



Final Transcript

**HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT:
Understanding Financial Management Systems**

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SPEAKERS

Petergay Bryan

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Understanding Financial Management Systems Conference. All participant lines are in a listen-only mode throughout the duration of this conference. [Operator instructions]. As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Petergay Bryan. Please go ahead.

Petergay

Hi, everyone. This is Petergay Bryan with Booth Management Consulting. Welcome to today's training on Understanding Financial Management Systems. This training is available to you as participants in the Office of Housing Counseling Grant Program. If you are on the call as a participant in the OAC grant program, of course, you're welcome; however, if you do have another HUD grant, then what we speak about may not apply to you.

As the operator mentioned, the audio will be recorded today, so the audio as well as the playback number and a copy of the PowerPoint presentation will be made available on Hudexchange.info [ph] at the link that's presented on your screen. Once they have updated the website, the training digest will also be updated once everything is posted.

If you signed up for today's training, then you should have received an email with a copy of the PDF document attached so that you could follow along and take notes for your records. However, if you did not receive that email or you can't find it right now, just expand your control panel. You'll see a section that says handouts and you can click the link there and it will get you to where you'll be able to actually access the PDF document and take notes for your records.

Due to the number of participants that have signed up, we will not be taking live questions in today's session because of time constraints. However, if you do have questions during today's training, just expand your control panel. There is a questions box there. We do have personnel from Booth Management Consulting who will be taking your questions live and providing you with immediate feedback. If after today's training, you think of some questions, you can send an email to housing.counseling@hud.gov with the topic for today's webinar as the subject line. In doing so, you will help HUD be able to distribute the questions to the appropriate personnel.

If for some reason, the lines become unmuted, then it would definitely interrupt today's training, so I'm going to ask that everyone who's participating, please go ahead and mute your phone unless you're going to be asking live questions, which I'm not taking any live questions today. So, go ahead and mute your phones so as not to cause any disturbances during the session.

If you logged in to the webinar from your computer, you're going receive an email within the next 48 hours. That email will be a thank for attending

email and that is going to serve as your certificate of training, so note that there won't be any attachments or anything like that. It will just be an email that you will need to save a copy of it in your records to show that you have participated in today's training.

If you wanted to get credit for today's training, you'll want to definitely go to the HUD Exchange and look in the webinar archive section. The link for the webinar archive is here on your screen and you can search by date or by topic. Again, the topic is Understanding Financial Management Systems. Once you select the webinar, then you click, Get Credit and it will give you instructions on how you can go ahead and get credit for having attended today's training.

I'm Petergay Bryan, the audit manager at Booth Management Consulting working with the Office of Housing Counseling for their grant recipients. As many of you may already know, Booth Management Consulting—we're the contractors that help with doing financial and administrative reviews, conducting action plan assessments, providing technical assistance and doing all the different types of financial analysis or agencies that are participants of the program.

Many of you should probably have submitted your grant execution packages to your HUD POCs for review. Some of you may still be in the process of doing so, but one of the things that's required of you in the grant execution package is that you have to certify to having a sound financial management system that's compliant with the uniform guidance.

Today's training is really going to go into the details of what is a financial management system and how you can determine whether or not you're compliant with the federal requirements as well as HUD's requirements for having a proper financial management system in place. Today's training will give you a better understanding of whether or not you are meeting the requirements that you should be compliant with.

First, we'll start off by talking about what is a financial management system. We'll try to help you to understand the regulatory requirements for financial management systems in general, some key components of a compliant financial management system, some best practices for maintaining a compliant financial management system, and services that are available to you. Of course, these will be free of cost as participants of the Office of Housing Counseling Program and we'll also give you information on how you can pose any questions after today's session.

The Uniform Guidance, and you'll hear me talk about that a lot, because this is pretty much the authoritative rules and regulations for federal grants and they're prescribed by the office of budget and management, so any agency that receives a federal grant would need to be compliant with the Uniform Guidance.

When we talk about a financial management system, there's a section, which is part 200.302 that goes in detail on what is a financial management system to maintain compliance and things of that nature. It also talks about the different internal controls that need to be in place and how you would need to be compliant with the payment requirements for proper financial management systems, and we'll go over these different areas in today's training.

The uniform guidance part 200.302 talks about financial management. It really tells us that a financial management system is going to include any documentation that you have to make sure that you're compliant with the federal regulations, as well as the terms and conditions of your HUD award in this case. It says that your financial management system has to be sufficient so as to allow you to prepare reports that are required for the

general and program-specific reporting as well as it needs to enable you to be able to trace the funds to a level of expenditures that are adequate to establish that the funds were used in accordance with the terms and conditions of the award. Your financial management system encompasses the policies and procedures that you have in place, the internal controls that you have implemented and reviewed to make sure that they're operating effectively. It talks about how you issue that information to your company and your employees to make sure that you're compliant with the federal statutes as well as HUD's requirements and it also talks about documentation. You have to make sure that you have documentation in place to justify the charges that you submit for reimbursement for the HUD grant specifically.

A proper financial management system provides for identification of the various federal awards that you may have at your agency. A lot of agencies or grantees in the office of Housing Counseling Program have various federal awards. Some may have one or two, but a lot of agencies have multiple. Having a proper financial management system will enable you to identify the different federal awards in your entity. It will also enable you to do accurate recording of your transactions specific to those federal awards. So, we'll help you to make sure that information is

current and that you can provide complete financial disclosures that will then roll up into your financial statements. It will help you to keep proper grant records in place, also maintain internal controls that are consistent with part 200.303 and we'll go into further details on those, and do budget versus actual recording at your company.

We'll also talk about the procedures for payments in accordance with part 200.305 and any written policies and procedures that you have in place for determining the allowability of costs. Note that we're going to go through each of these later on, but just bear in mind that in general and/or overall for your financial management systems, these are the thing that you'll be able to do with a proper financial management system in place.

For agencies that are more familiar with the federal acquisition regulations, we just extracted the definition of an accounting system and put it here, and it pretty much says that the accounting system is the agency's system for accounting, any procedures that they have for their accounting system, the control that they have established to record, classify, analyze and summarize data and interpret that information. You'll see that this information is pretty much parallel with the Uniform Guidance's definition of a financial management system. So, this year

[ph] is for really information purposes, for agencies that are more familiar with the FAR requirement. You'll see that the two parallel.

The key system criteria for having an effective financial management system—we develop 10 steps. Note that this is very specific to the HUD grant, but generally, when you think about your financial management system, the first step is you want to understand what are the regulatory requirements, what do I need to be in compliance with in order to have a proper financial management system to therefore manage the grant funds in accordance with the regulatory requirements.

The next step is to think about what systems there are that are available to help you to do so. You want to make sure that you input a system in place that will help you to carry out the functions of the award within the guidelines of the award agreement as well as the federal regulations.

Then, you want to have written policies and procedures in place that you will share with your employees to make sure that everyone is on the same page. You have specific standard operating procedures for how you will deal with the key business process areas, how you will record transactions, who is going to review them and how will the funds be managed. All that

information needs to be documented in your entities, policies and procedures and everyone who's going to be involved in the process needs to be aware of what those policies and procedures are. You want to make sure that the policies and procedures address the accounting system and how transactions should be recorded and reviewed and reconciled, etc.

The next step is documentation of expenses. For this grant, you'll be submitting costs for reimbursement, because this is a cost reimbursement-type grant. Anything that you submit for reimbursement has to be based on costs that you specifically incurred for the program and that is attributable to the grant. So, you have to make sure that you have proper documents in place and you want to make sure that you're maintaining the documentation for a specific period just in case you got selected for a review on an earlier date.

When you talk about these costs that you would submit for reimbursement, you want to make sure that they're compliant with the cost principles. We'll get into the cost principles in a little bit, but you want to make sure that anything that you're submitting for reimbursement is compliant with the cost principles as prescribed by the uniform guidance. Then, your accounting system should be able to help you to do budget

controls. You have a specific budget that you have to be following when you're setting up your accounting system. It should help you to make sure that you're not going over the budget because, as you should know, by having read the grant agreement, it doesn't allow for any overages or any deviations from your preapproved budget and if that was the case, then of course, you would need to get a new budget approved by your HUD POC. Of course, for each of these steps, we'll go into further detail in the next slides to follow.

For agencies that will be submitting salary and fringe benefits for reimbursement, you want to make sure that you have proper documentation for time and attendance activity. For any leverage funding that you projected that you would receive during the period of performance on your grant application, you want to make sure that you are accounting for those leverage funds properly in your accounting system for the housing counseling department at your agency.

Then, you want to make sure that when you're doing the reporting, you're compliant with not only the Uniform Guidance's requirement, but HUD's requirement for reporting. The next step or the last step is internal controls, which affect all of these areas. Internal controls helps agencies

to make sure that their objectives are being met. If a company's objective is to make sure that they have a proper financial management system, where they are maintaining compliance with a regulatory requirement, they have proper policies and procedures that they have linked [ph] down and they have shared with the employees that need to take place. You need to make sure you have certain documents on file to substantiate the expenses that you submitted for reimbursement during the budget controls, having documents from leverage funding and even in the reporting, you'll see that internal controls affect all of these stages. Internal controls is what will make sure that each of these will flow through properly and that management's objectives will be met.

On the federal requirements, in the Code of Federal Regulations, it's 24 CFR 1.6, talks about compliance and what it means to be compliant. So as a participant in the grant program, you are certifying that I have financial management system in place that meets certain requirements; I can do all of the things that I previously mentioned in the prior screen through having an effective or an efficient financial management system. You may get selected for a review and if you do, these are some of the things that we'll look for. We want to make sure that your accounting system or your financial management system as a whole has the capacity to meet all

of the criteria that we previously looked at. The Uniform Guidance part 200.302 and 20.303 talks about having internal controls in place in your financial management system. First, it describes what a financial management system is, and then it talks about what it means to have proper internal controls in place to make sure that your financial management system is efficient and effective.

Also, when you look at your HUD grant agreement, there are specific requirements in there that let you know that this is how specifically for the HUD grant, we need things to be done. For example, with your reporting, when you look at article 11, it tells you specifically what you need to report on and how frequently you need to report on them in order to maintain compliance. Also, article 10 talks about having a financial management system in place to set up for your HUD fund, properly record the HUD-related transaction and being able to produce records specific to the HUD grant should you get selected for a review. Further, making sure that you have proper documents on file to substantiate all of the costs that you submit to HUD for reimbursement.

Also, in the grant execution package phase, you do certify to the fact that you have a compliant financial management system in place where you're

able to do all of these things. The HUD handbook also talks about financial management, what that means and how you should make sure that your systems are set up in a way where you're tracking HUD funds separately and properly and you're doing the reconciliations to make sure that information is correct. The GAAP and [indiscernible], these are just generally accepted principles and standards that as participants in the program, you have to make sure that you're in compliance with as well.

An efficient accounting system—so, what does that mean? For all participants in the Office of Housing Counseling Grant Program, once you have an approved grant execution package—so, you know, you apply for the grant, you receive the award, you should have set up a separate account or a fund for the HUD grant in your accounting system. That way, all of the transactions that are related to the HUD grant are recorded therein, and so you can pull different reports specific to the HUD grant. Any transaction that's specific to the HUD grant should be recorded in that account. If you have different—this is not your first grant and you have multiple, you want to make sure that there's a separate one for each year that you receive the HUD grant, so that you can account for the transactions properly.

You want to have separate chart-up [ph] accounts for the HUD grant as well and set that up in your accounting system and in doing so, we do always recommend that you are defining and segregating your direct versus indirect expenses in your accounting system.

As you know, there were some changes or some of you may know, some may not know. There were some changes in the types of cost that can be submitted as direct cost for the HUD Office of Housing Counseling Grant Program starting with FY18. You want to pay particular attention to those and make sure that maybe in the past you had segregated the direct versus indirect costs and in prior years, for example, rent or occupancy costs, that was allowed as a direct cost line item in the past. Starting with FY18, you're no longer able to do so. So, you want to make sure that you're updating your accounting system to reflect that. You can't submit that as a direct cost line item anymore, so in setting up your accounting system for FY18, you want to make sure that you're very clear in what can be billed to HUD as a direct cost line item in your accounting system.

Also, the Uniform Guidance cost principles—there is a list of costs that are expressly unallowable for any federal award, period, so for example, fines and fees, costs for alcoholic beverages and things of that nature,

those are always unallowable costs. So, when you're setting up your accounting system, you want to make sure that you are putting these as expressly unallowable so that that can never be charged to the HUD grant as a cost that you're submitting reimbursement and that should be set up in your accounting system.

Identification of costs to direct expenses or budgetary line items for the program. So when a reviewer looks at your charges per the accounting system that you have set up or the separate funds for the HUD grant, you should be able to really identify the direct expenses for the award. If we came in this year, but we're looking at a prior year, we should be able to identify those costs fairly easily because you set up a separate fund just for the HUD transaction so when you pull that report, it should show only transactions for the HUD grant and should we do a reconciliation of that to your company's overall general ledgers, then we should be able to do that reconciliation fairly easy as well.

For leverage funding, many agencies during the grant execution process, agencies know that they will be receiving leverage funds during the period of performance of the grants so, how you treat that should be reflected in your accounting system. So, when we look at your HUD funds for FY18,

we should see where those monies came in for the FY18 grant if your accounting system is set up properly.

The next key criteria for proper financial management system has to do with your policies and procedures. You have an understanding of what the federal requirements are for your grant and what your accounting system should look like. You've also set up the fund for your FY18 HUD grant.

Now, you want to make sure that you have policies and procedures in place for the key business process areas, because this is what you're going to share with your employees to make sure that transactions are being recorded properly and transactions are treated consistently across the board. Everyone who's going to be participating in this process, they need to know what their roles and what the proper procedures are. The only way that you could make certain of that is to make sure that you have written policies and procedures in place and make sure that share those with your employees.

You want to first talk about the basis of accounting that you're going to be using. If you are on a cash basis for the HUD grant specifically, you are

required to do the accrual basis of accounting, so perhaps you want to do that, you can do that outside just for the accounting grant and make sure that you're recording the transactions on the accrual basis.

For budgeting, you want to document your policies and procedures for budgeting and letting your employees know that during the grant execution process, we had a budget that was approved. We have to strictly follow the budget during the period of performance of the grant and we have to have procedures in place to make sure that should there be a deviation within the pre-approved budget and what we're actually going to be submitting, there's a process for making sure that we go to the HUD POC in writing, letting them know that we are proposing to have our budget revised, provide the proper justification for that and then, once you get that revised budget approved, then you will go ahead and used the revised budget going forward.

Also, in your budgeting policies and procedures, you want to speak to the fact that each year, when you're drafting your budget, during the grant execution process, certain things you have to make sure that they're included in the budget. For example, the specific budgetary line item, you

want to check to see what kind of costs you could submit for reimbursement during that grant year.

Then, you want to think about the different assumptions that you're going to be making for the different budgetary line items. For example, for salary and fringe, you want to think about how will you calculate the hourly rate for the employees if the employees are salaried and make sure that all of that information is documented in your budgeting policies and procedures. If you have additional cost perhaps, like travel, then you want to talk about how you would go about making the assumption for drafting the budget for this year as well as in the future and make sure that information is shared with your employee.

For the cash disputes and disbursement or your cash management, how will you treat the transactions? How does that information get recorded in your accounting system? Who does the recording? At what point does it get recorded? What internal controls are in place for making sure that the transactions that are recorded, they're done properly. You know, who's doing the reconciliation to make sure that everything is correct, who is reviewing it, and things of that nature—all of that should be documented.

For payroll, similar thing—how does payroll get charged specific for personnel who work on the HUD grant; how are we making sure that information flows from the person's timesheet or the person's personnel activity report to the payroll documentation? You want to make sure that you're communicating with accounting as you're developing these policies and procedures so that everything flows and makes sense. Of course, if you're going to be submitting salary and fringe benefits to the HUD grant for reimbursement, those costs have to be based on actual work that was performed by employees and there has to be documented policies and procedures in place for how that information gets transferred from when the employee enters their time or when the employee documents their personnel activity report, there has to be policies and procedures for how it flows from that to getting to them receiving payroll to then, getting to your accounting system where you're billing the HUD grant for those transactions.

You want to make sure that all of that information is properly documented. For leverage funds, as I've said before, a lot of agencies submit leverage funds during the grant execution process. So, you want to make sure that you have policies and procedures in place for how you will treat your leverage funds and how does it get recorded in your accounting

system and if it was specific for the HUD program, then how are you making sure that it gets recorded therein?

Your cost policies—how will you be charging indirect cost to the grant?

You know that for the FY18 grant, you only really have two options or three. If you're going to be using the negotiated indirect cost rate agreement, then you want to document that in your policy. If you're going to be using the 10% de minimis rate, then you want to document that in your policy as well. If you have a cost allocation plan that was negotiated and approved by a cognizant agency, then you want to make sure that information is documented as well for your cost policy, so that anyone who comes in and reads it, they will know this is what the policy says, this is how we're going to be treating indirect cost for the grant and this is how the transactions will be calculated and reported.

For any unallowable costs, you'd simply follow the Uniform Guidance guidelines on costs that are expressly unallowable for a federal award. We spoke about timekeeping and personnel activity reporting already.

On the travel, you want to make sure you have policies and procedures in place for travel. If employees will be traveling to facilitate or participate in a training, you'll want to talk about the different documents that must

be maintained on file for the travel. Are employees supposed to be following the GSA schedule? Things of that nature, how would they go about getting reimbursement for the cost from your company? All those things need to be documented in your policies and procedures.

Then, the financial reporting. You want to pay particular attention to Article 11 in your HUD grant agreement that tells you specifically what you need to be reporting on each period, so your policies and procedures should address that. It should address the fact that, we need to be following these specific requirements for the HUD grant for how we do our financial reporting, and depending on the type of agency that we are, these are the various elements that we need to make sure that we're reporting on, and this is the timeframe for doing so.

The final thing is having record retention policies and procedures. So, for the HUD grant, there's a record retention period of three years. After the end of the period of performance, so at the end of any grant year, for example your FY '18 grant year which ends September 30, 2019, you want to make sure that you keep your documents readily available and readily accessible for another three years after the end of that date.

The next section we'll talk about is documentation of expenses, and this is critical because of the nature of the grants. This is a cost reimbursement grant, so anything that you submit to HUD for reimbursement has to be based on the actual cost that you incurred for the program, and the only way that you can show that you could actually incurred those costs for the program is that you have to make sure that you're maintaining proper documents on file for the record retention period of three years should you get selected for review.

So, documentation of expenses is going to include the source documents for direct costs that you incur. So, for typical expense, you want to make sure that you have a copy of the purchase order, a copy of the invoice, and proof of payment in the form of a cancelled check or a bank statement to show that you actually incurred the cost and that your company paid for it, and now you're seeking reimbursement.

Also, for personal expenses, you'll want to make sure that you have documentation for that as well, but in a couple of slides to come, we'll go in depth on the personal expenses cost.

For any indirect costs that you would submit for reimbursement, you'll want to make sure that you're following your company's cost policy, and bear in mind that you really only have a couple of options for how to submit indirect costs for reimbursement under this grant agreement.

First, if you have a negotiated indirect cost rate agreement, which is also referred to as a NICRA, you want to pay attention to the dates in the NICRA. It will also specify the rate that is applicable to certain dates, and then it will tell you the base that you can apply that rate to. So, you want to make sure that you're factoring that in when you're thinking about the indirect cost and how you will be able to prove that indirect cost amount that you submitted for reimbursement is actually accurate.

It's pretty much going to be based off of your calculations, so should you get selected for review, we'll be recalculating that, and we'd be getting supporting documents for the base, which would be your direct costs for the program.

Same thing with the 10% de minimis rate. We would look at what you have for modified total direct cost, which would be your base that you apply the 10% rate to, and we would verify your base of modified total

direct cost, make sure that it only includes the specific line items that can be included in that base, and then we'd recalculate the amount that you submitted for indirect costs based on that methodology.

For entities that have travel or you submit travel for reimbursement, we're looking to see that you have a copy of your expense report on file. We want to see who participated in the travel. We want an itemized listing of the travel expenses, so if it was a hotel stay or airfare, cab fare, things like that, we need to see proof of the participant having incurred those costs.

On the expense report, we look to see what the participant showed that the expenses were for the travel, and we'd also be looking at documentation to show that the company actually reimbursed the employee for the travel expenses that they're now submitting to HUD for reimbursement.

For training, if it's a case where the employee participated in the training like they went to a training, we're looking for things like training certificates. We're checking the agenda for the training to see what the training topic was, to see if it's even something that's related to the housing counseling program so it could be allocated to the housing counseling program.

If it's cost incurred in facilitating a training, we're looking at the same thing. We're looking to see what the training topics were, number of participants, the purpose of the training. If you had any fees, we'd take a look at those fees as well, but you want to make sure you that have proper documentation on file for all of that. Note that this information has to be made available to HUD upon request. This is something that you agreed to in signing the HUD grant agreement. These costs should be based on actual expenses incurred.

I'm always stressing that, and I'm always repeating the fact that it's a cost reimbursement type of grant, so that is why it's so important for you to make sure that you have this information available to justify the expenses that you submit for reimbursement. You want to keep this information available for three years from the end of the period of performance.

So, for maintaining compliance with the cost principles, the Uniform Guidance, Subpart E talks about cost principles. So, this if for any participant who participates in a federal program, and you're submitting costs for reimbursement. You want to make sure that those costs are considered reasonable, allowable, and allocable to the award.

It has to be costs that were necessary for performing under the terms and conditions of the award. The dollar amount that was spent incurring the costs have to be reasonable, and the event itself has to be an allowable type of expense so that you could then submit it for reimbursement under the grant. The way that you treat that type of transaction should be consistently treated for any federal awards that you have as well.

In thinking about costs that you're going to be submitting to HUD for reimbursement, your financial management system, you want to make sure that these costs meet the cost principle requirement of allowability, reasonableness, and allocability. Again, as I said before, you want to make sure that you are segregating any unallowable costs that you incur because, of course, you wouldn't be able to submit that to HUD for reimbursement, and you have policies and procedures in place for making sure that you're meeting these cost principles requirements.

When we talk about budgeting controls, the HUD grant—during the grant application process or the grant execution process, there's a budget that you submit to your HUD POC for review, and once that budget is agreed to, then that's really the budget that you use going forward.

So, say, for example, you have a HUD award for \$50,000, and you projected in your budget that you'd be using \$30,000 for salaries, \$10,000 for fringe, and \$10,000 for training. During the life of the grant, you want to make sure that you do not deviate from that. Now, many times, we've seen where agencies have deviated because something may happen during the life of the grant, and instead of using \$30,000 for salaries, you perhaps want to use \$40,000 for salaries for whatever reason.

Now, if that is the case, you have to have controls in place to show that for this line item, I really only have \$30,000 budgeted, and I'm about to go over that and go to \$40,000, and there should be something that triggered that in your accounting system so that you could then go to your HUD POC and let them know that I'm requesting a modification to the budget that was preapproved, and once you have that revised budget in place, then you can go ahead and go forward with the new budget so you wouldn't have any budget deviation.

Also, you'll want to make sure that your budgets are being tracked by program and grant year. Any revisions or modifications you'll want to

identify that so that you're using the most recent version of the budget going forward.

You'll also want to make sure that there are procedures in place for requesting the budget modification, so as I said before, if you needed to do a modification, the person who is involved in that process should know what the procedures are based on the policies and procedures that you've implemented. Also, any line item for your budget should be based on costs that are reasonable, allowable, and allocable as they relate to the Uniform Guidance cost principles.

For time and attendance activities, so this is the salary and fringe benefits that you would submit for reimbursement, you have to have documentation available, again because it is a cost reimbursement type grant. You want to make sure that you have documentation available to not just say this employee came to work today. One has to be able to see the activities performed by the employee to see whether or not those activities are attributable to the HUD grant.

So, just think about what your procedures are for making sure that the activities performed are chargeable to the HUD grant, especially for

agencies that have multiple grants that they receive, and even thinking about this type of award where you're getting the award in the middle of the period of performance, but it's on a retroactive basis.

So, you may just have received an approval for your grant execution package here in 2019, but the period of performance began October 1, 2017, so costs that you incurred from then, could be submitted for reimbursement. Your accounting system should be such that you can identify the activities performed and see whether or not you can actually bill them to the various grants, and your accounting system should be such that if a cost was already submitted for reimbursement by another federal program, you can't submit that same cost to HUD for reimbursement.

So, you want to make sure that you have a sophisticated system in place to make sure that these specific controls are in place that you're making sure that you're not double-dipping, but at the same time you can go back and retroactively account for activities performed by your employees several months ago.

When you talk about the time and activity documentation that we look at, typically you want to make sure that it's something that reflects an after-

the-fact determination of what the employee did after they performed the service. We always recommend that employees on their timesheet or personnel activity report they're charging their time to specific programs or funds or grants as much as possible, because it just helps agencies to easily identify where to charge the time.

We do know that sometimes it's not possible because someone may complete their timesheet, and they may not know where their time actually gets charged to at the end of the day, but you want to make sure that you're communicating with the program department as well as the accounting department. You're communicating with each other, and once that times gets charged somewhere, a timesheet is therefore then updated to reflect that.

Any personal activity document that you're using should account for the total activity for the time charge, so if it's a 40-hour week, it should reflect that, and it should reflect all of the activities that were performed during that timeframe. You want to also make sure that the employee as well as their supervisor that they're signing off on this, just certifying that the work that was performed and the time that was worked is true and

accurate and compliant with the grant that you're going to be charging it to.

This information should also be included in your policies and procedures. Again, that's where everything should be documented so everyone knows what is expected and what the standard operating procedures are.

For leverage funds, you want to make sure that you have proper documentation on file for leverage funds, and the documents—same documentation that we would need for other expenses. So, if it's a canceled check or proof of receipt in your bank statement, then you could show that information. Make sure that you have that on file. Your agreement letters, that's good as well. You want to keep those on file for the document retention period.

If you have in-kind contributions like personal services or anything like that, you want to make sure that your policies for accounting for that, it's consistent and that you're communicating that to your employees because you want to make sure that that is captured in your accounting system as well. The charges should be specific to the grant program, and you want to make sure that that is captured.

Your reporting, again, should be based on the accrual basis of accounting for this grant. You should be able to produce basic financial statements for the award. You should be able to identify the cost by grant year or budget category in your accounting system.

It should include the leverage funding if that is something that you said that you would receive during the period of performance, and you actually received it. It should also have a complete and accurate transactions in your accounting system as well, and you also want to make sure that you're reviewing and reconciling these reports for accuracy.

Internal controls, this as I've said before, it plays a part in each step. You always start with the policies and procedures for each of the key business process areas whether it be document retention, documentation of expenses, your accounting system, your receipts, your disbursements, all of those areas. You want to make sure that you have proper internal controls, policies and procedures in place, documented in each of those areas.

We're talking about salary and fringe benefits, for travel, any grant management, receipts and disbursements, anything like that, you want to make sure policies and procedures are in place. For each transaction that gets recorded in your accounting system, you want to make sure that you have proof that the transaction was authorized, also that it was approved by the appropriate personnel, and that it was recorded in compliance with your program's objective.

Your funds, property, and other assets should be safeguarded, so you should have internal controls to make sure that that happens. You want to communicate your internal controls with your employees and your board of directors to make sure that everyone is on the same page, and things are operating effectively.

Some best practices that we wanted to share with the efficient accounting system, you want to keep everything simple, or as simplified as possible to reduce the possibility of error or confusion. Revise your chart of accounts periodically using account numbers. So, see how in FY18 certain things have changed. You'll want to revise your chart of accounts accordingly and distribute that to people who will be working in the accounting

department for the housing counseling grant so that they'll become familiar with what's required of them.

If you're using an accounting software, you'll want to make sure that you're working with someone who's knowledgeable who can help you to make sure that it's designed properly, and you want to ensure that your users, so whoever is going to be using your accounting system, they are properly trained, and they know what the financial management system requirements are for federal awards.

For policies and procedures, you want to make sure that they're consistent with the regulatory requirements, so first you have to be familiar with what those requirements are. We always encourage agencies to make sure that they're approved by the board of directors and that they're reviewed and updated at least every two to three years, but if it needs to be done more frequently, then of course, that's at your judgment, and that you're providing ongoing training to employees and participants in the program.

For supporting documents, you want to keep electronic as well as hard copies. You'll want to also distribute the record retention policy to the program department as well as the accounting department. We encourage

that you archive records for easy retrieval. You want to make sure that for the three-year period, the information is readily accessible. For any hard copy documents, you want to maintain those in fireproof file cabinets, and for any electronic documents, you'll want to make sure that you have a backup system in place. Also, you want to make sure that you're training your staff on the different documentation that's required based on the different type of expense that's incurred.

For compliance with the cost principles, you want to communicate what's allowable to all of your employees, board members, or even your sub-grantees, and you can also provide training on those. Also, review your grant or funding sources to verify what's allowable versus allowable for this grant, and make sure that all of that information is documented and shared with your employees.

For budget controls, you want to always keep communication open between your budget department as well as the accounting department as well as the program department. You'll want to review the information prior to submitting any cost for reimbursement to HUD.

For the most recent budget, you'll want to put a date on it, and make sure that you're keeping that handy and sharing that with everyone so that everyone is on the same page, and they know what the most recent budget is to use it going forward.

Also, you want to review your actual versus budget monthly so that you can identify any possible overruns and communicate that by way of a revised budget to your HUD POC. If a budget modification is required, you'll work with the accounting department so that they will know and make the corrections in their accounting system as well.

For time and activity documentation, you'll want to provide written notification to individuals who are going to be working on the grant. Let them know what's the correct grant or funding code or the different activity codes that they could use. We always recommend that you complete timesheets as frequently as possible. We always recommend daily, but if that's not possible, just as frequently as possible so as to make sure that you're doing it correctly, and you're documenting the time accurately.

You also want to provide training for new employees, and give your older employees a refresher course at least every two to three years.

For leverage funds, you want to make sure that you're keeping documents on file that includes the type of service and the value and that you're working with your accounting, so that the proper treatment of the leverage funds will be documented in your accounting system.

On the reporting front, you'll want to review your grant agreement reporting requirements with accounting, talk about the format, the content, and the due dates. You'll want to obtain financial records from your accounting department while you're preparing it. Review the reports and compare grant agreements to make sure that you're meeting the requirements. Also, you'll want to do reconciliations and make sure that everything is consistently treated.

For internal control, we always recommend that you have an internal control assessment if possible, or if the cost/benefit analysis that you do makes sense to do so. For smaller agencies, the board of directors can help you to do that so that you don't have to incur additional costs to do an internal control assessments, but just think about doing different

compliance testing, spot checks or management reviews or peer reviews if those make more sense for you.

As participants of the Office of Housing Counseling program, we have assistance that's available to agencies. Of course, this is at no additional cost. It's just because of the fact you are a participant in the housing counseling program. Some of the things that we can do is we can provide training to agencies and sub-grantees on understanding what are internal controls and how you can determine proper internal controls and segregation of duties for your key business process areas. We can also provide training on financial management systems to your employees and sub-grantees.

The financial analysis, we can do a financial management system review where we're typically looking at your current system to see whether or not it's adequate to meeting the Uniform Guidance and HUD requirement. We can also do a review of your sub-grantees if you're a parent agency. For agencies that are not compliant or not 100% compliant, we can do an accounting system configuration where we actually go into your system with someone from your accounting department and help to reconfigure

your accounting system to make sure that it's capturing the transactions properly.

For your action plan, we can do assessments of your compliance with the Uniform Guidance. So, all of the areas that were affected by the new Uniform Guidance, we'll take a look at that and do an assessment, and if necessary, we can recommend corrective action for how you could become compliant if you're not. We can also do internal control assessments as well.

In order to receive this assistance, you'd first reach out to your HUD POC, let them know the type of assistance needed, and then if your HUD POC agrees, then they would communicate to our HUD GTM who would then communicate to us if they approve it. Once we get the approval from our HUD GTM, then we would contact you directly to set up the assistance, whether it's a training or an action plan, and we'll work with you directly until the issue is addressed.

I'm looking at the questions. I don't see any questions on here from anyone. I don't see any questions online from anyone, but if you do have additional questions, please send them to housing.counseling@HUD.gov

and put the topic Understanding Financial Management Systems in the subject line.

I want to thank you for having participated. Have a good day.