



Final Transcript

HUD-US Dept of Housing & Urban Development

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SPEAKERS

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PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the HUD preparing SF form 425 conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Instructions will be given at that time. (Operator instructions.)

As a reminder, this conference is being recorded.

I would now like to turn the conference over to the host, Senior Auditor PeterGay Bryan.

Please go ahead.

PeterGay

Hello, everyone, my name is PeterGay Bryan, and I'm with Booth Management Consulting, also known as BMC. Today, we'll be discussing how to prepare the form SF-425 and that is a federal financial reporting form. As the announcer said, the audio will be recorded and a PowerPoint as well as a playback and transcript will be available on the HUD exchange at the link that's on your screen right now.

Also, there will be an Office of Housing Counseling Listserv which will be sent out to you when the archives are posted. During the presentation, you will be muted. But, I will pause periodically to take questions.

The handouts for the presentation were sent prior to the webinar today, but if you look on your right-hand side in the control panel, there is a tab for handouts. You can click that and download the presentation that we're going to be going over for your records.

After the presentation, there may be polling questions. We do request or ask that you respond to them. And also, during the period, as I've previously mentioned, there will be the opportunity to ask any questions

that you have. The operator will give you instructions on how you can ask your question.

Another way that you can ask questions, is if you look in your control panel to the right, there's a tab that says "questions." You can type your questions there, and we do have someone from Booth Management Consulting who is live and answering any questions for you directly if you don't want to wait for the breaks in the presentation.

During the discussion, some of the phones may become unmuted, so we do ask that you, yourselves manually mute your phone. The star six function, that will mute or unmute your phones, on most phones.

At the end of the presentation, there's a brief survey to be completed. Please complete the survey and submit them to the Office of Housing Counseling so that we can better plan and present webinars in the future. You will receive an email within 48 hours after the training. There will not be anything attached in it, but this will be your certificate for training so please print and save this for your records to certify that you have attended this training.

If you have any additional questions, please email them to housing.counseling@hud.gov. In the subject line, you'll put the name of today's training, which is preparing the form SF-425, and it's for intermediaries, FHSAs, and MSOs.

Thank you for attending.

Alright, so we'll just go ahead get started with today's training. Again, I'm PeterGay Brian with Booth Management Consulting. Today, we'll talk about the purpose of the form SF-425, also known as the Federal Financial Report or the FFR report. We'll discuss what the submission requirements for the form are, how to prepare the form properly, some common errors that we have noted while conducting the financial and administrative reviews and looking at these forms, and some takeaway points and things to remember as you go forward in doing the reporting to HUD.

The SF-425 or FFR is an OMB required form. It pretty much summarizes the status of your financial data as of a particular period in time. HUD requires all intermediaries, SHFAs, and MSOs to complete and submit

these forms as part of their quarterly financial reporting. HUD uses this information in order to monitor the financial status of the housing counseling grant program. We do require that you submit it timely in order for HUD to effectively monitor and match the reservation of funds requirement.

This form is going to capture all of the obligations and the disbursements relative to the housing counseling grant, and we want you to bear in mind that a separate form should be completed for each grant. So, for your FY '15 grants, you'd complete one form and for your FY '16 grants, you'd complete another form, even though the periods of performance may interlap.

Again, intermediaries, SHFAs, and MSOs are required by the HUD grant agreement to submit an FFR report, and they're due no later than 30 days after the last day of each quarter. You must submit them quarterly and you have a 30-day window to complete and submit the form. If you're going to be unable to submit the form within the 30 days, then we do ask that you contact your HUD POC and request an extension for submitting those forms. They should be submitted every quarter, regardless of whether or not expenses were incurred, once you have been awarded a

grant. When completing the form, we do require that you either enter a zero dollar balance or not applicable if it's not applicable to your agency. We want to make sure that the form is being fully completed when you're doing so. If you haven't incurred any expenses during the life of the grant, then you would report a zero cumulative total wherever it asks for any expenses that you've incurred during the period of performance.

Once the grant has been awarded and a reporting quarter has arrived, then if you've missed a reporting quarter, then we do require that you submit any delinquent reporting. For example, if you received a grant June 30, 2015, and then the report was due July 31, 2015, but you did not submit it, but then for the end of the next quarter, you were submitting your report, we still require that you submit your June 30 report as well. Just make sure that that's a delinquent report, and you could mark it as such.

Again, for example, here's another example for a quarter ending March 31st, and the grant has not yet expired, and your last quarterly report was submitted for the quarter ending 6/30. Then you should go ahead and submit the quarterly reports for the remaining quarters for the period of performance. So that would be the 9/30 quarter, the 12/31 quarter end, and then the March 31st quarter end for FY '16 grants.

Those were the submission requirements of the grant. I wanted to emphasize that they are due 30 days after the end of each quarter, before any final reports that you're submitting. Then, you would have a 90-day window to submit that final report. But, for the quarterly reports, they are due 30 days after the period ends.

I also again wanted to emphasize that for each of your grants under the housing counseling program, single award reporting is required. You're not allowed to report on multiple grants on the FFR for your housing counseling grant program.

The top half of the screen that we have here is the first nine boxes of the sender of the FFR report and you would document here the federal agency that granted you the award. So this would be HUD. Box two would be your HUD grant agreement number for the year that you're reporting, and this would correspond with your grant agreement. Line three, you'd document your organization name and complete address. This would be the address that you provided to HUD in your application process.

Bear in mind that if there was a change, then you would need to communicate that to your HUD POC and make sure that they know what your updated address and your updated information is. Lines 4a and b are your DUNS and EIN numbers, you document that there. Line 5, [indiscernible] and account number for your housing counseling grant with HUD. There's no [audio skipping] account number, so you would not complete that section.

Line 6, you are required under the housing counseling grant to submit the report quarterly, so you'd select quarterly for number six. And, line seven, you would document your basis of accounting, which would either be cash or accrual basis of accounting. Line eight, you would document the period of performance. For the FY '16 grant is October 1, 2014 through March 31, 2016. And then, for the reporting period end date, you'd document the end date of the period that you're completing the FFR for. So, for this FY '16 grant example that we're using, the reporting period that we're using in this example is 9/30/2015.

Sections 10a through c., line 10a is the cash receipt section. And here you would document the cumulative amount of cash that you've received from HUD as of your reporting date. So, as of 9/30/2015, in this example, the

agency had only received \$5,000 from HUD. But, however many dollars you receive from HUD as of that date, that's what you would document here in your cash receipt section.

In line 10b, that would be where you would document all of your federal funds that you've disbursed. So, that would include your direct and indirect expenses and any cash that you paid to your sub-grantees or any contractors as of that date. And on your accrual, if you were using the accrual basis versus the cash basis of accounting, usually line b is greater than the line 10a. That would show here in line c which is the cash on hand.

Lines 10a minus line 10b, if this is a negative amount, that would pretty much reflect the amount that HUD owes you at that particular time. So maybe you only drew down \$5,000 from HUD at that time, but as of 9/30 you had expended \$10,000. There would be a negative \$5,000 here, which would pretty much show that HUD owes you \$5,000 at that time. If this is a positive number; however, that would mean that you have received more cash than you have disbursed and that would require an explanation, because HUD doesn't usually do advances, and that would represent an advance.

And also, please bear in mind that once parent agencies draw down funds from HUD, there's a three-business-day window within which you then have to reimburse your sub-recipients. And if you are not able to reimburse them within those three days, then during our financial and administrative review, that may get picked up and we would ask you, okay, why were the funds drawn down prematurely?

I am going to open up the panel for questions at this point, because usually there are a lot of questions with lines 10a through b.

Moderator

(Operator instructions.) It looks like we have a question from the line of—it doesn't have a name, but it's line 623. Please, go ahead. And they dropped actually, so, it doesn't look like that one's here.

The next question comes from the line of Sally Ann Davis. Please, go ahead.

Sally

On the accrual base accounting, you said negative versus positive money. I was trying to understand, but the message came through a little bit

garbled. If it's a positive number, the agency needs to reimburse HUD within three days? Is that correct?

PeterGay

No. So, the cash on hand. Okay, start over. So 10a, that would be any funds that the parent agency received from HUD as of the reporting date; 10b would be any cash disbursements. Usually, especially, under the accrual basis, they would have disbursed more than what they have already drawn down.

For example, if they have received so far from HUD \$10,000 and then as of that date they've incurred \$15,000 in expenses, then there would be a negative \$5,000 balance which is reflecting the amount that HUD now would owe them for that period. And then, when they do their payment request, it's going to show, that okay, we're requesting \$5,000 from you because we've incurred these costs, we haven't drawn them down as of yet, so we're requesting that you reimburse us \$5,000 so we can be reimbursed for the expenses that we have incurred. So, that's the negative number, where the disbursements made exceed the cash that they've already received from HUD.

A positive number would come into play where the agency has drawn down \$10,000 but they've only incurred \$5,000 in cost. That would need to be explained because the grant is a cost reimbursement type grant. Parent agencies wouldn't submit a report or reimbursement request if they haven't incurred those expenses. And that's pretty much what you're trying to show here in line c. So, that's what would require and explanation.

I also mentioned that parent agencies are required to reimburse their sub-recipients within three business days once they receive funds from a federal agency. Once you report to HUD or cash on hand here, it's a negative \$5,000 balance and in your draw-down request to HUD, it would also reflect the \$5,000 balance. Once you receive that \$5,000 from HUD, once you draw it down, then you have five business days within which to reimburse your sub grantees that \$5,000. Does that clarify your question?

Sally

Yes.

PeterGay

Okay.

Moderator

There are no more questions queued up at this time.

PeterGay

Okay. Thank you.

Alright, so we'll continue with the form and go through lines 10d through 10h. In line 10d, here you would document the total federal funds authorized or awarded to you. This will pretty much match up to your grant agreement amount. So, whatever HUD agreed to pay you, or is authorized to pay you for your grant, that's what you would document here. That typically doesn't change unless there's a modification or an amendment to your grant agreement with HUD.

Line 10e will shows the federal share of expenditures, the cumulative federal share of expenditures through the date of your report. Again, that's going to include any direct or indirect costs or any cash paid to your sub-grantees or any contractors or any costs that you've incurred but not yet paid on the accrual basis would be reflected here. So, all of your expenses incurred or your cash paid if you're cash basis would be documented here.

The federal share of unliquidated obligations, these are the obligations of the federal fund that you have but not paid or recorded at that time. So,

it could be the amount that you know that you owe to your sub-recipients or your contractors, but you haven't paid them as yet, you document that there. The total federal share here would be a summation of the two.

The unobligated balance of federal funds would be a deduction of line c, which are total federal authorized funds here minus your line g, your total federal shares of expenditures and unliquidated obligations to give you a balance here of your unobligated balance of the federal funds authorized. That's pretty much the amount of money you have left to spend on the grant that's not been obligated as of the date of your reporting period.

Here on the slide, we just wanted to emphasize the importance of cumulative reporting. So, each quarter the report that you submit to HUD, you want to make sure that you're showing the cumulative amount for each of the blocks that you complete. And in this example, we have here two reporting periods, 9/30/2015 and 12/31/2015. So, for the period ending July 1, 2015 through 9/30/2015 for a grant that was awarded and we didn't have any costs prior and they got a \$15,000 grant from HUD for the period ending 9/30/2015, only \$5,000 of expenditures were incurred during that time. However, we would still go ahead and do the calculation

and then show the balance of unobligated funds at the end of the reporting period.

However, for the period ending 12/31/2015, another \$3,310 were incurred during that timeframe. So, here, you would still reflect the \$15,000 for the total federal funds authorized, but this needs to reflect the cumulative amount which is the \$5,000 that was previously incurred plus the additional \$3,310 that was incurred for this period. You would do a cumulative amount here to show \$8,310 was incurred as of 12/31/2015. Then, when you did your calculation it would show the balance of the unobligated amount, it's going to be going down each quarter. The more expenses you incur, it's going to be reducing this amount to zero.

Were there any questions on this section? I'll open it up for more questions.

Moderator (Operator instructions.) And there are no questions in the queue right now.

PeterGay Alright, then we'll continue on. Lines 10i, j, k, these are related to the recipient share, but because your housing counseling grant was HUD, does

not require a match agreement, you document not applicable for your agency when completing the form FFR.

L,m,n, and o, this section is related to program income. Program income, that's any gross income that you guys would generally generate that is directly generated by a grant, or grant supported activity, or any money that is earned as a result of a grant agreement during the period of performance of that grant. Agencies can use two methods to show program income, either the deduction or addition method. And, that's pretty much going to be based on your policies and as well as your agreement with HUD.

So, in line 10l, you would document the total federal program income earned for the housing counseling grant that you have with HUD. So, for example, if agency earned \$200 for the housing counseling program and they're using the deduction alternative, so that's where they would document here, in this section; however, if they were using the addition alternative, then they would document however much of the program income they used here.

So, for the deduction method, you're pretty much showing any program income that you used to reduce the federal share of the total project cost. So, however much of program income you used to reduce the total cost of the project is what would get reflected in line 10m. If you use the addition method, then that would be any program income that you added to the fund that you committed to the cost of the program. These are monies that you've earned, but then you're also going to make sure that you're going to use it to further the eligible program activities under the housing counseling grant. Any money that is earned as a result of grant agreement during the period of performance of that grant.

Line 10o is a calculation to show line l minus m or line l minus n. That's going to show the unexpended program income as of the reporting period date.

Line 11 of the form is pretty much related to the indirect cost expenses. So, of course, in order to charge indirect costs to the grant it would have to be pre-approved by HUD during your application process. Most agencies have a negotiated indirect cost rate agreement. In that agreement, it will show the rate. It will tell you the type of rate that you have, and it will tell you the effective period of the rate. Agencies that don't currently have a

negotiated indirect cost rate agreement, they are allowed to use what is called 10% of the modified total direct cost of the grant. That, too, would have to be approved by HUD in your application process, for you to charge that to the housing counseling program.

In this example, the grantee had a provisional rate of 10%. That would be specified in their negotiated indirect cost rate agreement. The period of performance is from January 1, 2012 through 12/31/2016. The base here is showing the amount that they're applying the 10% to. This would be determined by the NICRA agreement that the agency has with their cognizant agency. It will tell them you can apply the rate to salary and wages only, or salary ranges and certain type of fringe benefits, or certain type of other direct expenses that can be included. The negotiated indirect cost rate agreement will specify that.

So, for the cost for the period you document whatever the amount of cost or direct costs that you incur during the period, you document that here. Then you'd apply the rate of 10% to get the amount that you're going to be charging to the grant. You pull those through down to the bottom as well.

Were there any questions on the indirect cost rate?

Moderator (Operator instructions.) It does look like there is a question. Please go ahead with your question. Looks like they dropped. Just a second, there might be another one coming in. Okay, looks like there is a question from the line of Judith Herrera. Please go ahead.

Judith The period of the indirect expense, is that the same as your project period?

PeterGay In the NICRA agreement, the Negotiated Indirect Cost Rate Agreement, it would tell you the effective date of your indirect—

Judith Okay. But we don't have a NICRA agreement, so we use the 10% de minimis.

PeterGay Yes, then definitely, you could use the period of performance for the grant that you're reporting on.

Judith And the type, is that provisional, or is that final? For the type?

PeterGay This is just an example. For you, you would do modified total direct cost. You would document modified total direct costs here. There are different types of rates—provisional, pre-determined, final, or fixed rate. For you guys it would be your modified total direct costs.

Judith That would be the type that we would enter there?

PeterGay Yes.

Judith Oh, okay. Thank you.

PeterGay You're welcome.

Moderator And there are no more questions in the queue right now.

PeterGay Okay. Item 12, that's a remark section. For any block that you completed that you needed to attach an explanation for, you would go ahead and document your remarks here that okay, see attachment. Then on the attachment page, you document the name of your organization, the reporting period of your organization, the housing counseling grant, the

period of performance, your DUNS number, EIN number, and then attach it to the FFR that you are submitting.

You'd also need to certify that you completed this report, it is accurate and complete to the best of your knowledge. Have someone sign and print their name. Also include their contact information, telephone, and email address, as well as the date that they're submitting the report should also be documented there in block 13, a through 13e.

Did you have any questions? I think that's pretty simple, because it's just certifying that the report is complete and accurate. We can go ahead and talk about the common errors that we've noted. HUD has contracted Booth Management to also conduct the financial and administrative reviews of your housing counseling program. Throughout performing these reviews, we've noticed several repeat findings or common errors that parent agencies usually make.

A lot of the times, the biggest one is that the forms aren't completed properly. Sometimes we'll get forms that are not complete in its entirety. Some of the lines will be completed, but [audio skipping] lines. Again, we just want to emphasize to you that if something is not applicable to you,

please put N/A. If it's a zero dollar balance, put zero or a line through it so that we know , okay that means there were no expenditures or nothing to report in that block.

You also want to include the correct grant number, as well as the report type. Remember, it has to be done quarterly. Once the grant is awarded to you guys, you want to make sure that at the end of each quarter you have 30 days within which to submit an FFR report. You send that along with your financial reporting package to your HUD POC.

Lines 10a through b, we see a lot of times where the cash received is not matching up to the drawdown request. We do make sure that we look at how much funds were dispersed through the ELOC [ph] system when we're doing our review. In order to avoid any errors or mistakes, then you want to get a copy of all of the receipts that you received from HUD and make sure that you document properly there the cash received as well as reporting dates. Also, the cash disbursements, agencies have not reported the current amount of cash disbursements in their reporting to HUD.

Line 10e, we see a lot of times where the current amount is not being reported there as well. You want to make sure that you're paying

particular attention to your expenditures during the timeframe and work with your accounting department to get the right numbers and the right figures, and document that there. Also, in the reporting, any exceptions, for example, where there was an excess of cash on hand. Again, that would refer back to line 10c, where that is a positive number.

If this is ever a positive number, anything greater than zero, then you want to provide an explanation for why funds were drawn down prematurely and attach that to your FFR report. Also, any unobligated balance of funds or unexpected program income, if you wanted to include that in your remarks, then please be sure to do so and refer back to line 12 of the FFR report.

Certain things to remember, best practices—as it always is when dealing with numbers, you want to double check to make sure the form is being completed correctly, and that it contains all of the information required—your signatures, and your contact information, it has the right grant number, the right period that you're reporting on, that all of your numbers are matching up, your accounting system, as well as the draw-downs that you've done from HUD. You want to gather all of your information, all of the last reports, your most recent reports that you've submitted to HUD,

you want to keep those handy or close by when you're doing the report, just so that you make sure that you have the right information when you're submitting that to HUD. Also, we'd like for you to report the program outlays and program income on the same accounting basis, the cash basis or accrual basis.

If a final FFR is being submitted, you can document "final" on the top of it so that we know, okay, this is the final one to close out the award. You have 90 days after the end of the period of performance to submit a final FFR report. But until you do that, then the quarterly financial reports will have to be submitted within 30 days at the end of each quarter.

If you need an extension for submitting any of the quarterly financial FFR reports, then you would need to do so in writing. Send an email or a letter to your HUD POC and have them also respond to you in writing. Keep that correspondence available. Keep that in your records and available, just in case you guys are selected for a review. You would have that to show, okay, we did submit it late, but we sought an extension and were able to submit it late.

I'll open it one more time for any questions.

Moderator (Operator instructions.) There are month more questions—actually one just popped in. It is from the line of Judith Herrera. Please go ahead.

Judith If the deadline falls on a weekend, is it moved forward or backwards, the deadline for the FFR?

PeterGay I think there are specific dates in your grant agreement for when the due dates of the FFRs are. If it's on a Saturday or a Sunday, I am not sure; you could probably shoot your HUD POC an email and ask them, can we submit it that Monday, or do we need to submit it the Friday? I'm not really sure.

Judith I have another question. So, if there are some errors on what you submitted, would that automatically get returned, or would you get notification?

PeterGay Your HUD POC should be reviewing the FFR reports that you submit. That is one of their responsibilities. But in conducting the financial and administrative reviews, I have encountered instances where certain errors were not caught. They should, but I've seen where they haven't been

caught. Then the grantee, it becomes a finding or an observation on a financial and administrative review.

Judith But if it's approved, would you get notified it's approved? I'm not sure about how long would you have to wait until the drawdown or something.

PeterGay Usually, the HUD POC reviews the reports that you submit to them, and they would approve it prior to you being able to draw down funds from HUD. You would know if you're able to draw it down. They would approve it, and then you would draw it down. Typically, that's the process.

Judith Thank you so much.

PeterGay You're welcome.

Moderator And there are no additional questions in the queue at this time.

PeterGay Okay. Okay, I want to thank everyone for your time. Thank you for calling in. Again, if you think of any additional questions, please email them to housing.counseling@HUD.gov and also, on the HUD exchange,

the transcript and PowerPoint presentation as well as the audio will be available. HUD will send out a Listserv once that is uploaded into the archives.

Moderator

Ladies and gentlemen, that does conclude your conference for today.

Thank you for your participation and for using AT&T Executive TeleConference service. You may now disconnect.