



Final Transcript

HUD-US DEPT OF HOUSING AND URBAN DEVELOPMENT: Grant Financial Reporting

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SPEAKERS

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PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the call Understanding Financial Management Systems. For the conference, all the lines are in a listen-only mode. As a reminder, today's call is being recorded.

I'll turn the call over to your host, Miss Robin Booth. Please go ahead.

Robin Good afternoon, and welcome to the webinar sponsored by the United States Department of Housing and Urban Development Office of Housing

Counseling. Today, the topic is Understanding Financial Management Systems.

You did have a conference call number, but you could have also received a PIN when you logged in because you can use your audio to listen to this presentation. The audio is being recorded. A playback number and all the materials, presentations, and a transcript will be available on HUD Exchange usually in two to three business days. As the moderator said, your lines have been muted and we will not be taking live questions today.

Handouts were sent to you by the webinar. If you registered, you received the handouts. If you did not register, then these handouts will be made available to you on the HUD Exchange, so you can retrieve these at a later date on the HUD Exchange. If you did register, on your control panel, there will be a PDF file. In that PDF file, you will be able to download these presentation materials.

In about one to two business days, you'll receive a thank you email. This is actually your certificate. It will not be an attachment. The body of the email will in fact represent your certificate. So, please make sure you keep that for your records.

As it relates to questions, due to the number of participants, we will not be taking live questions; however, you do have two additional alternatives for questions. One is you can ask a question via the chat box on your control panel. On your control panel, you'll see a box that says questions. If in fact you have questions, we do have staff on standby that will be responding to the questions during the webinar.

If in fact we cannot answer a question, we will let you know and we'll respectfully request that you submit that question through the second option which is the email address housing.counseling@hud.gov and that you please put the Understanding Financial Management Systems in the subject line item. If we're unable to answer any of your questions because we have to do additional research, or for whatever reasons, we will ask you to send that question to that so it can be distributed for a response.

We do want to note that we can only respond to, and accept, questions for stakeholders or participants of the Office of Housing Counseling with the Comprehensive Housing Counseling Grant Programs. If in fact you're with another HUD Grant or another program, we will not be able to respond to your questions if submitted to housing.counseling@hud.gov.

Only questions submitted by HUD OHC grant stakeholders, or HUD point of contacts, or other HUD personnel involved with the Comprehensive Housing Counseling Grant Program can be responded to via this particular webinar.

At the end of this webinar, you will get a survey. In the survey, it will ask you to complete, I think, five or six questions and for your feedback. We really appreciate any feedback you can provide because we use that information to better plan, and to come up with training topics, or just to enhance or improve on our existing training. For instance, this particular topic was a result of some requests and some feedback from surveys. So, we'd appreciate if you'd take that one or two minutes to fill out the survey and provide any feedback.

We'll move forward with our presentation on Understanding Financial Management Systems. My name is Robin Booth. My company, Booth Management Consulting, is the quality and technical audit firm for the Office of Housing Counseling Comprehensive Housing Counseling Grant Program.

Some of you, if you have a grant or you participated, we may have provided other services such as technical assistance or conducted action plans or financial administrative reviews and one-on-one training and/or financial analysis. Those services we provide under contract with the Office of Housing Counseling for the Comprehensive Housing Counseling Grant.

This topic today is one of the emerging topics we've seen as far as federal agencies and grant awards, primarily because there's always been an emphasis on accounting systems or financial management systems as they are referred to on the grant side. On the contract side, there's always been an emphasis on accounting systems because these are the systems that are being used to accumulate and build and charge costs to federal awards.

Under the new Uniform Guidance, as you all should be familiar with at this point, the revised 2 CFR part 200, the Uniform Guidance, there's even more emphasis on having acceptable and adequate financial management systems. So, today our primary goal is to give you a clear understanding of what that means. For some of you who have actual Comprehensive Housing Counseling Grants, you had to self-certify in the last grant execution that you had an adequate and acceptable financial management

system. To that extent, we want you to be clear on what you've certified to, and what's required under the Uniform Guidance.

So, we want to give you a clear definition. We want you to understand the regulatory requirements associated with this, what are the components of a financial management system, which we'll refer to as FMS through this, because it's not just your accounting software. There's other components that have to meet a certain criteria for it to be considered adequate as a financial management system.

We also want to share with you some best practices, not just things we've seen with HUD but with other agencies where we've done similar work relative to financial management systems and then give you some options and solutions for how you can get assistance, if you qualify and if you're eligible, through the Office of Housing Counseling relative to the Comprehensive Housing Counseling Grant. As I stated we will not be taking live questions, but at the end, we will remind you of how you can submit questions subsequent to this webinar.

What is a financial management system? Under the Uniform Guidance, section 200.302, in addition, notice it says addition, states, and other non-

federal entities financial management systems including records, documenting compliance that has to do with statutes, terms, and conditions of the federal awards, it must be sufficient to permit the preparation of reports required. You have to be able to trace funds to a level of expenditures and adequate to establish that the monies were spent on that federal statute and that federal award. So, that's the broad definition.

If you were to go read the Uniform Guidance, if you are a non-profit organization, when it says in that non-federal entity we'll be talking about you. If you're a state and local, it's talking about you in this as well. So, this is the broad definition. How do we break that down to one, to be layman's terms, and two, to be applicable to your organization?

In that same section of the Uniform Guidance, it goes on to say that this system must provide for the following: identification of federal awards, accurate, current, and complete financial disclosure, grant award records, then it talks about the internal controls that have to be there. You have to have budget versus actual reporting, written procedures, and then written procedures for the term of allowability of cost. So, that's what the requirements are under the Uniform Guidance.

Part of what we're going to go over is how do you meet this requirement? What do I need in my financial management system to ensure I'm meeting these requirements under the Uniform Guidance? Because, recognize that like any process, self-certification, if you certify to anything, all of it's subject to review or audit to verify that you accurately and truthfully certified. So, it is not uncommon for there to be a financial management system review of a grant award.

You may not have seen it under this particular grant, but if you have federal awards, depending on the size, it is very common and a lot of times, it's a part of the grant award process. Under the Uniform Guidance, since there's so much more emphasis on internal controls and on those kinds of things, there's been an emerging push to look at financial management systems for grantees to make sure they are in fact compliant and meet the requirements.

Another point of reference, though, and this would help you on federal acquisition regulations which are the regulations that drive the selling of goods and services for contracts, not grants, but a lot of times, what's in the Uniform Guidance and what's in the FAR, especially things like

financial management systems, cost principles, they mirror each other. While they're not the exact same, as I said, they mirror each other and there's some synergy there. If you wanted to get an even further understanding of financial management systems, a lot of times federal agencies, even in a grant document, they'll put this definition as opposed to what's under the Uniform Guidance because I think this is a much cleaner and much more concise definition of this accounting system, which is your financial management system.

Here it talks about your system needs to be a system for accounting methods, procedures, controls. It has to discuss how you gather, record, and classify. Then it needs to be consistent with the applicable laws and regulation, and include sub-systems like your indirect, and other direct costs, and your compensation which is your payroll, and general information technology.

What happened in the Uniform Guidance is a lot of times the Uniform Guidance will piggy back off of what's in FAR, and in this instance, this definition I think it's more detailed and more concise than the definition under the Uniform Guidance. What you will see is, if in fact this may be not even your HUD grant but other grants, if there's any kind of financial

management system audits or reviews, they're going to use the standards that have been established under FAR to determine if your system is compliant.

So, what is a compliant system? There's ten things, going left to right, that really define your system's criteria. If you want to know if you have an effective management system, these are the ten things you need to look at: your regulatory requirements; your accounting system itself, when I say accounting, that's your general ledger system; your written policies and procedures, that's a part of an effective management system; documentation of expenses, that's a part of your system; compliance with cost principles. Does your system clearly segregate costs that are unallowable? Is it compliant with cost principles to the extent that costs are only charged that meet the allowability, allocability, reasonableness, and consistency tests?

Do you have budgetary controls within your financial management system, either in your actual accounting system or what are your budgetary controls to ensure you stay within budget? Your time and activity documentation, which we all know is a key component, because most of these grants, the personnel costs are most of the cost associated

with it. Your leverage funds, how you're tracking and recording your leverage funds in your accounting system. All these things lead to your reporting and ultimately your internal control.

For the rest of this webinar, we're going to go over each one of these areas in a little bit more specific detail and you can look at your system and say, do I have these things within my system. I may have certified that I have an effective management system, but do I have all of these components within my financial management system?

Needless to say, everything is driven from regulatory requirements. We wouldn't, however, not ask you to do anything other than what was required per the regulations. This gives you those regulatory guidance that you can refer back to that drives and are the basis for this FMS requirement, starting with of course the Code of Federal Regulation, and then on through understanding general accepted accounting principles and general accepted government auditing standards.

One of the things I want to say early is that as you can see, there is a certain level of knowledge that you need to have of accounting, and so if internally maybe due to the size of your organization, or your don't have

that accounting expertise, it is critical that somewhere along the line that your financial management system there's an accountant involved and not just the configuration or the setup, but in the ongoing maintenance and ongoing review, and oversight and monitoring of your financial management system. These are the regulatory requirements.

The first component, if you recall, was efficient accounting system. What does that mean? That means you need to have a general ledger based accounting system where you're entering original transactions that ultimately can be compiled and accumulated and then reported out by grant, by fiscal period, and by the budgetary line items. A lot of times what happens is you should have what's called your chart of accounts, where your chart of accounts are those accounts that drive your financial management systems.

They're your types of support that you receive, your type of expenses that you incur, whether they're direct or indirect expenses. We strongly recommend that your chart of accounts be numbered; that they're not just names, for instance, donations; or on the expense side, office expense. That's because a lot of times that increases errors because somebody

might put in a certain name and it'll pull up a wrong account as opposed to having account numbers which drive your chart of accounts.

Then, in your system, you should segregate direct and indirect expenses. Any direct expense should be somehow, within your system, you should be able to set up an account or a job or a project, or a grant, or a funding, whatever terminology best fits your accounting system. You should be able to set one up for each of your grants separately. You don't combine all your HUD grants into one account.

For each time you have a grant award, then you have to be able to account for them separately in your accounting system. So that means you need to somehow set them up as a customer, or a job, or a list. As you are charging costs or incurring costs, if it's a direct expense like labor you have to be able to charge those dollars in your accounting system to that particular HUD grant within that grant accounting period. What happens is, under this effective accounting system, that's called segregating your direct and indirect expenses.

In your chart of accounts, we should be clear on what are your direct expenses, and then we should be clear on what are your indirect expenses.

This becomes too important for some of you that have NICRAs, or negotiated indirect cost rate agreements, I'm sure your systems are already compliant. For smaller organizations, especially some of you who've also elected the 10% de minimis rate, it's critical that your accounting system clearly shows what you're considering your direct costs versus your indirect costs, because if you remember, even if you elect the 10% de minimis rate, you elected to charge it against your modified total direct cost. So, if in your accounting system, we can't clearly see that these are your direct costs, it's no way to verify that you multiplied that 10% by the correct base or the group of costs. You're supposed to have your costs segregated in your financial management system.

Unallowable costs need to be segregated. I think on the next slide we talk about it, but if you go to subpart E of the Uniform Guidance, clearly there's a certain cost element where you need to read to understand what's expressly unallowable. There's certain costs within the Uniform Guidance that says that no matter what, you cannot charge these types of costs to your grant. In your financial management system, you're supposed to have a way to segregate those pools of costs so it's clear that you're not charging them as direct and you're not charging them as indirect.

As I said, you're supposed to have an account for each award. You're supposed to identify those direct expenses to each award. You're supposed to be able to identify not just to the award itself, but consistent with whatever budgetary line items that you have that you submitted with your budget. That's when you may need to do a crosswalk for instance.

Let's say you call something on your budget personnel expenses but when we go look at your chart of accounts it says salary. Well, that's where it's your responsibility to do almost a crosswalk and say, oh this budgetary line item called personnel is crosswalked or matched to this chart of accounts X, Y, and Z called salary. So, that way, when you're doing your reporting, it becomes clear that not only did I charge it to the right account or grant period, but I also charged it consistent with my approved budgetary line item.

Sometimes in the planning and the budgeting, or all the time, you should be able to match up your budgetary line items to what you have in your chart of accounts. That, too, once again leads back to communication with accounting to make sure you understand the chart of accounts if in fact you're preparing your own budget. Ideally, accounting should be preparing the budget and they would have done that kind of analysis and

mapping so that when it's time for reporting and they're generating a report for you by grant, you're clear that those line items on that chart of accounts tie into or match to your budgetary line items.

Leverage funds, there should be some kind of revenue account or support account showing leverage funds coming in and then a corresponding expense account showing how you use those leverage funds. That was one of the most common findings on financial and administrative reviews because you're not quite sure how to treat it in your accounting system. This is one of the key elements of having an efficient accounting system.

Written policies and procedures. These are some of the key areas where you need written policies and procedures and that is because written policies and procedures, one, yes, they're required under the FMS system, but they're also important for strong internal control. It is widely known that if it's not documented, and disseminated, and communicated to the rest of the staff, that often times it won't happen.

So, when you have written policies and procedures and you're clear that you've communicated them and distributed them to the correct people, then it lowers your risk that you're going to have fraud, waste, and abuse

because people are not following certain policies, or don't know that there's policies and procedures. And that provides protection because within these policies and procedures and the controls, there's more authorization, and review, and approve, and oversight, and monitoring.

So, just from understanding at a minimum you should have these written policies and procedures associated with your financial management system. A lot of these you already had because they were required if you've had a financial and administrative review, or we've assisted with an action plan we've already discussed. Some of them are very specific to the written policies and procedures for FMS more so like the basis of accounting; that's how you're budgeting on the system. But the rest of these a lot of times we ask for them as a part of financial and administrative reviews and they're just doing an assessment of your organization via an action plan.

You must have documentation of expenses. Even if you have the perfect accounting system and you have your chart of accounts set up and you've matched to your budgetary line items, if you don't have support or supporting documentation for those costs that you are charging, if audited or reviewed, they will be determined to be questioned and unallowable.

So, in your accounting system, and this is also part of your documentation, as a part of it you should be clear, and this should be communicated so anybody that has any interaction with your financial management system knows that for their costs they need documentation. For instance, travel, that could include expense reports. You need training. You need agendas, and programs, the purpose, and date.

As it says in your grant agreement, you have to make these documentation available to HUD if requested. Because it's a cost reimbursement, they must be based on actual expenses. We won't be looking at any estimates or projections; that's not acceptable supporting documentation. It should be based on actual. It must be still consistent with the retention requirement in section 200.333 of the Uniform Guidance. If you're not familiar with that, make sure you look at that section of the guidance, too, relative to record retention.

It has to comply with cost principles and subpart E of the Uniform Guidance. If you participated in other trainings where we talked about the concept of cost being allowable, reasonable, allocable, necessary, consistently treated, that is all a part of how you're managing your financial management system. That directly corresponds to your cost

policies which are your written policies and procedures that are required so that you're documenting how do you make this.

How do you ensure that what's being put in your accounting system meets these principles? What's reasonable? What's allocable? What's necessary and consistently treated? Then, once again, do we have the segregated unallowable costs? Under section subpart E 200.420, that's the list of costs that you want to review to see what is considered expressly unallowable under the Uniform Guidance.

The other areas, your grant agreement, may allow or unallow costs, so you have to make sure when you're looking at unallowable costs, your first line of defense, you're going to look at what's on the Uniform Guidance in this section. Then, you're going to look at your agreement to make sure they don't have any additional information or insight on the grant agreement. Then, once again, it's very important that your cost policies and procedures are clearly documented as a part of your financial management system policy and procedures.

Budgetary controls, and remember these are still components of your financial management system. As you can see, it's far more than just what

are you doing as far as your accounting software. It gets into all of these elements of your system and this is still under your FMS requirement.

Under your budget controls, how do you monitor actual versus budget?
How do you track by grant year? Do you have explanation of variances?
How do you deal with procedures for budget modification? These are all things that are in your policies and procedures as well. Then, when you're preparing your budget, are you assuring that it's consistent with your cost principles for being allowable, reasonable, and necessary? So, you're supposed to have budgetary controls.

Time and activity documentation, once again, still talking about your FMS requirements, this a lot of you, if you've been working with the grant over the years, you should have in place from timesheets to time/activity reporting whether it's a part of your timesheet or a separate document you used to report. Same rules apply. That timekeeping process, that timekeeping procedure, that's all a part of your financial management system requirement.

Leverage funds. One, you have to have documentation and as I said, a lot of you, your financial management reviews, you've had to have policies

and procedures that we've talked to you or you've been shown how you're supposed to treat leverage funds or we've had discussions on how do you treat leverage funds coming in and leverage funds going out. Well, that's a part of your financial management system and it should be reflected in your general ledger. So, how do you do that in your general ledger?

You should clearly identify your procedures and it should be clear in your general ledger and we should see those leverage funds charged to the particular grant not just in total. They should be charged to that particular grant. If you are using leverage funding for multiple grants, and let's say you have one source that may be an unrestricted donation you're getting for \$100,000, and you want to use \$10,000 of that as leverage funds for the HUD grant and you're going to use \$90,000 for another grant. Then, in your accounting system, you should be able to clearly show the allocation and the charging of \$10,000 to the HUD grant and \$90,000 to the other grant, and then the corresponding expenses that come out with those leverage funds.

Reporting, everything is policies and procedure driven but accrual basis of accounting, except there can be exceptions for cash and modified cash for

generally accepted accounting principles. The Uniform Guidance strongly recommends accrual basis of accounting.

Can you generate the basic financial statements from your accounting system? For instance, some of you use commercial off-the-shelf QuickBooks and some other commercial software. Well, that's fine, and they're generally not going to have financial statements named consistent with what's done for non-profits. For instance, if you have QuickBooks, can you generate a balance sheet and a [indiscernible] for your grant from your system? If you're charging costs the way that we've discussed, you should be able to.

Do you have a general ledger and trial balance just for that particular grant by the grant year? Do you have the budgetary line item but can you identify it? Like I said, you may have to map what's in your chart of accounts may be called X to what you call Y in your budget, but you can clearly show that what's in your budget corresponds to this particular accounting in general ledger. You should be able to do that.

We should see your leverage funding; it should be a part of your general ledger. We should actually see it coming in and see it going out. Timely

posting, unfortunately a lot of you depend on an accountant to come in at yearend. They enter all your transactions primarily if you're a non-profit, to complete your Form 990, or whatever are the reporting requirements.

Well, that's not considered timely.

There should be a monthly posting. It really should be consistent especially when you're requesting reimbursement funds quarterly with this particular grant, but it really should be monthly. There should be a monthly closing process that you can get information from your accounting system.

Everything's not from an Excel that you're manually going back, but you've been maintaining an accounting system that can provide this kind of information and you're reviewing and reconciling reports. You can print a report of your activity for a grant and then compare it to what you have in the budget. Even if you don't have the budget information in your accounting software, it's easy for you to meet the budget requirements because you can print a report and then compare it to your budget.

Internal controls which are written policies and procedures, a lot of discussion on internal controls, actually that'll be another new training

area that we cover. Some of the key areas that you need to make sure you have controls in, first and foremost, personnel and fringe benefits but especially for this grant, that's generally the largest budgetary request or budgetary line item for travel, supplies, grant management receipts, so a lot of the areas that we discussed in your financial management system. If you're developing written policies and procedures, it just makes sense to have in there written internal controls.

When we say internal controls, it's discussing things like all your transactions should be authorized, and approved, and recorded, and in compliance with program objectives. So, your internal controls will talk about making sure things like are functions adequately segregated so you don't have the same person opening the mail, taking the check, posting it to your accounting system. There's no controls there so that same person, there's a potential there, opportunity there for them to mismanage fund.

Those types of things should be embedded and inherent in your accounting policies and procedures which should include your internal controls. More importantly, though, these controls have to be communicated to employees, board directors, grantors. It has to be clear

that you have these internal controls in place. This once again is still yet a component of your financial management system.

So, as you can see, your financial management system itself is not just your accounting software. It's all of these other scenarios that we've discussed and your ability to ensure that you have those things in place. As I said, a lot of you, primarily because of the award amount and OHC's efforts to minimize the administrative burden, you are allowed to self-certify that you had all of this in place. If in fact you don't have some of these things in place, it's clear now what you need to have in place to have a fully compliant financial management system and you can work towards getting that in place in a timely manner.

Some best practices for each of the areas that we talked about, as far as the ten areas, we're going to give you some best practices starting with efficient accounting system. Keep it simple. We're not suggesting you go get some complicated non-profit or software that nobody knows how to use. Keep it simple. As I said, it's important that you have someone with the accounting expertise and knowledge to assist you in configuring, and maintaining, and monitoring your system.

Look at your chart of accounts periodically and make sure that it's up to speed with the types of expenses or the types of support that your organization is receiving. Chart of accounts can get outdated. What happens is people will come in, and they're not sure where it fits, so they'll just put it in an existing account and it may not belong in that particular account or worse yet, you don't have controls in place to create a chart of accounts.

You'll have individuals come in and they'll create different account numbers because they're not sure where to put something. From a generally accepted accounting principle, then you're not meeting the requirement that it be consistent and uniform. That's where the accounting experience and expertise and looking at your chart of accounts comes in hand.

If you're using for-profit accounting software, i.e. QuickBooks, which not just grantees but contractors use, you want to work with an accountant to make sure it's designed for the grantor reporting and get the kind of training to tell you how do I set this up. How do I set up each grant as a different job, or a customer? How do I charge the costs and when I'm doing my accounting make sure I'm properly segregating direct, and

indirect, and allowable, and unallowable costs? How do I do that? That's what that consultant can help you with.

You need to make sure you're trained and knowledgeable. It's one thing to have somebody come configure something for you but if you're not trained on how to maintain it, that's not just your accounting system, that's your procedures, that's your internal controls. It's one thing to have somebody write them for you. It's another thing to put them in practice and then make sure that they're being implemented correctly and consistently throughout.

Policies and procedures, they should be consistent with regulatory requirements. I always say that your regulatory requirements, that is really the policy, what your procedures are, or how you're going to comply with that policy. What are you going to do to comply with that policy requirement?

They should be approved by board of directors and reviewed every two to three years. That's yet another good management that you're reviewing your written policies and procedures. Make sure they're still up to date.

There could be regulatory changes, changes within your organization, so they should be reviewed and approved by your board.

Ongoing training, you can make it consistent with your review process.

You could make actually reviewing your policies and procedures a training exercise for your management and other staff. Once that's finished, you're then distributing all of these new policies and procedures to the relevant stakeholders like your program manager.

Supporting documentation, you can maintain it in electronic and/or hard copy. There's been in addition to the paper reduction act, from an accounting perspective, there's been an acceptance of electronic information, but you need to maintain electronic or hard copy. People in your organization need to be familiar with the record retention policy.

For instance, those that are traveling, they need to make sure that they're maintaining their travel documentation consistent with the policy, although in accounting you should have it yourself. That's just an example of why it's important to make sure throughout the organization they're aware of some key accounting related, or financial management system related policies, like record retention.

Archiving records for easy retrieval. One of the most common things that we hear that, oh we archived it off-site and it's going to take two months to get to it. Just make sure that you really should only keep one to two years on-site, but understanding the record retention policy required for grants, if you're going to archive, please have a system in place where it's easy to retrieve. And if you're going to destroy because the record retention period has expired, then please make sure you have written procedures to talk about how do you destroy records, how is that determination made.

Hard copy documents, we're getting into safeguarding of assets. They should be in fireproof file cabinets. They should not be laying around on desks. They should not be in wooden desks. They should be safely stored in fireproof file cabinets so if there's a fire, you can't really do anything about floods, but you're protecting your records. If it's electronically you're keeping your records, then you should have a backup system, preferably remote, so that if something happens to your server or your IP that you still have access to those records.

Ideally, you want to centralize the location of documents, especially from accounting. It is not uncommon for an auditor or someone to come look at your system two to three years after the fact. Well, if you've kept your information in emails or did travel clerk [ph], she kept travel payroll clerk, they kept payroll, and you're going to have to go to people's locations or desks to find the files and that makes it very difficult especially when you're getting to the archival. So you want to centralize the location of your documentation.

If you're using emails, you have to save the emails. We don't recommend that because a lot of times we'll hear, well they approved that in an email. Well, now you have to go find the email. If you had a travel or something and had to be approved, and we're doing a review, and we're looking at [audio disruption] approved, you have to go try to find an email from two and a half years ago off of somebody else's system, that's difficult.

If in fact you had maintained the files together, centralized, and ensured that all the supporting documentation for each transaction was in a file whether it was electronic or hard copy, if that included the approval email, it should have been either saved and put in that file or printed and put in a

hard copy file. Going back and trying to access emails from two to three years ago from somebody's system is very difficult if not impossible.

You want to train staff. They need to know what's considered documentation because they're an integral part of that process. It's more than whether they're just doing it for payroll or for travel, it's because of your requirement under federal regulation.

For compliance, some things to do, you have to communicate unallowable costs to employees for members and sub-grantees. That's what a policy and procedure will do. They'll know that, it's board members as well, these costs we can't request reimbursement for. Also they can't be included in our indirect cost, so where they have to be treated and allocated separately.

You need to know travel which is another, and timekeeping, what's unallowable costs that for timekeeping if the activity was unallowable, then the time associated with that activity was unallowable. Those kinds of things, training needs to happen. You need to review each grant. Make sure you look at the grant to look at if they have any costs that are allowable or unallowable in the particular grant agreement.

Budget controls, work with accounting. I can't say that enough. You want a budget that when it's time to get the actual reporting, accounting is already familiar with it so they can easily generate the information you need to do that budget, versus actual reporting that's required of your grant agreement. That should be a matter of clicking a button because you've communicated with accounting and they've given you the crosswalk from chart of accounts so they know that you have this budgetary line item on your budget, and that corresponds to this account in our chart of accounts so we can generate reports with those accounts, which is the next bullet about cross references.

We want to make sure accounting gets a copy of the approved budget, what was the finally approved budget, and that's from the final approved grant execution package. That is a very important document and needs to be shared with accounting. It should be shared with the program manager [ph]. It should be maintained in the grant-related file. They should have a copy of that.

Each month, even though your request for reimbursements are quarterly, you have quarterly reporting requirements, you should take a look at the

activity each month so that you don't find yourself in possible overruns where you need budget modification by the time you get to that quarter. If you set your accounting system up right, your general ledger system, that would just be a matter of pressing a button or requesting a report that should be easily to generate just to make sure you're in line with your budget.

Then, if you need a budget modification, you want to work with accounting even before you submit it. Some modifications are because you realize you're not going to expend a certain budgetary line item, so you start trying to figure out how to plug it. Well, it may be more advantageous to meet with accounting because they may be aware of some direct costs that they're expending for your program that you're not because you're only looking at the costs that you're dealing with.

It's important once again to meet with accounting. Then, of course, you have to submit a written request for any budget modifications and you want to be proactive in that and not reactive and submit them prior to any budget overrun.

Time and activity, this goes without saying. One of the big things is you want to give written notification to individuals working on a grant that this is the grant, this is how you're going to charge it on your timesheet. This is the grant code, or the charging code, or the project code, or whatever you call it. This is the code to charge to this grant. These are the kinds of activities, because I have activity codes, so these are the activities you can charge this grant so that they're clear on how to charge it and what activities to charge.

Then, you may want to consider completing your timesheets more frequently, if not daily but maybe weekly. Sometimes you wait and you have them complete timesheets either monthly or when it's time for the quarterly reporting and you can lose a lot of information just by way of not remembering what you did on what day over a 90-day time period if it were quarterly. Then, every two to three years, you need refresher training with employees on timekeeping, and potential civil issues on the importance of it, and their responsibilities associated with timekeeping.

Leverage funds, you have to get some written documentation with the value. You want to have that in place and then make sure that becomes the document that you use to either give to accounting for them to make

the journal entry, or to support your leverage funds. Once again, we want to confer with accounting in the proper treatment of those leverage funds. What's the account it'll go in as far as for support and what expenses is it going to come out of as far as how the leverage funds were used?

Supporting documentation, you want to review that grant agreement for accounting reporting. You want to review it for content and due date. You want to obtain any financial reports you can from accounting.

You want to maintain any reports that you can from accounting, hopefully be able to get those from accounting and you want to review the reports and compare them with the grant agreement. That should happen as soon as you get the grant award. It could be a five to ten minute meeting with someone from accounting and say, okay, these are accounting requirements. By the way, here's the approved budget.

What accounts in your chart of accounts correspond to what's on my budget? What report do I need to ask you for quarterly? What can you give me quarterly so that I can meet the reporting requirements for this particular grant? Have that conversation with accounting sooner rather than later.

Then you want to reconcile accounting to your program report. For instance, you have to do the accumulative allowable hours and things like that. You want to make sure whatever report accounting generated for you makes sense when you're looking at the activity or what you're reporting quarterly or from a program perspective especially, for instance, looking at the number of counseling sessions that you said you did in a quarter and just reasonably seeing if what you're charging for labor or personnel cost makes sense, when you look at the level of activity or actual performance for that reporting period or that quarter that you're reporting on. Those kinds of reasonable analysis for lack of a better term.

Internal controls, knowledgeable person, you may need someone to do an internal control assessment unless you're an intermediary or larger agency that you may have been subject to a single audit where you had a lot of the internal controls looked at. If not, then you definitely want to have some kind of internal control assessment.

For smaller agencies, because a lot of times there's not a lot of people on staff so when you try to have adequate segregation of duties that becomes challenging. There's options that you can use or strategies where your

board of directors can help fill some of those spots by doing certain reviews and approvals, especially things that don't impact day-to-day operations. You have to leverage and utilize your board in those instances where it's a one or two-person shop, so you may not have anyone else to really segregate duties with. That's the kind of things that can be developed.

You should have a compliance program. That sounds much more complicated than what it is, but generally it's spot checks. For instance, if you have a board, you have to give them a treasurer report every time they meet or they review certain reports every time, those things are compliant types of programs that can be developed and they can really be designed to comply with internal control requirements, but it's not, when you say compliance program, it's not as extensive as it sounds.

Now, out of all the things we've discussed, there are certain services that you have access to as a stakeholder whether it be an agency with the Comprehensive Housing Counseling Grant or a HUD POC who wants to get to assist their agencies or wants to get additional assistance for their agencies. These are available to agencies and HUD POCs for the Comprehensive Housing Counseling.

From a training perspective, through our contract with OHC, you can get training on internal controls. You can get training on financial management systems, and this would be with your staff. As we looked at, for instance, the financial management system, those same components, we could actually train your staff on one, we'll help to configure your accounting system, but then train them on how to maintain.

How do I charge, how do I determine if a cost is allowable or unallowable? How do I track where leverage funds? How do I implement these policies and procedures? Those kinds of things. That is available to you, internal controls included, because that's such a big component of the financial management system.

From financial analysis, and this is for HUD POCs because they're the ones that ultimately make the recommendations or request the services on an agency's behalf. We group them into certain widgets or certain categories of service, which the first service being training, but then financial analysis. This group of services falls under the financial analysis category.

So if you're a HUD POC and an agency wants these services, you could actually refer back to this presentation and we would consider this a financial analysis and you could request these services here, like your financial management system review, where we actually come in and we do a review of your accounting system to see if it's adequate. We cite any deficiencies and make recommendations for things you need to improve on.

Same thing could happen, an intermediary could ask us to come in and do one for a sub-grantee, especially if it's a sub-grantee where they have some concerns about their financial capability to perform or for some reason they can't seem to get reports in timely. They can't seem to get requests for reimbursements in timely, and you just want somebody to go see where they are from their financial management system.

The other service, which we're doing quite a few of right now, and it's accounting system configuration. We're doing a lot of this for agencies that are using commercial products like QuickBooks or others, and we're actually configuring their accounting systems to segregate direct from indirect, setting up their chart of accounts, segregating unallowable, helping them with their policies and procedures, showing them how to set

up the various grants as separate jobs or customers, and then training them on how to maintain the system and generate certain reports as a result of properly entering transactions in the system.

The next group of services fall under action plans. If you wanted us to do any of these services, you would request an action plan. The action plan would be for one of these.

We could do an assessment. Let's say you just want to see where you are, where your system is. You think you have a system in place, but you want us to do an assessment as opposed to a review where we're coming in and we're looking at it from, I'm going to say, from after the fact. Generally a financial management system review is more of an audit or a follow up. The assessment is just us coming in and saying this is where you are. You want to get these things in place especially before you have to self-certify again.

When we say the financial management system review, that may be a follow up of your certification to verify that you accurately certified to your financial management assessment. These action plans are very proactive. As an agency, it gives you an opportunity to get in front of it and

get this assessment done to make sure that when you self-certify, if you're receiving a grant, that you're truthfully certifying that you have these things in place.

That's the same thing with the assessment of your compliance with Uniform Guidance and internal controls where we're coming in and we're basically taking a look at what you're doing and telling you what you need to do better to be compliant. This is pro-active. This doesn't result in findings. It does result in recommendations for how to improve, but it doesn't result in findings or question costs or recaptured costs.

So, how could you get those services? If you're under the HUD OHC umbrella for the Comprehensive Housing Counseling Grant, you can request these services. How you do that is you request them through your HUD POC.

I will tell you if you've identified something from the category of services we just did, you could use this slide to go back and say to your POC, I'd like to have an action plan done for an assessment of our financial management system. The HUD POC then sends a request to our contract GTMs, or I should say [indiscernible], to Linda Bozeman. She's the lead,

but also Tracy Fields, Gail Osgood, and Matthew Finn are also a part of that contract.

Then, generally it takes about I would say within one business day, once they're sure what the scope of services are, if the services are available, it'll be approved. Once it's approved, we then get notified that we can proceed, and we proceed with providing those services. We work directly with the agency, also keeping the HUD POC in communications and affording them the opportunity to participate at whatever level they want to and actually how we're performing the services.

At the completion, there's always a report or a deliverable that you can use to help you move forward after we finish the services. If it's an action plan, or something like that, and there's additional assistance needed, we then use that, get that action plan approved, and whatever additional assistance you need. It may be a recommendation that you need to improve your general ledger system; HUD can then approve us to assist you in certain areas.

That's how you request the services. As I said, those services are only available to agencies that have Comprehensive Housing Counseling

Grants and/or a HUD points of contact. If you have any additional questions, and you are an agency or HUD point of contact under the Comprehensive Housing Counseling Grant, then you can send a question to housing.counseling@hud.gov and it will be distributed and sent to the appropriate individuals for a timely response. Those questions you can send them at any time. So, if you think about it two weeks from now, you can still send a question to this email address with this subject matter, and you will receive a response if in fact you're under the OHC Comprehensive Housing Counseling Grant Program.

That results in the end of our presentation. I thank you for your time this afternoon. As I said, if you have any additional questions, please send them, and have a nice day.