



## Final Transcript

### **HUD - US HOUSING & URBAN DEVELOPMENT: Grant Financial Reporting**

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#### **SPEAKERS**

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#### **PRESENTATION**

Moderator                    Ladies and gentlemen, thank you for standing by and welcome to the Grant Financial Reporting conference call. At this time, all participants are in a listen-only mode. [Operator instructions]. As a reminder, this conference call is being recorded.

I would now like to turn the conference over to your host, Petergay Bryan.

Please go ahead.

Petergay

Hello, everyone. Welcome to today's training on Grant Financial Reporting. This training is provided to you by the HUD Office of Housing Counseling and so the training is specific to participants in the Office of Housing Counseling Grant Program. If you do receive another type of HUD grant, it may not apply to you.

As our moderator indicated, there will be an audio recording of today's training and the playback number along with the PowerPoint presentation and a transcript will be available to you on the HUD Exchange at the link shown here on your screen. The training digest will also be updated once the webinar is posted to the website.

If you registered for the training, you would have received a copy of the PowerPoint presentation so that you could use that for your records, but if you did not receive that email with the attachment, if you expand your control panel, you will see a section that says handouts and you'll be able to click on a copy of the PDF document and download it, and take notes as we go along today.

I won't be stopping for live questions during today's training, however if you do have questions, you can expand your control panel and pop up a

question box. We do have staff here from Booth Management Consulting who will be responding to your questions in real time. Also, if you have additional questions at the end of today's webinar, you can send them to [housing.counseling@HUD.gov](mailto:housing.counseling@HUD.gov) with today's training topic in the subject line.

Your phones will be muted during today's training so please make sure that you bear that in mind. If you need instructions on how to communicate with the moderator, you can raise your hand in the control panel. If you logged into today's webinar on your computer, then you'll receive an email within the next 48 hours from GoToWebinar and there's going to be a thank you for attending email.

That email will not have any attachments or anything like that but it will be proof of the fact that you have attended today's training and it will be your certificate of training, so if you need to print it or PDF it and save it for your records to evidence the fact that you have participated in today's webinar.

The webinar materials will be posted on the HUD Exchange in the webinar archives at the link that is shown here on your screen. You can

search on the webinar archives by date or by topic. If you wish to obtain credit for having attended today's training, you will select the webinar that you attended and click get credit for this training and then it will give you further instructions on how you can get any credit for attending today's training.

I'm Petergay Bryan. I'm the Audit Manager with Booth Management Consulting. Booth Management Consulting is the contracting company that really provides financial and administrative assistance to the Office of Housing Counseling and their grant recipients. Whenever questions come up regarding the financial and administrative side of the grant, then we are the technical experts in that area.

Our training topics today include going over the financial grant lifecycle, so we'll be paying attention to, really, the more financial aspects of the grant. I will talk a little bit about the budget that you submitted for approval during the grant execution package process.

Also, we'll touch on the certifications and the disclosures that you made during that process, the quarterly financial reporting requirements that you

are required to adhere to, some acceptable accounting practices, things to remember, and how you can request available assistance.

The financial lifecycle for the grant that you received from the Office of Housing Counseling, it really starts with a NOFA application. That's where the NOFA comes out and you apply for the grant. Then, you receive notification that you have been awarded the grant and in what amount.

The next step is to submit a grant execution package for review. Your HUD point of contact would review that package and once the review process is complete, they'll let you know that you can go ahead and start reporting under the grant or billing under the grant.

There are certain grant reporting requirements. Of course, we're going to talk about those today and you'll also do your request for payment at the same time, and you'll also be subject to an oversight review as a participant in the program.

From the financial aspect, in the NOFA application process, we're really looking to make sure that agencies that participate in the program are

capable of accounting for the grant funds properly. We're looking at your accounting systems, any leveraged funds that you may have noted during the process that you would be receiving. Those are some of the things that we pay attention to as well in the NOFA section of the grant lifecycle, and also in making sure that you will be compliant with OMB circulars and the Code of Federal Regulation.

Once the award is issued, we usually direct agencies to pay particular attention to Article 11 of your HUD grant agreement. Article 11 really speaks to what your financial reporting requirements are. It lets you know the due dates and specific items that you are required to submit when preparing your financial report.

Also, you want to pay particular attention to the federal regulations pertaining to the costs that you're submitting for reimbursement.

The grant execution package includes a number of things. First, one of the things that you will do is to make certain disclosures. For example, making sure that your financial management system is capable of properly accounting for the grant and properly producing reports specific to the grant.

You'd also make certain certifications specific to your conflict of interest or even your client management systems that you use, just making sure that those systems are compliant with HUD's requirements.

For agencies that are eligible, and have had a single audit done, you would also be required to submit your A133 information during the grant execution package. Of course, we're going to touch on each of these a little bit more later.

Another thing that you would certify to has to do with your indirect costs. If you have a negotiated indirect cost rate agreement, you'd submit that in the package or if you're electing to use a 10% de minimis rate, you'd indicate that in the package as well, and just how you're planning on calculating those just to make sure that your methodology is sound.

For intermediaries, MSOs and SHFAs, you're also required to submit your sub-allocation listing and your billing methodology, how you plan to build a grant. For all agencies, you are required to submit a budget. Pretty much, you're spelling out specific items that you're going to be submitting for reimbursement during the life of the grant.

Once that package is reviewed and approved, you would be able to start requesting payments and submitting quarterly financial reports. Things that we're looking for: you want to make sure that your grant reporting is signed by the authorized officials. You also want to make sure that you're adhering to Article 11 of your HUD grant agreement and also for intermediaries, MSOs and SHFAs, you want to make sure that you're including your sub-allocation information, administrative cost information, your billing methodology, as well as your SF-425.

In conjunction with your financial reporting, you should be doing a request for payment. The request for payment is done through the eLOCCS system. It should be done by an authorized official. The drawdown should match up to the quarterly financial reports that you're submitting, and you should also make sure that you're maintaining proper supporting documents for any cost that you're submitting for reimbursement.

Then, the final phase would be an oversight review. This could be in the form of a financial analysis where we're just looking at the quarterly financial report for accuracy and completeness or a full financial and

administrative review, which is a bit more extensive. Usually we come onsite, we make sample selections, we test those to make sure that you have the proper supporting documents, we're looking at your internal controls, segregation of duties, policies and procedures or key business process areas and things of that nature. For the rest of the training, we'll go through these steps in depth.

In the budget that you submit to HUD during the grant execution package review, first and foremost, you have to make sure that it stays on the award amount. You want to review your HUD grant agreement, see the amount that you are awarded and make sure that the budget does not deviate from that. It should not be less, and it should not be more. It should reconcile without error.

You can use the form, 424-CB to prepare your budget or any other acceptable format but you just want to make sure that it includes all of the line items that you're proposing, that you'll be submitting for reimbursement and you also want to make sure that it includes the assumption for each line item, and that it's signed by an authorized official.

In itemizing your budgetary line items, you want to make sure—look at what costs that you're going to be submitting for reimbursement.

Typically, costs that are submitted are salaries, fringe and other benefits, travel, training, marketing and outreach and indirect costs.

I believe in the PowerPoint document that was sent out either yesterday or today, it included equipment. Please make a note that equipment is no longer reimbursable as a direct cost line item. The new HUD grant agreement specifies salaries of fringe and other benefits, travel, training, marketing and outreach and indirect costs as the costs that you quote.

And, outreach as the direct costs that you can submit for reimbursement, and then anything else would really be captured as indirect cost.

Also, in your budget, you want to make sure that you're including your assumptions to support the budgetary line items. For your salaries, you want to make sure that these are based on the actual amounts that you're going to be paying the housing counselors or the employees. Any administrative personnel that you may have included in your budget, you want to be sure to justify that because typically, admin personnel are included—their billing time to multiple grants and you can't really submit

their salaries for reimbursement as direct costs without proper justification.

Maybe the admin person is also responsible for doing the quarterly financial reporting or they provided some direct service related to the grant, you just want to include that justification in your assumptions for your budget.

The fringe amount that you include should be based on annual amounts and then you can just calculate how much you'll be billing each quarter based on the annual amounts. Of course, you can use historical data to determine what that would be.

For indirect costs, there are only two allowable methods for charging indirect costs to the grant. The first one would be if you have a negotiated indirect cost rate agreement. During the application of the grant execution package review, you would send a copy of your negotiated indirect cost rate agreement to your HUD POC for review.

Your HUD POC would look at that and make sure to note what the rate is and they would also look at what the base is that is specified in the

agreement, as well as the period to which it's applicable. Then, they would do a recalculation to make sure that whatever the amount is on your budget for indirect cost, it matches up with what your NICRA or what your agreement specifies.

The other method that you could use is the 10% de minimis rate of modified total direct cost, so in the grant execution package application, if this is what you were choosing to do, you would certify that you haven't received a NICRA before and that you are eligible to use this 10% de minimis rate.

Then you'd have to go a step further and define what you're including in your modified total direct cost because not all direct costs fit that description. It has to meet the description of modified total direct costs and then you would apply the 10% de minimis rate to modified total direct cost and then show that line item on your budget.

These are some of the things that are looked at during the grant execution package review, whether by your HUD POC or if your HUD POC referred us to review this information, these are the things that we're looking at.

We're making sure that you're calculating, especially the indirect costs, properly initially, so that as you go forth in submitting your quarterly financial reports and your costs for reimbursement, the methodology is correct because we've already done the legwork in the grant execution package application.

The rate that would be used would also be shown in block 16 of your HUD form 1044, so whatever your NICRA states, it would be in block 16 or if you're using the 10% de minimis rate, it should be shown there as well.

The budget that you submit for approval during the grant execution package, it should be based on allowable costs only. We usually refer agencies to the Uniform Grant Guidance, Part E which talks about costs that are typically eligible for reimbursement under federal programs.

Note that the federal agency has the authority to put further constraints on agencies. Even though the Uniform Guidance may have a variety of costs that are typically allowed for reimbursement as direct expenses, HUD may put further constraints on you and say, for this particular grant, we're not accepting specific costs for reimbursement as a direct line item.

An example of that would be in the past, HUD would have allowed you to submit supplies or equipment costs for reimbursement as direct expenses that you incurred for the program, but that is no longer allowed for this FY18 grant year. You want to pay particular attention to that.

Again, all of this information is in your HUD grant agreement so if you weren't aware of that, be sure to refresh yourself by reading the grant agreement and communicating with your HUD POC and making sure that your budget doesn't include any unallowable costs.

Once you've submitted your budget during the grant execution package review, and your HUD POC approves the package, and approves the budget, then that is a budget that you should be working with for the period of performance of the grant.

You want to make sure that you're not deviating from what you proposed in your budget. If there are going to be any deviations, then you must request prior approval from your HUD POC. You have to do that in writing, so what you would do is submit a revised budget to your HUD POC for review and have them review that and approve that before you

can make any deviations from what was agreed to during the grant execution process. Another thing is that you want to make sure that it's signed and dated by the authorized official at your agency.

For intermediaries, MSOs, and SHFAs, there are additional requirements for these types of agencies just because they have to report not just for themselves, but for their sub-grantees or branches. One of the things that you are also required to submit is an updated listing of your sub-grantees or your branches that you're going to be allocating funds to using the OAC grant funds. You want to list each agency or each branch and document the amount that you're going to be allocating to each of these agencies.

If any of them are based on a fixed fee per counseling-type session, you will want to make sure that you also include your methodology for that. How did you come up with these fixed fee line items and how were they calculated? Make sure that that is agreed to during the budgeting process so that you can therefore for the life of the grant make sure that you're following what was agreed to during the grant execution package review.

Also, for any administrative funds that you may have—and administrative funds are really funds that you then pass through to your branches or your sub-grantees—you have to itemize these. You have to break it out in salaries, fringe, training, and travel for the period.

The billing methodology should also be submitted. Here's where you're going to let HUD know what is your plan for reimbursing your sub-grantees or branches? How are you making sure that you're capturing the funds properly? How are you going to make sure that you capture the funds properly during the period of performance? And making sure that you have the information from your sub-grantees or your branches in enough time to then report timely to HUD.

If you're using any formulas, you want to make sure that any formulas that you're using is properly explained and that you're breaking out any hourly rates that you're using for any of the housing counsellors. If you will be using a fixed fee type reimbursement, then you want to explain the process that your agency has in place to make sure that the fixed fee line items—the costs that you're submitting for reimbursement, they don't actually exceed the actual costs that you incurred for providing those types of services.

As I mentioned before, there are certain disclosures and certifications that you make during the grant execution process. One of them has to do with the financial management system. The 2-CFR, Part 200.305 [ph] of the Uniform Guidance, it talks about a financial management system, what it is, what it looks like, and things like that—pretty much your financial management system. We pay attention to whether or not your agency's able to account for the HUD OAC grant properly. Do you have a separate fund that is set up for managing the HUD funds? Can you show transactions related just to the HUD grant program? Are you reporting transactions timely, accurately? Do you have internal controls over the accounting transactions that are related to the HUD grant? These are the things that we look into when we talk about your financial management systems. And it also includes the policies and procedures that you have in place to make sure that everything runs smoothly and that it's efficient.

The next thing that you certify to is the fact that you have proper internal controls in place to manage the grant. Here we're talking about: Do you have proper segregation of duties or is it just one person who is processing all of the transactions, handling the funds, and things like that for the housing counseling program? How are you making sure that there is no

fraud, waste, and abuse in your agency as it relates to the housing counseling grant program?

This also has to do with the policies and procedures that you have in place, any mitigating controls that you have implemented, any audits or reviews that you do to make sure that your internal controls are operating effectively. Then you also certify to the fact that you are a non-major, nonprofit corporation.

Now for the financial requirements of the housing counseling grant from HUD, the first thing you want to note is the period of performance. Please note that the period of performance is October 1<sup>st</sup>, 2017, through September 30<sup>th</sup>, 2019. That is actually pretty much two years, so any eligible costs that you have incurred during the period of performance can be submitted to HUD for reimbursement. For the period of performance ends this year, September 30<sup>th</sup>, 2019, but if your agency realizes that, hey, we won't be able to incur all of the costs during this timeframe and you need an extension to the period of performance itself, then you must submit a request to your HUD POC in writing no later than 30 calendar days prior to the expiration of the period of performance.

So the period of performance ends September 30<sup>th</sup>, so by the end of August 2019, you would have had to submit a written request to you HUD POC justifying, at least letting them know that you will not be able to incur all of the costs for the grant during the specified time. You'll let them know what reasons are causing you not to be able to incur the costs during the time and give them a timeframe within which you feel you will be able to incur all of those costs.

Again, the extension has to be in writing, so your HUD POC would respond to you also in writing. They're the only ones who have the authority to extend your period of performance. They may approve it on a one-time extension for good cause and it's on a case-by-case basis, so you really have to articulate and justify your reason for needing to extend your period of performance.

For agencies that have program income, which is income that you earn for the housing counseling program at your agency, specific to the HUD grant, you are required to use the deduction method to calculate your program income and pretty much what that means is that you're going to offset the income that you receive to the total expenses for the program. An example we have here, perhaps your agency's housing counseling

budget is \$200,000 for FY18 or the grant year '18, but your agency earned program income of \$20,000. You just want to make sure that you offset the \$200,000 by the \$20,000 and you're not billing HUD for more than \$180,000 for your housing counseling grant program.

Leverage funds, this is another thing that we pay attention to as it relates to the financial aspects of the grant. Leverage funds are really any financial commitments that you have towards your housing counseling grant program. It can be in kind or it can be cash or financial, and it can come from nonfederal sources. If it's something in kind that you receive, you want to value the total value of that in kind gifting or leverage funding and make sure that you're measuring that at fair value and recording it in your Housing Counseling fund that you have set up. You want to make sure that you are tracking it each period and any cash that you receive, you're recording those transactions in your accounting system so in case you get selected for a review, these are some of the things that we're looking for.

We look to see what funds did you state that you were going to be receiving as leverage funds during the NOFA process and we're looking to see that you actually did receive those funds. We're taking it a step

further to see how those funds were tracked and recorded in your accounting system and if it was done properly. Any supporting documents that you're maintaining on file for the leverage funding, we're reviewing those as well.

For agencies that expend over \$750,000 in federal funds during their fiscal year, they're required to have a single audit performed. This is the OMB A-133 audit. You have to have a single audit done within nine months after your fiscal year end and you have to make sure that you're submitting that to the federal clearinghouse. When we conduct our reviews, these are things that we look at. We're reviewing your single audit report to see if there is anything that stands out there—if you have any findings or if there are any negative financial indicators, we're reviewing that.

We're also making sure that it was completed timely, so it should have been done within nine months after your fiscal year ends, so we're looking at your report date. We're also looking to see if you submitted it to the federal clearinghouse, so you want to make sure that you're adhering to those requirements.

For agencies that did not expend over \$750,000 in federal funds, then you are required to have a financial statement audit done at your agency at least every two years. Like in your grant application process or when you get selected for review, we're asking you guys to submit a copy of your audited financial statement report. That's if you didn't have a single audit report, where again we're looking for any negative financial indicators or any findings that you may have that would have impacted the housing counseling grant program, so that we can better assess your ability to financially perform under the grant.

Note that the financial statement audit report is for agencies that haven't had a single audit done.

When it comes to internal controls, some of the things that we look for are segregation of duties. We want to make sure that there are proper segregation of duties in place at your agency so that you can properly account for the grant. A lot of times for the smaller agencies, they're not able to fully segregate certain duties, but there are mitigating controls in place. So we do take a look at those mitigating controls as well.

It also has to do with your approval processes, so for example, any costs that you're submitting for reimbursement, whenever we look at those, we're looking to see what your approval process was for procuring the item and then also approving the payment, recording transactions in your accounting system, reviewing what was recorded in your accounting system, any reconciliations that you do, and things like that.

We also look for your policies and procedures that you have over the key business process areas. That could include any timekeeping policies and procedures that you have, personnel activity reporting, like what is your policy for making sure that work performed by your employees on the housing counseling grant program—how do you make sure that that time that they spent providing the services gets charged to the grant properly? Any cash receipts and disbursements for the program—how are you handling these? Your cash management cycle. Procurement—if you're using HUD funds to procure goods or services, are you making sure that you're compliant with the uniform guidance requirements? Do your policies and procedures talk about the methods of procurement based on the various thresholds? If you will be doing expense reimbursements, perhaps for travel or for any training costs, what are your policies for that? What documents are you requiring your employees to maintain on file for

expense reimbursement? You have to make sure that they have training certificates, copies of their receipts, or if they stayed at a hotel, are they making sure that they keep a copy of the invoice that they received from the hotel, and things of that nature.

Also, are there any travel requests that have to be done prior to the travel and per diem—how are you accounting for the per diem costs and things like that?

We also look at your payroll distributions, your policies for indirect costs, your policies for sub-grantee award and monitoring and your billing methodology as well. These are some of the things that we're looking at to see whether or not proper internal controls are in place at your agency.

Note that, as I've mentioned before, costs incurred between October 1<sup>st</sup>, 2017, through September 30<sup>th</sup>, 2019, as long as the costs were allowable and eligible costs, then you can submit those costs for reimbursement on a retroactive basis. So say, for example, your grant execution package was just reviewed and approved yesterday. You don't have to say, costs that I submit for reimbursement have to be costs incurred today forward. You can retroactively account for those costs. You can go back to 2017,

October 1<sup>st</sup>, 2017, and look at costs that were eligible for reimbursement during that timeframe and then submit those costs for reimbursement to your HUD POC and through the eLOCC system.

Very important to note that HUD may withhold payment or partial payment if any part of the project objective or if the reporting requirements are not being met. So if you're not reporting timely or if you're just not submitting proper financials, quarterly financial reports, then HUD may make the decision to withhold payments or partial payments because perhaps the HUD POC has been working with you for months, trying to get you to submit a correct quarterly financial report but you haven't been able to do so.

When you prepare your quarterly financial reports or your final financial reports, you want to make sure that you're doing a drawdown in conjunction with that, unless you're doing a zero activity report, where you're just letting HUD know that we haven't incurred any costs for this period, so we're not drawing down any funds.

HUD also reserves the right to not honor any payment requests or approve any payment requests for grantees that have overdue or incomplete

reports. These are decisions that will be made by your HUD POC. HUD may also recapture any unspent funds. At the end of the period of performance, you submitted your final financial reports to your HUD POC but you didn't use up all of your HUD award amount, then HUD does reserve the right to recapture those unspent funds. The burden of proof relies solely with your agency as the grantee or sub-grantee or branches. You must maintain supporting documents on file for three years after the end of the period of performance and make sure that that supporting documentation is readily accessible, just in case you got selected for review. So the document retention period is three years. Any costs that you submitted for reimbursement during the period of performance, you want to make sure that you're keeping the supporting documents for that period of time.

Also you want to make sure that you're not double-dipping. If you submitted a specific cost to another grant for reimbursement and you receive that reimbursement from another grant program, please do not submit that same cost to the HUD OAC program for review. Just bear in mind that this is a cost reimbursement-type grant, so it has to be—if you're submitting this specific cost for reimbursement, you can't have already received a reimbursement for it from another grant program.

Here is the schedule for when the quarterly financial reports are due and of course I'm going to go through the different elements of the quarterly financial reports in a second. Here we broke out each quarter starting October 1<sup>st</sup>, 2017, and going through to the 30<sup>th</sup> of September, 2019. It tells you when your quarterly financial report is due. For agencies that—when you're submitting your quarterly financial report, you want to make sure that you're showing the costs that you incurred for each quarter, and then you're also showing a cumulative activity section in your quarterly financial report. Typically, the quarterly financial report is due 30 days after the end of each quarter, once your grant agreement has been awarded and your grant execution package has been reviewed. So, for example, your grant was executed in October 2018 and your first quarterly financial report would be due no later than January 31<sup>st</sup>, 2019. I know that's coming up for a lot of you that have had your grant execution packages executed. Your first due date is coming up, so you want to make sure you're paying particular attention to what's required.

For LACAs and sub-grantees and for grantees that are intermediaries that provide direct housing counseling services, this I extracted from Article 11 of the Housing Counseling Grant Agreement. The first thing you have

your name, address, grant number, the start and end dates of the reporting period, the hourly rate. It talks about the fixed-price reimbursements.

That's for specific types of agencies that have an approved fixed-price agreement or reimbursement methodology, the staffing hours, the itemized accounting of actual costs, and the required certification. Don't worry, I'm going to go through each of these in detail in a couple of slides to follow.

Intermediaries, SHFAs, and MSOs, again, I extracted this from the Article 11 of your Housing Counseling Grant Agreement—this is for agencies that did not provide any direct housing counseling services, but you passed through the funds to your branches or your sub-grantees. You must report on your sub-allocation amounts, any administrative costs that you incurred. You want to make sure that your admin costs are itemized. You also want to report on the billing methodology that you'll be using to reimburse your sub-grantees or your branches.

Then the federal financial report—that is the SF Form 425—and for agencies that are intermediaries, SHFAs, and MSOs, we do have a training coming up on February 21<sup>st</sup> at 2:00 p.m. In that training, we'll do step-by-step on how to complete the federal financial report.

Of course, I did mention the HUD 9902 because that's really a more programmatic requirement. We're trying to pay more attention to your financial reporting requirements for your grant.

Now also, as I mentioned before, the reporting requirements are detailed in Article 11 of your HUD grant agreement and depending on the type of grantee that you are, you want to read it and make sure that depending on your agency type, you are following what's required of you. You have to submit a quarterly financial report even when you're not requesting payment and that's what we call a no-activity report or a zero-activity report.

Say, for example, you just received your grant execution package and it was executed, but you won't be submitting any costs for reimbursement for the period October 1<sup>st</sup>, 2017, through December 31<sup>st</sup>, 2018, by the end of January 31<sup>st</sup>, 2018, you'd submit a zero-activity or a no-activity report, just letting HUD know that we're are not submitting any cost for reimbursements at this time. Also if that happens, if you happen to submit all of your costs for reimbursement January 31<sup>st</sup>, 2019, so the next few weeks—oh, I'm sorry, where am I? January is already past. I'm so sorry.

I don't know why I kept saying that. We're in February now. Sorry about that. So if you haven't already done so, you would have actually needed to submit a due date extension to your HUD POC because January 31<sup>st</sup> has already past. I'm sorry about that.

If, for example, you submitted all of the costs for reimbursement January 31<sup>st</sup>, you would not need to do a zero-activity report because you just did a one-time drawdown request and you reported all of your costs for reimbursement already. The quarterly financial report should be submitted to your HUD POC directly and the payment request should be done in conjunction with that, and you do that through the eLOCC system.

Once your grant has been fully expended and you've submitted your final reports, so once you've reported on all the costs that you're going to submit for reimbursement, you want to submit a final report to close out the grant. Then you don't have to do any other reporting. So you don't have to do another zero-activity report after that.

Also note that for agencies that go through to the end of the period of performance, which is September 30<sup>th</sup>, 2019, if you continue to report through the end of the period of performance, your final report is due 90

days instead of 30 days after the end of the period of performance. It's due 90 days. So your final report is due no later than December 31<sup>st</sup>, 2019.

For LACAs and sub-grantees and grantees that provide direct housing counseling, from Article 11 I extracted and I've made them really big, the information that you're required to submit each period and I'll go through these sections very slowly because I want to make sure that you know exactly what needs to be submitted.

The first thing you want to include is your name, address, and grant number. The grant number can be found on your HUD grant agreement and the name and address should be your full legal name of your agency and the address should be what is in the system, what HUD has in the system. So if there are any name changes or address changes, you want to notify your HUD POC immediately and make sure that the system is updated so that your HUD POC and HUD system is aware of what those changes are.

The next thing you want to include is the start and end date of the reporting period—not the period of performance. The period of

performance is October 1<sup>st</sup>, 2017, through September 30<sup>th</sup>, 2019, and that is the period within which any eligible, allowable costs that you incur you can submit those costs for reimbursement. That is not to be confused with the reporting period. Your reporting period is just the dates that you're reporting on. So say January 31<sup>st</sup> just passed, you were reporting on all quarters, October 1<sup>st</sup>, 2017, through December 31<sup>st</sup>, 2018, and you are showing all of the costs that you incurred and that you're submitting for reimbursement during that time. Those are the dates that you show on the quarterly financial report. You're showing the dates within which you have incurred costs and you're submitting costs for reimbursement.

If it's over multiple quarters, then you want to—I usually recommend that you use an Excel spreadsheet so that you can show in each column the costs that you incurred each quarter during the reporting period and then you also have a column that shows the cumulative amount. You want to break out your activity. You want to break it out by the quarter and show the costs that were incurred for each quarter and then the cumulative amount that you're going to be submitting the costs for reimbursement.

The financial activity that you're showing during the reporting period, it should match up to those dates, basically saying that the costs that you

incurred should have happened and you should have incurred those costs during that timeframe and that's how you'd be able to submit those costs for reimbursement.

Hourly rates. So if you're going to be submitting counselors' time or employees' time and their activities for reimbursement, you want to identify each person. You want to put their names and identify them by title and their hourly billing rate for the period. So document the housing counselor Jane Doe, housing counselor, and put her hourly billing rate for the period. If you're using a fixed-price reimbursement and it's based on perhaps the activity—so say for example you have a fixed-price reimbursement and it's based on the different types of counseling activity, so maybe like pre-purchase counseling may be \$20 or some home buyer education costs maybe \$50, then you would document of course the line item, the preapproved fixed price that you documented in your budget. You document the fixed prices and then you document the number of sessions and document that information in this section of the report.

You'd also explain the method that you're using to calculate the hourly rates and show the amounts for the direct rate salary rate versus the fringe costs. Show your salary amount and your fringe costs separately.

The next thing you want to show is the total number of hours that you're billing cumulatively and for the quarter to the grant. So for the housing counselors that you're billing, you document them by name, title, and their hourly rate, and this has to be the rate that you actually paid the employee. Because if you get selected for review, we're looking at personnel file as well as payroll information and we're recalculating those hourly rates that you said in your quarterly financial reports, so you want to make sure that you're working with your accounting department to get the staff labor hours and making sure that those are correct so that if you get selected for a review you will not have an issue there.

For each housing counselor for each period, you document the total number of hours that they worked each quarter and then you'd show the amount cumulatively. Then of course you just multiply the relevant hours by the relevant hourly rate for each person and then have a cumulative quarter amount. Also the time should be broken down by service provided, but this is more so on your personal activity reporting, so for any housing counselor employee whose time you're going to be submitting for reimbursement, you want to make sure that there's some level of personal activity reporting being done where if you get selected

for a review, then someone could look at that activity report and see what activities were performed by the housing counselor or the employee and see whether or not the activities performed are eligible for reimbursement under this grant.

Here is an example of a spreadsheet that can be used to show the itemized accounting of actual costs. Here you have in the top part just documenting the agency's name, the period started and ended. Of course that would be the reporting period, so if you're reporting on October 1<sup>st</sup>, 2017, through December 31<sup>st</sup>, 2017, then you would document that here for the period start date and the period end date. Then the grant fiscal year would just be fiscal year 2018. The grant number of course you get that from your HUD Form 1044 or your HUD grant agreement and the agency name you can fill that in.

This is just a rough template. It's not something that you're required to use. It's just a suggestion for how agencies could document this.

Here in the direct labor you document the budgeted total. Now note that this is for the quarter and then for the cumulative to date, and this is really just for one quarter, but it's showing you how it can be done. Now the

budgeted amount should match the amount that is in your grant execution packet because you do not want to deviate from your budget. You don't want to exceed what the budgetary line item is by the time you get to the end of the grant. You want to make sure that you're monitoring those amounts. So you break it out in fringe, training, travel, marketing, and things like that as well as indirect costs and you're showing the amount incurred for the quarter as well as the amount cumulative to date.

In the bottom part we talk about any negative budget variances. That's where an agency incurred more costs for a line item than what was agreed to during the budgeting process. Of course this is a no-no, so this should be a red flag for you because then you know that you have to prepare an adjusted budget or a modification. Send that to your HUD POC, have them review it, and if they approve it, that is the only time that you can send them those costs for reimbursement under the grant agreement.

For agencies that have a fixed-price reimbursement methodology that was approved by the HUD agency, you just want to make sure that you're documenting the expenses—how you're making sure that the expenses that you incur or submit for reimbursement, they don't really exceed the

actual costs that you incur for your agency. That should be included in your methodology for how you make sure that that does not happen.

Your itemized accounting of actual costs you as we saw, should be detailed and it should show itemized accounting of the costs for each quarter, for the period to date under the grant, as well as cumulatively.

The costs shown should be consistent with your approved budgetary line items and any deviation between the line items should be submitted to your HUD POC and you want to make sure that your HUD POC approves that in writing before you submit your costs for reimbursement or even before you submit your quarterly financial report. So you will get an amended budget and then work with your amended budget going forward.

Other things to note is that you need written approval for any extensions, so for example, the first due date for your quarterly financial reports has just passed. If you did not submit your quarterly financial reports, you want to make sure you reach out to your HUD POC immediately and request an extension in writing. If they approve it, you want to get that in writing and keep that for your records. If you do get selected for a review, that is something that we look for to make sure that you did get approval for any extensions and that you just didn't submit your reports late. If you

amended a report, it is best practice to include amended or corrected on the top of the report and also to date them, because sometimes new personnel come in and they don't know which one is the most recent document on file. So you want to make sure that you're documenting if it's corrected and you're also dating it so that it's the most recent report that anyone who is new, once they look at it, they'll know.

For example, if you get selected for a review a couple of years from now, the most recent and the most accurate report is what will be reviewed. Also, you want to make sure that it's signed and dated by the authorized official.

On all financial reports you are required to include the certification and it's pretty much just certifying that to the best of your knowledge the report is true, complete, and accurate, and that the expenses that you've submitted for reimbursement are in line with the terms and conditions of the award. This should be signed by the authorized official.

For intermediaries, SHFAs, and MSOs, you are required to do a little bit more work. You are required to submit a listing of your sub-grantees and your funded branches. Include their corresponding allocation amounts and

their DUNS [ph] numbers. If you have administrative costs, you want to do an itemized accounting of those admin costs for each quarter as well as cumulatively. So if you have some salary in fringe, travel, training, you want to itemize those costs for each period and document the amount for each quarter and cumulatively.

Another thing is that you want to include your billing methodology. The methodology should be consistent with what you submitted during your budgeting process. It can just be a brief paragraph demonstrating that the agreed methodology is being used to charge HUD. And the federal financial reports you also have to submit the federal financial reports to HUD and here we have a link with where you could go to get a copy of the SF Form 425 and it also has instructions there, but as I mentioned before, there is a separate training on how to complete this form and it's only applicable to intermediaries, SHFAs, and MSOs, so we're not going through this today. Also, it takes quite some time to go through all of the steps. This should be submitted to your HUD POC in conjunction with everything else while submitting your quarterly financial reporting package.

Acceptable accounting practices or best practices that we like to recommend. Your financial management system, you have to make sure that it's compliant with the uniform guidance specifications. If you are on an accrual basis, then your grant reporting should also be on an accrual basis, but if you're on a cash basis, you'll want to keep a copy and maintain your financial information under your accrual basis outside of your accounting system. That can be done perhaps in an Excel spreadsheet or something like that, but that has to be on the accrual basis.

Each grant should be accounted for separately in your accounting system. Once you get the HUD grant, you want to set up a fund specific to the HUD housing counseling grant and account for transactions there so that you can run reports specific to the grant. You want to make sure you're maintaining supporting documents for all charges to the HUD grant. You have to include invoices, payment requests, any travel information has to be documented. And all of this information has to be kept for the document retention period of three years after the end of the period of performance—so three years after the end of September 30<sup>th</sup>, 2019.

You want to be reconciling your accounting data. Reconcile your general ledgers to your requests for payment and your SF 425 and your quarterly

financial reports. You want to make sure that you have documented policies and procedures for the key financial areas that we discussed earlier and that you're constantly communicating with your accounting department. The programming department as well as the accounting department should really work hand in hand, especially with the reporting requirements of the grant. As best as you can, make sure that you're maintaining strong internal controls over accounting for the grant.

For intermediaries, MSOs, and SHFAs, you want to make sure that financial reporting requirements in the grant agreement is flowing down to your sub-grantees. Usually we recommend that you put that in the sub-grantee agreements that you have. Make sure that all of those [indiscernible] flow down into—make sure they know that they are sub-recipients of the housing counseling grant from HUD. The requirement that HUD has of their LACAs and agencies that provide direct counseling services, you want to make sure that they're providing that same information to you so that you can then report to HUD.

As [indiscernible] entities or intermediaries you want to also make sure that you're monitoring the timely submission of financial reports. You want to give them deadlines and perhaps even give them templates and

examples of how to do things so that they can report to you timely, so you can turn that information around back to your HUD POC. And review financial reports for accuracy, completeness, and having any corrective actions, you want to make sure that those are immediate.

Some frequently asked questions that we get, the first one: Who's required to submit the federal financial report or the SF 425? This is intermediaries, SHFAs, and MSOs. So LACAs or sub-grantees, they're not required to complete this report. It's only the intermediaries and SHFAs and MSOs.

The second question: Are federal grantees that expend less than \$750,000 in federal funds required to submit independent audited financial statements? In the past, the HUD handbook has a threshold of \$500,000, but HUD has increased that to \$750,000 to be consistent with the requirements of the OMB A-133 audit. So agencies that have expended over \$750,000 in federal funds, they're required to do a single audit. And for those agencies they just have to make sure that they submit that to HUD for review, but all other agencies are required to have their financial statements audited at least every two years and submit that to HUD for review during their grant execution package review.

The third question: I'm a pass-through entity. Am I required to accrue for cost incurred by my sub-grantees and my accounting system on a monthly basis? This is sometimes very hard for pass-through entities to do because you don't always get timely information from your sub-grantees in order to account for any accruals, any your month-end close. But we do encourage you to make every effort to do so. If you need to give them deadlines or best practices, provide training for them or additional support, as much as you can help reasonably, we encourage you to do that so that you could then be able to have your information accurate and that your month-end information is complete and accurate.

Some things to remember. Again, go over your HUD grant agreement. I know it's probably been awhile, or if you've been receiving the grant for a number of years, there are a lot of changes this year, so you want to go through and refresh your memory. Look at what the reporting requirements are. Also take a look at sub-parts D and E of the Uniform Grant Guidance to look at costs that are eligible for reimbursement under federal grant programs and how to treat certain types of expenses.

Another best practice is to send your financial reports directly to your HUD POC and do your drawdown requests in the eLOCC system. File your reports in a timely manner, but if you're not able to file them timely, you want to have a written approval for an extension and keep that in your records so that you're not penalized in the future if you get selected for a review for noncompliance.

Also you want to make sure that you're using approved rates for labor, so you're looking at your payroll information and you're calculating the hourly rates properly.

Finally, don't hesitate to contact your HUD POC if you have any questions. Your HUD POCs are there to assist you. Anything that they may need additional assistance with, they'll let us know and we will work and do our best to make sure that you get the information you need timely in order to process your quarterly financial reports timely.

Assistance that's available to you as participants in the housing counseling program—there's a wide variety. We provide technical assistance to agencies, so we can help you to develop, modify, or update your current policies and procedures where we actually have one-on-one sessions with

agents, you're just going through what the steps are that you have at your agency. We make recommendations to you on how you can update your policies, or if you have a policy in place that's not documented, we'll document it for you.

We also provide templates, recommended templates for personal activity reporting and quarterly financial reporting, so if you were interested in receiving technical assistance on how to do that, and even to customize it for your agency, we can do that as well. We also provide financial analysis. That's where there's a bunch of things that we do under that umbrella. We do grant execution package reviews. We do financial capability assessments for agencies that haven't had their financial statements audited within either required two-year period.

We conduct a risk assessment, financial review of sub-grantees, accounting system reviews to make sure that you can properly account for the grant. We take a look at your billing methodology to see if it's sound and if it needs to be tweaked. We look at your indirect cost methodology review, where we help you to calculate it and make sure that you're calculating it properly.

Quarterly financial report review and personal activity reporting reviews.

So a lot of times we may provide the financial analysis on behalf of parent agencies for their subs, but of course sub-grantees can request these as well.

We train staff. We can do it remotely or we can come onsite. If you guys wanted us to come out there and do training on quarterly financial reporting, what types of supporting documents you need to maintain on file for your quarterly financial reports. We also review quarterly financial reports and submissions, but we can provide training on how parent agencies can review those for their subs.

We do overview of grant financial requirements, personal activity reporting training, and how to prepare the federal financial report. This can be on a one-on-one basis with agencies. We also conduct action plans and this is pretty much like if an agency is new to the program or if you're an intermediary and you have a new sub-grantee or a new branch and you wanted us to do a readiness assessment to see whether or not they're currently from a high-level review, compliant with what's required of them toward being a participant of the grant, we can also do that as well.

And make any recommendation for further training or technical assistance, if necessary.

In order to get these services, if you are interested in any of them, you would speak to your HUD POC directly, state the type of assistance that's needed, who is the person at your agency who would be responsible for the communication, and your availability for the assessment. The HUD POC would take a look and see whether or not it's something that they agree to, and if so then they will communicate to our HUD GTMs [ph]. If approved by the HUD GTMs, then they would let us know and once we are approved to work with you all, then we would initiate the assistance. The turnaround time is usually very quick, but it depends on the type of assistance that's required and also your availability.

I don't see any unanswered questions here in the control panel, but if you do have any further questions, please submit your questions to [housing.counseling@HUD.gov](mailto:housing.counseling@HUD.gov) and in the subject line just put Grant Financial Reporting so that they'll know how to assign the question.

I want to thank you so much for participating and we look forward to speaking with you at the next training. Thank you.

Moderator

Ladies and gentlemen, that does conclude our conference for today. We do thank you for using AT&T Executive Teleconference Services. Host and speakers, you may stand by for a debrief if you wish. All others, you may now disconnect.