system. It's important that their numbers match your numbers and what's being reimbursed, and those numbers match what's in the quarterly reporting, and they reconcile to what's in the general ledger.

When we come and do financial and administrator reviews, we're looking at your general ledger, and we're trying to tie them back to what you have reported in your quarterly reports in your request for reimbursement, so you need to communicate.

Another area is indirect cost. I think with this FY'16 and '17 grant submission, NOFA you were allowed to use a 10% de minimis rate; however, for the '15-'16 grant, you had to have negotiated indirect cost rates. So the issue here is making sure you're using the correct and negotiated indirect cost rate and what we call the base.

For those LHCA's that don't have a negotiated indirect cost rate agreement, this doesn't apply to you, but for those that do, you cannot round up or round up the rate. For instance, if your negotiated rate is 27.5%, you can't round it up to 28%. You can charge less than your negotiated rate, but you can't charge more than your negotiated rate.

And then you also have to make sure you're charging it against whatever was the approved base, and that would have been—in your negotiated indirect cost rate agreement, it tells you how you can charge it and what base you can charge it against. So you just really need to make sure that you know how to properly compute those indirect costs, and that goes back to communicating with accounting and finance if you're not sure.

They would have the background to be able to help you to make sure you're computing that correctly when you're preparing the budget and on a quarterly basis when you're requesting reimbursement.

We also see that sometimes an organization will have a negotiated indirect cost rate, but they'll still try to include some of those costs included in that rate as direct expenses in a separate budgetary line item. So you have to be cognizant, once again, if this applies to you, and you may need to talk to accounting or someone in the financial area who understands, have them review and approve how you're computing those rates so that you don't duplicate costs. That would really show up when you're preparing a budget. So that's what we've seen most in the indirect cost rate.

This is a cost reimbursement agreement. I know that in the beginning in the '15-'16 agreements, you could use a firm fixed billable rate. What that means, though, is that whatever that firm fixed amount is, it still has to be based on some kind of methodology that came up with what you anticipate the actual hours to be. That's still based on actual hours. Even if you're saying, based on these assumptions, this is how much this firm fixed price would be, your assumptions will still be based on actual hours that you've estimated that it takes to provide that service.

So you have to use actual hours, you have to use budgeted hourly rates, and these are the rates that you should have included in your assumptions when you submitted the budget and you were showing them what your salaries and wages would be. When you gave them those rates for labor costs or personnel costs, those are the rates that you should continue to use through the life of the grant.

We've seen where organizations try to fluctuate, for instance, their fringe benefit rate because it's reasonable that throughout the year your fringe rate does change, just because of how certain fringe costs are incurred; however, when you're doing these budgeted rates, you're supposed to actually budget them over a year taking into consideration the multiple fluctuations to come up with what that rate is. You should have taken that all into account when you computed that fringe rate. So throughout the life of the grant, we're expecting you to use the same hourly rates and the same fringe rate.

Indirect cost charge, it included excess amounts. So you did not properly compute your indirect costs, so then your indirect cost computations are wrong, and you're charging in excess of what's approved based on the actual computation of the indirect costs.



You don't have supporting documentation from—with personnel, of course, the biggest issue are timesheets, personal activity reporting, then having payroll registers, and we verified that the people received payment. But you have to maintain timesheets. You have to maintain activity reporting.

Yes, you will have some flexibility in your personal activity reporting for future grants because of the changes in the Uniform Grant Guidance, but you will always have to report activity. It's just how it's reported and the fact that it will not have to be a separate report. But you do have to have timesheets signed by the employees and then a supervisor. You do have to have certain policies and procedures, and when you don't have those things, that's considered inadequate supporting documentation.

With your request for reimbursement, that you're submitting them timely. You know cost reimbursements are supposed to be submitted on a quarterly basis consistent with your quarterly reporting, and you're supposed to be maintaining the system on the accrual basis for the grant. So we're looking for you to submit your cost reimbursements timely as well as your quarterly reporting because the grant is clear about when you can request cost reimbursement.

That leads right to quarterly reporting. This is probably our number one finding. They're filed late, which understanding that it states specifically in the grant agreement, especially beginning with the FY'15-'16 grant agreement, they tell you the exact dates of when everything is due. If you're not going to be able to submit the information by that date, then you need to request an extension from your HUD POC.

Based on my experience of the HUD POCs, they have no problem with approving extensions when requested timely and they understand the nature of the extension. It's up to you to make sure that you are requesting those extensions.

The quarterly reports are completed consistent with the requirements in the grant, and we'll look at that. The grant specifically says that certain information has to be on a quarterly report, and unfortunately, we see a lot of instances where you either don't include the quarter-to-date column, and you just include the cumulative-to-date in dollars because you have to do it in hours and dollars, or if it's not related to salaries or personnel, whatever the unit is and then in dollars, or you don't show a cumulative-to-date amount.

So it's clear that all that information is supposed to be reported, but because maybe you're using another format that you've used on another grant or this is what the person did before you, the reality is the grant is clear on what they're expecting to see in the quarterly report.

Throughout this grant, you have to file a zero activity report. You have to file a quarterly report every quarter unless and until you submit a final report. So even if you don't have activity one quarter, you still have to file a zero report because the government can't make an assumption that because you didn't send it, that meant there's no activity, especially if there's still funding under the grant.

So it's up to you to file a zero report, and pretty much you would just have no quarter-to-date activity, and your cumulative-to-date would be the same as it was the prior quarter. But until you submit a final report, you have to file a zero activity report, and then, of course, as I said, not completing the quarterly reports and filing them consistent with what's in the grant agreement relative to quarterly reporting.

For personal activity reporting, and part of this I will say does change beginning with the FY'16 to '17 grant where you had to maintain a separate report on a monthly basis. For the FY'15-'16 grant, we'll still be

looking for that, but for the FY'16 to '17 and all future grants, you'll no longer be required to maintain it on a monthly basis, but you'll still be required to maintain that information.

You can get technical assistance, and we can help—and we're actually updating the personal activity reporting guidance that's been out there for HUD to give more guidance on how you can comply with personal activity reporting, notwithstanding the fact that you no longer have to do it on a monthly basis.

Once again, though, however, for these reviews that we'll be performing for '15 and '16, you're still required to do it on a monthly basis. These activity reports, they have to be signed by an employee and supervisor, and then they have to show sufficient information for us to really determine if they meet the cost principles which are allowability, allocability and reasonableness.

Under the OMB circular, the Uniform Grant Guidance, there are certain cost principles that we're supposed to be ensuring that they're complying with, and in order to do that we have to have—it's not just enough to know that you charged these hours to the HUD grant on this day and this is the person who did it. We have to know what the activity was because

that's what we determine if that activity met the requirements. Was it allowable? Should you have been doing it under this grant? Maybe that activity should have been charged to another grant. So that's where the activity reporting becomes important.

With leverage funding, inadequate tracking and supporting documentation, when you included your leverage funding in your application and then HUD subsequently approved that application, then at that point when we come in and do the financial and administrative reviews, we're looking to make sure that you're complying with the requirements as it relates to leverage funding, and the requirements are that you have the process and procedures in place to track and then that you have adequate supporting documentation.

One of the things with supporting documentation is understanding what that could be, especially if you have volunteers and things of that nature. It may be some kind of statement that they signed that this was the value of the time that they spent to provide these services. A lot of times it's getting funding from other sources, so we'll use the notice of funding or notice of awards for other grants or other sources to add supporting documentation.

If you've represented to HUD that you're going to obtain this amount of leveraged funding to augment this program, we have to verify that in fact you did. That's why we need supporting documentation and that was allocable or those funds were used to help augment or supplement the HUD program, which is where we get into tracking.

Okay, so there are our primary, most common findings that we see repeatedly. And we really think that at this point, for the FY'15 and '16 grants, most of which you can't do anything about, except to be able to demonstrate that on a go-forward basis, you have fully incorporated all of the areas of compliance.

Let's talk about how you can do that. What are some of your best practices? I cannot emphasize and not just with the budget submission process but with the quarterly reporting and with the request for reimbursement, it is very important that the program area communicate with accounting.

Actually, accounting should be at least I would say reviewing and approving any financial information that you're submitting under this grant, whether it's the budget or the request for reimbursement. The belief is that they have the background and the experience and skillset to be able

to identify potential areas of concern or noncompliance. It doesn't take long to have someone in your accounting area or even if it's your external accountant, if you outsource and you ask them to take 15 minutes to review a budget. It's just that it's important that someone with the knowledge and background for accounting and financial matters approved that budget.

As a part of the budget submission process, I'm also strongly recommending that once your HUD POC approves the budget, one, that you somehow indicate on whatever the approved budget, whether it's a hard copy, you put approved budget and you put it in a permanent file with the actual grant agreement, or if you're maintaining it electronically somehow, in the file name, or somehow you otherwise indicate that this is the approved budget so that whomever, if there is a transition, if someone does get involved, they will know that this is the budget that you're working from, this was the approved budget. That's very important.

As a part of your quarterly reporting, a lot of these we're seeing less and less instances of noncompliance of budget for versus actual. Once again, have your accounting monitor it. Have your accountant take ten minutes to review your quarterly report before you submit it. They may look at it and point out some of the things that we indicate of the backend. It's

worth that 10 or 15 minutes for them to review that than to find yourself in a situation where you may be noncompliant because you're not spending the funds consistent with the approved budget.

Continue to communicate with HUD POC, whether it's requesting the prior approval, whether you're notifying HUD of any changes to your budget. Then, you have to make sure that all of your budget accounting, any financial things are properly signed by an authorized person. That's very, very important that it's signed. That's getting you more ready too for the compliance under the new Uniform Grant Guidance.

For these reviews, we wouldn't say that you were noncompliant if it wasn't signed because under the old OMB circular, that was not a requirement. Because this is a best practice, and because it has been included in your grant agreement for your FY '15-'16 grant agreement, so it would be a requirement. You have to make sure that the certain certification is signed by an authorized person. An authorized person would be somebody that's knowledgeable of the program and what was approved as far as financially for the program to use the funds for.

Best practices, for this indirect cost, make sure that you have the most recent information with your NICRA. Once again, that means you may



have to ask accounting. You may have to ask finance, someone in accounting/financial area, is this our most recent NICRA agreement? Did we negotiate an agreement I don't know about? Because if you've negotiated a NICRA with any government agency, then you can use those rates on the HUD grant. So you need to make sure you're communicating with accounting about whether there is an existing NICRA or any updates to the NICRA in the system.

Then, as a part of that have them verify with you how you're supposed to compute those indirect costs so that you can make sure you're computing them consistent with the NICRA agreement. As I said, you can use a lower rate, but you cannot use a higher rate with these NICRAs. So, because just the whole concept of indirect rates is somewhat more complicated, I really recommend that you just communicate with accounting on that. That's just the best practice.

It shouldn't take a lot of time. It's not an exhaustive process if you have an accountant who's knowledgeable of basic accounting principles to help you navigate through something like a NICRA because it is not that straightforward, and it does require more of an accounting background.

Time and attendance, it starts with your timesheets. One of the recommendations, best practices we've strongly recommended, it's on a subsequent slide, is to your existing timesheet just adding an activity code and then setting up activity codes consistent with your grant activity, whether it's talking about the different kinds of housing counseling and then maybe having admin for any kind of file management and things of that, but setting up an activity code so that the individual, when they're completing the timesheet, and they're saying, okay, I'm charging this to HUD, these hours and for this activity, then you're complying with the personal activity reporting. When that person signs their timesheets, they're also signing their personal activity.

That's been one of the, I guess, most well-received best practices that we've been able to really recommend for this whole personal activity reporting, where you're meeting the requirements, it's signed by everybody it needs to be signed to, and it's clear what activities are associated with the HUD grant.

The billing rate: During the budgeting process, that's where you're supposed to add one- or two-line assumption when it has to do with personal salaries or direct labor, anything like that. That is where you're saying what rates you're going to use. Now as a best practice, and we've

had this, well, we gave somebody a raise through the midterm of the grant. Can we increase our rate? No you can't. When you did your budget you should have projected that. You should have said.

Then if you didn't know it at the time, you could put it in your next budget, or you could potentially ask for a budget modification to increase the rate, but you can't just arbitrarily start charging that new rate because internally you all gave somebody a salary or maybe your fringe rate went up. If you weren't able to project that activity as a part of your budgeting process, then it becomes a request for modification.

Recognize that when we do the financial and administrative review, we're going to verify that the rates that you said that you're charging the government, the actual rates are in fact the rates that you're paying to the various individuals. So you just want to be clear on that.

The other thing with the fringe benefits, and this always becomes a topic of discussion, we'll get questions about what if somebody goes on maternity leave, but they're working on this HUD grant? How do we capture that? Well, part of what's included in fringe benefits should be what's called compensated leave. That's holidays. That's paid time off,

whatever is consistent with what your compensated leave is because under this grant you can only bill for hours worked.

So when you're computing your fringe benefits, you need to include in that projecting for that person, okay, how many days of leave do they get? We give them ten holidays. We give them 15 days of leave. Multiply that times their rate, and then at that point, you include that in their fringe benefits calculation. You include those costs. So although you can't bill on the actuals, as an actual hour you can't bill for that work, you've included those costs in your fringe benefits as an indirect. So that's how. But once again, that's why I strongly encourage anything that has to do with indirects, you need to talk to your accountants or someone knowledgeable so that you can make sure you're capturing all of your costs the right way.

That leads directly to what you put on your request for reimbursement or your invoice because, as I said, it's going to be based on actual hours worked and the rate that you negotiated as part of the budgeting process. So, you want to make sure when you're doing that budgeting process and looking at the rate, for instance, if you know that generally your performance reviews come up at a certain time and that's estimated you're going to give an increase, you should factor that in. Make sure, if you

factor that in, when we come and do the audit, that'll will be the actual rate that you're paying the individual. You can always pay them more. You can't pay them less. Their actual pay rate could be more than what you're billing the government, but it definitely can't be less. So, you just want to take that into consideration.

I will respond to a question really quick. I won't say who it's from. "Can you comment on how to report cost of contract workers that are paid on a per-client rather than a per-hour basis? Our contract counselors receive a per client reimbursement that includes all their time as well as supplies, telephone costs, postage, etc." First of all, you could take their rate, but you would have to break out the actual costs versus the supplies, telephone costs, and postage because you can't include them all in the same line item.

Now, I'm thinking that in your contract with your counselors it identifies which part of this is salaries, which part of this is supplies, which part of this is telephone, and what part is postage. That would mean that when you did your budget, if most of the staff, or the people performing the work are going to be contracted, instead of saying one contracted cost line item, you would have to show the hourly rate or the direct pay rate, the telephone, the postage, and all of those things.

Unfortunately you can't just combine all of those costs into a billable hourly rate because the rate should be based on actual work performed, and the supplies and the postage aren't work performed. They're different types of expenses. It could be consistent with what your agreement says with them, that they say part of this is the pay or the compensation, this is telephone, this is postage, then they will be your budgetary line items. You would de-bundle the contracted person's rate into those line items so ultimately they would still be being paid at the same rate. That's how you would have to do it under this program.

Time and attendance: I just talked about this, how we really use an activity code. These are just examples of activity codes. If you had a foreclosure kind of counseling, you might need to have separate activity codes for direct counseling because if you had an NFMC grant or another grant where you can't charge if that person is being billed under that grant, you can't bill them under this one. Then you want to make sure you have sufficient activity codes to be able to clearly differentiate those types of occurrences. If you don't, and you're pretty straightforward, you could use basic activity codes like direct counseling versus marketing and outreach, followup with client management, followup with client file management. Keep it really simple.

As I said, if you have other grants that have mitigating factors, you might need to break out the direct counseling into the different types of counseling. This is just a recommendation for really consolidating your time and personal activity reporting and really demystifying that and taking out what could appear to be a burden with having to do personal activity reporting.

With the quarterly reporting, read the grant. You have to read, and each time, don't just assume that the grant is always going to be the same. Make sure that, one, your accounting area, whomever's going to be working with you in accounting, they get a copy of the grant, and that the overall program manager gets a copy of the grant. Take a half an hour to read through the critical areas including the Article 11 of the grant agreement that deals specifically with the quarterly reporting.

Part of that too will help to facilitate exchange on how you have to do the reporting on that. That's where you would talk about the fact that if there's no activity you have to still submit a no activity report. You go over the due dates. Those due dates are clearly identified in the particular grant agreement. So if you use that, and you meet, and you read the grant agreement with those individuals that'll be involved, then at that point you

can hash out all these reporting requirements and get everybody on the same page.

We also strongly recommend that if you do have to submit amended or corrected quarterly report, please indicate that on the quarterly report somewhere in bold or in the file name so that when we come in maybe two years later and ask for quarterly reports, there may be change in personnel or whatever, you're ensuring that we're looking at the final report that was been submitted. So if you somehow identify that it's amended or corrected, then that means we're making sure we get the right report.

We also recommend that if you do get any kind of modifications or requests for extensions, keep that information in a permanent file along with the grant agreement documents or in your quarterly reporting file. People make the mistake to say, oh, I did it in an email. Well, remember, we may not come for review until two years after that period of performance for that grant. It may be somebody totally different that's working on the grant.

So, if the request for extension was in an email, the probability of being able to go back into your email traffic and find it is little to none; however,



if you had saved that email along with the quarterly report or if you keep a hard copy of your quarterly report and stuck that email there, that information would be readily available. So that's just another best practice for you to keep in mind.

I just said all of this. I'm sorry. Monitor the reimbursement to date. Reconcile quarterly reports. Every quarter, before you submit your request for reimbursement, you should be reconciling the quarterly reports to your request for payment to the approved budget. That should just be a part of your reconciliation. Once again, this may be where you have accounting people that get involved and they help you with that. You should make sure all those tie in, because they should.

If you had to go back a prior quarter and make changes, then you want to make sure you're capturing that in a cumulative-to-date. You should have some kind of review process that forces you to reconcile the key financial data, the quarterly report to the request for reimbursement to the approved budget.

You should know before the last day of the quarter, the due date for that quarter, if you're going to need an extension. Once again, all of those extensions, make sure you're keeping them along with that quarterly

report so that you can easily obtain that information when requested at a much later date.

This is actually from the '16-'17 grant agreement. Actually, it's the same for the '15-'16. This is out of Article 11 that has to deal with reporting. This is the information that should be on each of your quarterly reports. Note that item number seven requires certification. That certification should be affixed to any financial reports, your budgets, your request for reimbursements, your quarterly financials. That should be signed and dated by an authorized individual.

Once again, this is the requirements that are specifically stated in your grant agreement. Recognize, too, that other grants, even federal grants, may have different requirements. So please don't take a cookie-cutter approach and say, oh, this is how we do our reporting for this grant, so we'll automatically do that for the HUD grant. Read this section, and just give them the information that they ask for.

With the reimbursements, you want to make sure they're in compliance with the grant agreement. I just indicated establish a review process. You want to reconcile them to the quarterly reports and to your budget so that everything ties out.

Then, you may even want to have a template that you have set up for doing your request for reimbursement because it may be that you have accounting people that'll work with you. Realistically a lot of your requests for reimbursement should be coming from accounting because they're supposed to be posting the transactions to the general ledger on the accrual basis of accounting. So if anybody should know what your payroll costs are or what those costs, it should be accounting. That's where the reconciliation and communication becomes critically important.

Finally, things to remember—read, read, read. Read the grant agreement. Read the active grant agreement. Don't assume the grant agreement stays the same. Make sure anybody that ultimately becomes involved with the grant, that they too are mandated to read the grant agreement to make sure they understand.

You want to share it. Bring your accounting department in it. Share information with them. Ideally the information should be coming from them especially to do your quarterly reports and your requests for reimbursement. In a worst-case scenario, if you're providing that information to them, you should be giving that to them before you submit it to HUD or any third party so that they can verify the accuracy,

especially with something like computing your indirect costs if you have a NICRA or something like that.

When possible, you want to standardize as much as you can. I can't tell you the number of times we've seen with change of personnel where somebody will come in and because maybe it wasn't a standard way established, they'll just do it their own way which oftentimes isn't the way consistent with the grant agreement or it just may be based on their prior experience. So they're trying to get it done. They're doing it based on their knowledge and their prior experience. The problem with that is that may not be consistent with what's required under the grant.

When you can, you might want to have the quarterly report template already set up and say this is our HUD grant. We checked with accounting. We came up with this template. This is the information that you have to fill in. This is what accounting has to fill in. This is what we'll be submitting, so that they don't come in and try to recreate the wheel or do it based on their prior experience.

Finally, please communicate with your HUD POC. They are a resource. You can call them. You can email them, but I would encourage you to be proactive in your communications and not reactive. A lot of what's

required under this program can be easily hashed out by a quick email or a telephone call. So please make sure that you utilize your HUD POCs as a resource, especially if you have any questions about the financial requirements for this grant.

At this point, any questions that you have, you can send those questions to [housing.counseling@hud.gov](mailto:housing.counseling@hud.gov). Put in your subject line item Best Practices Lessons Learned. I don't see any new questions. I looked in the queue. Yes, I don't see any new questions in the queue.

At this point, we're close to 3:00, so I won't take any new questions. As I said, please feel free to send any questions you have to [housing.counseling@hud.gov](mailto:housing.counseling@hud.gov), and they'll be sure that they're routed to the correct individual so you can get a timely response. I thank you all for your time today and look forward to working with the organization in the very near future.

Moderator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive TeleConference. You may now disconnect.