



Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Reviewing Form 425

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SPEAKERS

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PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Reviewing Form 425 conference call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session and 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 your host, Petergay Bryan. Please go ahead.

Petergay

Hello, everyone. This is Petergay Bryan with Booth Management Consulting. Today we're going to be reviewing the requirements for completing the Federal Financial Report.

During the session the audio will be recorded. The playback number as well as the presentation and handouts will be available to you on HUD's SharePoint. Your lines will be muted during the presentation.

If you wanted to follow along with the handouts you should have received an email earlier today or late yesterday with an actual copy of the presentation. If you expand your control panel, there's a section that says Handouts, you can click on the PDF file that's attached there, and use that to take notes as we go along. I did make a few changes, so we'll be resubmitting an updated version of the PowerPoint presentation, but you can use it just to follow through as we go.

Within 24 to 48 hours you will receive a thank you email. That email is going to be your Certificate of Training. There will not be any attachments or anything like that. Just print that and save that for your records to show that you did participate in today's webinar.

I'll pause at the end of the session for any questions that you may want to ask or pose live. The moderator will give you instructions on how you can ask those questions or make any comments that you want to at that time. However, if you wanted to get immediate feedback, we do have staff from Booth Management Consulting who are here to answer your questions as we go. If you open up your control panel, again, there's a section that says Question, you can type your questions in there and someone from the BMC will respond to you immediately.

I do want to make mention of the fact that this training is specific to recipients of the Housing Counseling grant fund with HUD, so any questions that are posed, we can respond from that perspective. But if you are a participant in another program, then we may not be able to do so.

We'll go ahead and get started with our presentation. Again, I'm Petergay Bryan, Audit Manager at Booth Management Consulting. Today's topics include going over the purpose of the Federal Financial Report form, which is also called the SF-425, the submission requirements, how to complete the form, and we'll do a step-by-step how to complete each line item, some common errors that we've noted while conducting reviews of reports that were submitted by grantees, some important things to

remember, and available assistance to you as recipients of the Housing Counseling grant and how you could request that assistance.

The main purpose of the form, it is a form required by the Office of Management and Budget. Basically federal entities use this form to track the status of financial data that's tied to particular federal awards. In agencies reporting using the Federal Financial Report, HUD has been able to track the financial status of your Housing Counseling grant with them. They'll know what the obligations are, what disbursements were made during the period, and the status of any requisitions that haven't been submitted yet or the balances that are left on the grant at a particular time.

It is a cumulative report that's going to capture the status of your obligations and your disbursements of the agreement at any specific time. It is required for each grant. If you receive multiple grants from HUD, you are required to submit a separate FFR report for each of those grants.

The Federal Financial Report is required to be completed by intermediaries, SHFAs, and MSOs. If you are an LHCA then you are not required to submit this document, or if you're a sub-grantee you're not required to submit this document. Your parent agencies, in their

submission to HUD they will include that information on their Federal Financial Report. The report is required to be submitted each quarter. Regardless of whether or not you've incurred expenses during that period, so in the same way that you are required to submit a zero activity quarterly financial report you are required to submit a zero activity FFR if you haven't incurred any expenses during the period.

The report is due no later than 30 calendar days after the last day of each calendar quarter. It coincides with your quarterly financial report due dates. Whenever you're submitting your quarterly financial reports and your drawdown request you should be completing this form and submitting that as well.

For your final report, similar to the financial reports that you submit, is due no later than 90 calendar days after the last day of your period of performance. For the FY17 grant, the due date for the final report was June 30, 2018. Of course if you received a period of performance extension you are required to submit your final report 90 days after the end date of that period of performance extension. Similarly, for this FFR report you would have the same 90 days within which to submit your final

FFR. Again, we want to emphasize that the amount that you record on this report should be cumulative each period that you submit.

You want to make sure that all lines are completed on the document, because that's really the only way that HUD knows that there are no balances or anything related to that specific line item. If it's not applicable to you please document not applicable, or if the balance is zero please document that. Therefore, not making your HUD POC or the reviewer have to make an assumption as to whether or not there was a dollar value associated with that line item.

If you are delinquent in a prior period reporting, you want to make sure that once you're submitting your next report you submit a separate report for each delinquent quarter. For example, with the FY17 grant, if you're now at March 31, 2018 and your last report was submitted September 30, 2017 you still have to submit a quarterly financial report for the periods that ended December 31, 2017 as well as March 31, 2018. Of course, these requirements flow through for subsequent grant years. If you receive another grant next year, you want to make sure that if you miss a quarter for submitting a report you still have to submit a delinquent report for the quarters that you have missed.

Bear in mind that the report should be submitted to your HUD POC, along with the quarterly financial reporting package. It is a line item on your reporting requirements. If you pay attention to your grant agreement you'll notice that it's one of the things that should be submitted, along with your quarterly financial report. If you need a due date extension, if you can't meet the 30 days after the end of each period or the 90 days after the period of performance you're required to submit an extension request to your HUD POC in writing. You're also required to have communication from your HUD POC granting you that extension in writing, which you would, of course, maintain for your records.

If you make any adjustments or modifications to the report we do recommend that you document that it's a modified or an amended version, just for clarification purposes, because sometimes an agency may have multiple versions of the report, so you want to make sure that the various versions are properly labeled.

Now we'll get into completing the report. We're going to talk about the different line items and what should be recorded therein. On line 1, on block 1 you'd specify the federal agency, which is HUD Office of Housing Counseling.

In block 2 you will document your grant number for the year. For the FY17 grant you'd take a look at your grant agreement and document the grant number for that year. If you're attaching multiple pages you'll want to number it here in the section that says Number of Pages, if you're going to be including any attachments to the report itself.

In block 3, that is where you will document the name of your agency as well as your address. You want to make sure that this matches exactly with what is on your file with HUD. If you made any changes to your agency's name or your address, you want to be sure to communicate that to your HUD POC within the 15 days and also update your information in the Housing Counseling online system.

In block 4A, that is where you will document your DUNS number and in 4B is where you'll document your employer identification number.

In block 5, that is where one would document a recipient account number but that is not applicable to the HUD grant. For all of your SF-425 reports you'll document NA for this, because that's not applicable to you.

In block 6 is where you'll specify whether it is a quarterly report or a final report. Note that with your Housing Counseling grant agreement you are required to submit quarterly reports as well as final reports, but you're not required to submit a semiannual or an annual report, so the only two boxes that are applicable to you would be quarterly or final. You just specify based on the type of report that you are submitting.

The basis of accounting is where you would specify your agency's basis of accounting, whether it's cash basis or accrual basis. Cash basis pretty much refers to when an agency records expenses whenever they're paying cash. The accrual basis is where expenses are recorded when they are incurred. Speak to your accounting department to determine what basis of accounting your agency uses, then you would document it in block 7.

In block 8, that is where you will document the period of performance of the grant. For your FY17 grant year the period of performance was October 1, 2016 through March 31, 2018. If you do receive an FY18 grant you will document the period of performance that is specified in your grant agreement there. Of course, if you receive a period of performance extension you would document the end date of that period of performance extension, where we have March 31, 2018. Say, for

example, it was extended through to June 30, 2018 then that's what you would document in that block.

In line 9 is where you will document the reporting period end date. You know how you are required to submit a report at the end of each calendar year quarter, so you will document the quarter that you're reporting on in block 9.

Moving along to line 10A, here you want to be specific to the Housing Counseling grant that you have from HUD. In 10A is where you will document your cash receipts, 10B is where you'll document your cash disbursements, and 10C is where you'll document your cash on hand, which is a calculation of taking away your cash disbursements from your cash receipts. We'll go in further detail in the next slide.

Your cash receipts number should be whatever the amount of cash that you have received from HUD so far is what you will document there.

When you do your drawdown request you're going to take a look at all of your drawdown requests, total those up, and then document the amounts of cash that you've received thus far from HUD.

In the cash disbursement section, this is going to be the amount of cash that you've paid so far relative to the grant. This is going to be based on any cash payments that you've made for any direct charges for goods and services. You're going to add also any related indirect costs that are associated with the award for the period and any cash payments that you've made to your sub-grantees, that's what you'll document here in the cash disbursement section.

In 10C is where you'll document your cash on hand. Here is just a subtraction where you're taking away your cash disbursements from your cash received. This should be either zero or a negative number. If it's a positive number, which would mean that you received more money than you've expended, than you're required to submit an explanation for that balance or that advance that you have received from HUD.

Any negative number will represent your immediate cash needs, and that would be the amount that HUD owes you at that point in time. That should really match up to your quarterly financial report for that period that you're submitting to HUD and asking them to reimburse you for the expenses that you've incurred through that date.

Line 10D, here you'll document your total federal funds authorized. This will always be your award amount. Again, you want to take a look at your grant agreement to see what your grant amount is, and you'll document this here. This usually typically doesn't change. The only time this changes is if there was a change in your grant agreement where HUD either increased or decreased your award amount. If that doesn't happen, then this would always be the same for every report that you complete and submit to HUD.

In line 10E is where you're going to document your federal share of expenditures. If you are on a cash basis then this would pretty much match up to line 10B, where you're documenting your cash payment, the related indirect costs, as well as the payments that you've made to your sub-grantees. If you're on an accrual basis, though, it would include those amounts as well as any accruals for the period.

In line 10F, here is where you're going to document your federal share of unliquidated obligations. If you are on a cash basis then this is going to really be the obligations that you've incurred but haven't yet paid. Pretty much it would be the accrued amounts, but because you're on a cash basis you don't have an accrual in your accounting system. However, if you're

on an accrual basis, it's going to be your obligations that you've incurred but you haven't recorded yet in your accounting system. At this point you know that you have certain obligations that you have incurred but you haven't yet recorded it in your accounting system so that's what you would document on that line item.

I will say, though, that this has mostly been blank because a lot more agencies use the accrual basis of accounting, and usually there aren't any obligations incurred that they haven't recorded yet when they're doing their quarterly financial reports.

Line 10G is going to be the total federal share. It's just a summation of your federal share of expenditures and adding that to any unliquidated obligations that you may have.

Then in line 10H is where you're showing your unobligated balance of federal funds, which is the subtraction of your federal share of expenditures. You're taking that away from your federal funds authorized. This balance pretty much is showing you what's left on your grant that you could potentially draw down on in the future.

Bear in mind when you're completing this report that you should be using cumulative reporting so that you're showing the sum of expenditures from year-to-date to the reporting period that you're reporting on. You have to make sure that you're adding all of the expenses that you've incurred to-date as well as all of the drawdowns or the reimbursements that you have received from HUD to-date when you are completing the report.

In the next slide we are going to look at how block E continues to increase for each successive Federal Financial Report that you complete based on the fact that agencies continue to incur expenses throughout the period of performance of the grants. We do want to note that if you made an error in the reporting you should be making comments to block 13 in the remarks section. We'll talk a little bit more about that when we get to that slide.

In this example for Q4 FY17 this agency incurred \$5,000 in federal expenditures at the time. Then in the next quarter they incurred another \$3,310 of expenses for that period. In the top graph that you see here you'll see how the federal funds authorized to the agency for their grant award amount was \$15,000, through the end of September 30th they incurred \$5,000 in expenses and so now they have \$10,000 left to draw

down on. When we look at the period that ended December 31st, you'll see where we add the \$3,310 to the \$5,000 that they incurred previously. Now the balance that they are able to draw down on at the end of December is \$6,690.

As each period goes on you'll see where the unobligated balance of federal funds will continue to decrease as the period of performance goes on, while the federal share of expenditures will continue to increase as agencies incur more and more expenses. Of course, line 10D, the federal funds authorized will always be the same unless there's a change in your award amount.

When we get to the section on recipient share, you'll want to document either zero or not applicable because a recipient match is not required under your grant agreement with HUD. For your reporting purposes to HUD for the Housing Counseling grant you want to document zero or not applicable for this entire section.

On the program income section of the report you want to document the program income that you've earned for your Housing Counseling Program in total. The HUD grant agreement requires the deduction alternative.

You will document any program income that you've expended in accordance with that alternative versus the additional alternative, which is not allowed under this award.

Then line 100 will just be your unexpended program income, which would be a deduction where taking away line M from line N. This section has to be completed if your agency generates program income as a result of work performed under your Housing Counseling Program. If you haven't had any program income during the period of performance you want to document zero or not applicable for these line items.

Here we wanted to provide you with an example of how you will use the deduction alternative for calculating program income and then reporting it on this Federal Financial Report. Say, for example, your award was \$200,000 for your Housing Counseling grant for the year. During the year you also earned \$20,000 in program income and during the course of the year all of your expenses for running the program is really \$200,000. So, what you will have to do with the deduction alternative is to make sure that you reduce your HUD award amounts, you have to report that to HUD and reduce your HUD award amount to \$180,000.

So, the total cost of running your program would still remain at the \$200,000, where you're getting \$180,000 from HUD and then the remaining \$20,000 would be from your earned program income.

I must be honest with you, most of the times we don't really see a case where agencies earn more to have like a surplus in running their program in conjunction with the HUD grant funds that they've received. Usually they have to use other leverage funds versus program income to really support their program. This is the method that is required with your HUD grant agreement, is that you deduct any program income, reduce your HUD grant award, if that income would have caused you to have a surplus over the costs of running the program.

The next section of the report is related to your indirect expenses. In our example here this agency is using a negotiated indirect cost rate agreement, or a NICRA, and their approved rate is 4.2%. When they read their NICRA, the period that they could apply this 4.2% to was January 1, 2012 through December 31, 2017. During the period of the year they had a base cost of \$4,800 and when they added the indirect cost it was a little bit over \$200 but they chose to just submit \$200 in indirect costs for reimbursement for the period. They're showing that amount on line E.

When you added the two you would have \$5,000, and that's the amount that they reported as their cash disbursement for the period is \$5,000. That would be the base amount of \$4,800 plus the \$200 amount of the applicable indirect costs for the period.

When completing the section in section A, you want to document the type of rate. For the NICRA you want to look at your agreement, see what type of rate it is, is it a provisional rate, final rate, fixed rate. If you're using the 10% de minimis rate you want to document that there as well that you're using the de minimis rate. In line 11B is where you would put the actual percentage. If you're using the NICRA just like this example it was 4.2% so you would document that there. If it's a de minimis rate then that would be 10%, which you would document in line 11B.

In C, the beginning and end dates for the effective rate, if you're using a NICRA you would look at your NICRA agreement to see what period that covers and document that there. If you're using the 10% de minimis rate then you would just document the period of performance of the grant.

In line D is where you would document the base amount that you're going to multiply the rate to.

In 11E is where you're going to document the calculated amount that you worked it out. The 4.2% times the \$4,800 would give you the \$200, and you document that in F as well. In G, you're just showing the totals of the amounts.

In block 12 you would attach any remarks that you may have or explanations for any of the line items. If you had received an advance or anything of that nature that you wanted to provide an explanation or a comment to, you would attach a document for block 12 and make sure that you specify in the remarks section what's going on.

In block 13 is where you're going to be signing the reports just certifying that the report is true, complete and accurate. The name of the authorized official should be specified as well as their contact information, their phone, email and date as well as a signature for the authorized official.

Some common errors that we have noted while reviewing the report. A lot of times we'll see where the report is not completed properly, so it's not fully complete, agencies will leave information blank or missing from the report. In doing that, it's really hard for a reviewer to say what the agency meant by leaving the information blank, should it be a zero balance or did

they just not know how to complete it properly? If you're not putting a zero or not applicable, then that's an incomplete report. It's an incomplete form. Your HUD POC should send it back to you for you to make the correction and resubmit.

Another error is where agencies don't submit a report each quarter.

Again, you want to make sure that at the end of each calendar quarter you're submitting a report. Even if you didn't have any activity for that period you want to submit a report. Just let your HUD POC know nothing has changed since the prior period and you put that information on the report.

Also late reporting, you want to make sure that you're paying attention to the two dates for your quarterly financial reports as well as your federal financial reports, and if you need an extension for submitting these reports that you get that in writing from your HUD POC.

Not reporting the correct grant number, we've seen that a couple of times, or not capturing the accurate reporting type. Some agencies may put semiannual but that type of reporting is not applicable to this grant. You

want to be mindful of that. It should only be either a quarterly report or your final report that you're submitting.

Then not reporting the accurate reporting end date. That should be the quarter that you're reporting on. Remember that the project grant period is your period of performance. In block 9 the reporting period end date should really be the quarter that you're reporting on within that period of performance.

In this section, not reporting the correct amount of the amount that you have received or not reporting the amount of cash disbursements made during that time. Also, doing your calculations incorrectly as far as the cash on hand, you want to make sure that you're subtracting your disbursements from your receipts when completing the report.

Also, we've seen for the federal funds authorized agencies change that throughout the period. Sometimes they get it confused with the cash that they've received. You want to make sure or be mindful that this number really doesn't usually change unless there was a change in your award amount.

Your federal share of expenditures that you're submitting, depending on your basis of accounting it may look different to various agencies based on their accounting method or accounting basis. If you're a cash basis, again, you want to make sure that that's including your cash payments that you've made as well as their relative indirect costs for the period and any payments that you've made to your sub-grantees. If you're an accrual basis agency then includes those amounts as well as any expenses that you've incurred but you haven't paid us yet. It would be the accrual piece that's reflected there.

In line 10F your federal share obligations. If you are a cash basis agency then that's going to be any obligations that you have incurred but you haven't paid as of the reporting date. If you're on the accrual basis, it's going to be any obligations that you've incurred but you haven't recorded in your accounting system as of yet.

Line 10G, it's going to be your total federal share, which is a summation of lines 10E and F. Line 10H will be your unobligated balance of federal funds. If you're taking away your federal share of expenditures from your federal funds authorized and it's going to show the balance that's left on the grant for you to draw down on in subsequent periods.

In the program income section, we've seen errors where agencies haven't reported their cumulative amount of program income that they've received during the period. You want to be mindful and make sure that you're reporting the cumulative amounts. Also, agencies haven't reported the correct amount of program income that they've expended for the program.

Another thing, you want to make sure that you're including notes for any cash on hand that you may have. That's line 10C. If that's a positive number you have to provide an explanation because it really should be either zero or negative, line 10C.

For the unobligated balance of federal funds, that should continue to decrease as you incur and report your expenses. If that is ever negative, which it should never be, then you know that there's an error somewhere. If you have a negative number for your unobligated balance of federal funds, you definitely want to investigate that. If you've investigated it and it appears to be correct, then you want to provide an explanation for what does that mean.

Also, provide a note or an explanation for any unexpended program income because, again, with the Housing Counseling grant agreement you

are required to reduce your award amount. You're required to use the deductive method or spend those funds first before you spend the HUD Housing Counseling funds.

Some important things to remember as you are completing this report. You want to make sure that the report is completed properly and that all of the information is included and that it's being signed off by an authorized official. When you're completing the report you want to keep a copy of your grant agreement handy for reference so you are able to determine what your federal funds authorized, what that total amount is. If you have an amended grant agreement, then you want to have the most recent ones so that you can reflect that information on your report.

Also, you want to take a look at your prior Federal Financial Reports while you're completing this so that you're being mindful of, what did I submit previously, which expenses did I already account and report on, and what is left for me to report on this period. Any program outlays and program income, you want to make sure that they are being reporting on the same basis whether it's on a cash basis or accrual basis.

On the final report, you want to select Final—in block 6 you want to select if it's a final report in that block. Also if you need an extension it should be requested in writing prior to the due date of the Federal Financial Report. You want to obtain that from your HUD POC.

We do have several services available to you all as recipients of Housing Counseling grants from HUD. These are at no additional cost to you. They're just here to help you as you do your reporting each period. We do provide training for new agencies or agencies that have changes in their personnel on grant financial reporting, and that's where we can really help you with your quarterly financial reports, make sure that you have all of the required elements included on your reports.

We also provide training on the Federal Financial Report, where we do one-on-one training with agencies and staff to show how you should accurately complete your report and provide you with examples, or we even use your own numbers to do the calculations so that you'll really see where to put what information.

We do conduct financial management system training, where we train your staff on maintaining compliant financial management systems. We

do help agencies with configuring their accounting systems and provide training on relevant topics like any policies or procedures that you may have or need changes or updates to and also how to implement internal controls over the business process areas.

We review quarterly financial reports for agencies as well as sub-grantees. If you, as a parent agency, have sub-grantees that you want us to take a look at, we do provide that service.

There are two ways that you could request a service. You could do a direct service request or it may be a request that resulted from an action plan or a financial and administrative review. If you are requesting a service directly, then you would contact your HUD POC. You'd specify the type of service that is needed, your agency's name, and contact information. The HUD POC would then contact the GTM to request the service.

If the GTM approves the service, then they would forward that information to us and let us know. Then we'll work with you directly to help you and provide whatever assistance you need and provide you with a

final deliverable, as well as your POC or GTM, with a final deliverable as far as what we did and what we worked on with you all.

If it's a result of an action plan or [indiscernible] usually what happens is that we conduct either some type of an assessment of your agency for compliance with the financial management requirements of the grant. Based on that we may see certain weaknesses or deficiencies. We would prepare a report that includes the results of our review. If there are weaknesses or deficiencies, we would make a recommendation for technical assistance or training and would be specific as far as what type of training or assistance you need and communicate that to your HUD POC. Your HUD POC would review that information and decide whether or not they wanted to approve the assistance or training and then communicate that to you as well as your HUD GTMs.

We've noticed by doing this for several years now that grantees have really benefitted from these services. One of the main things that happens for intermediaries or the bigger agencies, it really helps to reduce the financial and administrative burden that you are responsible for in monitoring and assisting your subs. In us providing the service to your sub-recipients on your behalf it helps to reduce that type of burden.

Also, it can help you and provide you with knowledge that you can transfer to other federal programs. Also, it has helped to reduce findings during performance reviews and financial reviews. We provide assistance to you all so that we can minimize the burden of implementing new regulations that come out each year, or whenever there's a change we help you guys to minimize the burden of implementation of whatever is being required at the time.

I will pause for a few questions at this time.

Moderator [Operator instructions]. I'm showing no questions from the phone lines.

Petergay All right. If you think of any additional questions, please send them to housing.counseling@HUD.gov and put Completing the FFR or SF-425 in the subject line so that we can direct it to who can best assist you.

I want to thank you all for your time. Have a good night.

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.