



Final Transcript

**HUD-US DEPT OF HOUSING AND URBAN DEVELOPMENT: Update
on the Uniform Guidance**

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SPEAKERS

Robin Booth

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by, and welcome to the Update on the Uniform Guidance conference call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session. Instructions will be given at that time. [Operator instructions]. As a reminder, the conference is being recorded.

I would now like to turn the conference over to our host, Miss Robin Booth. Please go ahead.

Robin

Good afternoon, and welcome to Uniform Guidance Refresher. If you do not have the information to call in, you can call in at 1-866-615-1890, and the participant code is 424867.

Just some of the logistics, for those who have not participated before, audio is being recorded, and it will be available on the HUD Exchange, this is actually internal, on the HUD Exchange usually within 24 to 48 hours after the presentation. The audio, the PowerPoint presentation, and the transcript are all available on HUD Exchange usually two business days after the webinar.

Your lines will be muted during the presentation. There will be times where the lines may be open. When they are, we'll ask you to please self-mute your phones. Otherwise, your lines are muted.

The handouts were sent to you prior to the webinar. If you look in your chat box for this webinar, there's a pdf formatted copy of this presentation, so you can still download it from the chat box. Otherwise, you should have received it prior to the webinar.

Within 24 to 48 hours, you will receive a thank you email. This is your actual certificate of training. There's no attachment or other documentation. The email itself is the certificate, so you should retain that for your records.

There will be multiple Q&A periods. If so, during a Q&A period, all of the lines will be unmuted. We ask at that time that you mute your phone individually because during the Q&A periods, the lines will be unmuted.

There are a couple ways that you can ask questions. You can ask questions live by pressing star zero. You'll be put into a queue. During various breaks throughout the presentation, I'll ask if there are any questions in the queue, at which time the moderator will release the lines and you'll be able to ask your question live.

You can actually ask your question through your chat box for the webinar. We do have staff available to respond to those questions during the presentation. If, in fact, they cannot respond, I will read those questions live and attempt to respond to them.

You can also submit your questions to Ginger at virginia.f.holman@hud.gov or housingcounseling@hud.gov. So, if after this presentation you determine you have some other questions, then in fact, you can submit those as follows.

As I said, during the Q&As, all the phones may be unmuted. At that time, it's critical that you mute your own phone. Most phones have a mute function or you can try star six which will usually mute the phones, but once those phones are live, we'll hear any background noise, and that's in the event of live questions.

We'll begin our presentation. This is actually a refresher. At this point, I'm hoping this is just more of just a review of what you already know. As of this time and period, especially with the new '16 and '17 grant, all of the Uniform Guidance requirements are now applicable. All phases of the implementation, everything associated with this newly effective regulation is now applicable. So, we don't really need to talk about phasing periods any more. We'll focus more so on just really reminding you of all the critical areas that you should be addressing as we speak.

We'll also give you some information about possible assistance through OHC that your organization can receive to assist you in implementing certain areas that you may have not been able to do so yet.

My name is Robin Booth. I am the facilitator for this training. I'm also the Principal of Booth Management Consulting. We're the quality audit control and technical assistance contractor, so you all probably have interacted or worked with us when we're performing financial and administrative reviews. We conduct these types of webinars in addition to one-on-one training. We provide technical assistance, action plans, and other financial analysis services all through HUD OHC under this particular contract.

What we want to do today, review some key areas of changes that are in this new Uniform Guidance, go over some proposed implementation resource materials. For those that have participated in prior refreshers or anything relative to the implementation of this new circular, we talked about some resources that we're working, we being the contractor, we're working with OHC in various areas within OHC to make available to the general public. There's been a lot of progress made, so we want to update

you on the status of those materials that ultimately will be on HUD Exchange, but they're still in various stages of review.

Then, now OHC has identified resources to provide additional assistance to grantees that may need further assistance in implementing these requirements. This would be assistance you can request through your HUD POC as we address the various areas that, at this point, you should have, as I said, fully implemented or at least be materially along in the process of implementation.

One of those areas is financial disclosures and certification. A lot of you have probably received your grant award execution packages and you have either submitted them or are in the process of submitting them back to your HUD POCs for final review. As a part of that, you should have received, you probably saw in there that you had to certify to various disclosures or various information that's required in the grant agreement—for instance, your financial management system, your internal control, the fact that you're non-major nonprofit, if that's applicable.

If you are major nonprofits, usually that's an intermediary or maybe even and MSO or HSFA. Then that point, you just have to certify that you are a

major for profit, and conflict of interest, so these should have been certifications that you've seen in your award package that as a part of executing that grant package you're also certifying to these particular areas.

I always like to just issue when I can to reference the exact language in the circular in this section so that when you all have a chance after this training or go look into certain areas or that we conduct financial and administrative reviews, or you're subject to technical assistance, or you have any kind of action plan, you know where the source or where the regulatory requirements stem from that are driving the compliance areas associated with this. So, for financial management these are all under Uniform Guidance. This is section 200.302. This is specific language that you're certifying to.

When those financial and administrative reviews are conducted, these are the standards or the requirements that we're determining if you're in compliance with. Really understand when you're signing off on these certifications, as a part of the execution package, what you're certifying to because that will be the standard that you'll be held to when you're

participating in the various financial and administrative reviews. That's when this comes up the most.

Internal controls, these are other certifications. Actually, we'll speak a little further in the presentation about some of the new requirements in internal controls under the Uniform Guidance, which was an area of emphasis under the new guidance, so we want to make sure that you understand what you're certifying to. As you can see in section 200.303, it specifically says the non-federal entities which are the various grantees that are receiving grants under OHC, it says that you've established and maintained effective internal controls, and it actually cites the standards for internal control from this what's called committee of sponsored organizations commissions and/or the Green Book which is the federal government equivalent to that. As I said, further in the presentation, we give you an overview of what that is.

In addition, we are doing more extensive training on internal controls to assist those grantees that this may be a new area or just haven't been an emphasis in the past. Then, one of the final certifications per section 200.415, that you're a nonprofit organization as appropriate, that you did

not meet the definition of major nonprofit as defined. Those are all the areas at a minimum.

Conflict of interest, there's a lot more emphasis on conflict of interest in the new Uniform Guidance. In fact, once again, later on in this presentation, specifically when we talk about procurement, purchasing, and things like that, it's put a lot more emphasis on what constitutes conflict of interest and what types of relationships constitute conflict of interest.

All of you have a conflict of interest plan. You may need to update it or revise it to make sure it's addressing all the areas of conflict of interest. This says that you must establish conflict of interest policies for federal awards. That's not new. That's been there before, but what is new is that as we go through, especially in the area of procurement and some other areas, is that there's more definition of what constitutes a conflict, what types of relationships constitute conflict of interest.

Another area that under this new Uniform Guidance and this is 10% de minimis rate is the indirect rate, 10% indirect cost rate based on what's called the modified total direct cost base. Now, the biggest things that you

should remember with this is if you do not have a negotiated indirect cost agreement with a federal cognizant agency and you've never had any kind of negotiated indirect cost rate agreement, then your organization may be eligible to receive this 10% de minimis rate. What this is is the government is saying, without going through the arduous process of negotiating an indirect cost rate, for those organizations that meet the eligibility requirements, we'll allow you to charge 10% of what they term modified total direct cost to this grant as indirect cost.

Now the 10% isn't in addition to your grant award amount. It actually has to be included. It's just that as a budgetary line item, you can now charge that indirect cost by 10% of your modified total direct cost without having to go through any kind of negotiations with the federal government or with the cognizant agency.

We just recently did a training going over how to compute what's in modified total direct cost, how do you determine what that 10% should be charged against, all of those things. That should be available on HUD Exchange as well. If you did not participate in the training, we will probably be conducting a similar training within the next 30 to 60 days,

but it's important for you to understand how you in fact compute this 10%, if in fact you're eligible for it.

The criteria for organizations that wish to elect this, one, you have to be non-federal institute that has never received a negotiated indirect cost rate. Please make sure you do your homework with your accounting and finance, and maybe even your board to make sure your organization has never had a negotiated indirect cost rate. That's one of the things you're certifying to, if in fact you're going to elect the de minimis rate.

Once you use this, you have to indefinitely use it unless or until you actually do negotiate a direct cost rate. Once you start using the 10%, let's say you start with the OHC award, you have to use it on all your federal awards consistently, that 10%, unless and until you negotiate an indirect cost rate agreement. So, on another federal grant, you can't use a different rate even though they may allow you to use indirect cost. You have to continue to use this 10% rate unless and until you negotiate an indirect cost rate.

Another criteria is that the cost that you're using to determine or to charge that 10% has to meet the definition of what's called MTDC, or modified

total direct cost. The non-federal entity receiving over \$35 million in direct funding are prevented. Generally, your states and local government and Indian tribes, they're not eligible for this particular rate.

In addition, though, if you are a non-federal entity, and you have \$35 million in direct funding coming, you're still not eligible for this 10% de minimis rate. And usually if you're getting that much direct funding from the government, your indirect rate is negotiated whether it's an indirect rate, or you're doing a cost allocation plan, or you're doing direct allocation plan, or something, you've already negotiated how you're going to charge your indirect cost. It's really geared towards smaller or non-major, non-federal entities.

Now, you still have to maintain the documentation supporting the methodology, so although the 10% is fixed, that percentage doesn't change. You have to make sure that whatever you included in that modified total direct cost, that you have the documentation to support those costs. As I said, this is discussed much more extensively in the training that we did for examples of computing the 10% de minimis rate. I encourage you if you're not familiar, if you still feel like you need to get

more in-depth information on this, I encourage you to review that training material. They are on HUD Exchange.

Just briefly, just an overview of what's in that modified total direct cost, which is MTDC, prior to CFR 200.68, all direct salaries, applicable fringes, that's kind of a no-brainer. Those costs are included. If you get a grant award for \$20,000 and \$18,000 of that is salaries, wages, and fringe benefits, you can multiply that entire \$18,000 times the 10% which would be \$1,800. That would account for most of the grant. Let me just say that. I think you'll be \$200 short on the grant of account for \$19,800.

Well, therein lies where you have to play with the math to make it fit into this grant award amount, so as opposed to \$18,000 in wages, you may have to adjust that to \$18,200, or whatever it is, to keep within that \$20,000, but you can't charge more than 10% of whatever those modified total direct cost is. Once again, I'll refer you to that more extensive training we did on computing and charging that 10% rate.

Also, what you can include in your MTDC are your materials and supplies, your services, your travel, the first \$25,000 of subawards to sub-

recipients up to the first \$25,000 of each subaward regardless of the period of performance.

You still have to meet those basic cost principles though where the cost must be for specific program, a specific grant, and they still have to be reasonable and necessary and all of those things associated with just general cost principles for any dollars you charge to a federal award.

That's pretty much, so a lot of times we have questions, can I charge rent?

In general, that's responsibly no, if you're using the 10% de minimis rate, that's not considered a modified total direct cost.

Can I charge equipment? That's another area, and as I said, please refer to that training because equipment, depending on whether it's a capital expenditure or whether it's just a small expense, it may be something you can charge to the award if it falls under materials and supplies, but that depends on some other factors. Once again, I encourage you to review those trainings available to you on HUD Exchange.

Just some other considerations about this 10% de minimis rate, federal agency is required they had to have disclosed this in their notice of funding. All of this relative to indirect cost and whether it's a negotiated

direct cost rate agreement and/or the 10% de minimis rate was disclosed in the NOFA. As a pass-through agency, included in section 200.335, all of this applies to the pass-through entity, so for those intermediaries, or those that have pass-through entities or subawards, they too are eligible for this 10%.

One of the last bullets on here says it is not permissible for pass-through entities to force or entice a proposed sub-recipient that meets the eligibility requirement that they cannot use the 10% de minimis rate. Your sub-recipients, if in fact we have any intermediaries on the call, if they elect and meet the criteria for that 10%, you have to allow them to take that 10% de minimis rate. They can't be told they cannot charge it if they meet the eligibility. However, just like HUD is included in this package about the certification, you also have to make sure, one, that they're certifying they meet that eligibility requirement, but then also too you have to review the computation to make sure they are applying that 10% to the correct modified total direct cost base, so that's your responsibility.

A NICRA must be used if a sub-recipient already has a negotiated F&A rate with the federal government. The same rules apply to the direct

award as it does to the sub-recipient. If a sub-recipient has a NICRA, they're not eligible either for this 10%.

The third bullet on here, non-federal entities that are able to allocate and charge 100% of their cost directly you may continue to do so if that is what your approved cost allocation plan. Claim your reimbursement for indirect costs is never mandatory. You don't have to do that, but at this point if you elect it, these are your options from a NICRA to that 10% or some of your options for how you can charge indirect costs.

If you have a cost allocation plan, a direct cost plan allocation plan that's already approved, and you've been doing it historically, you are not now required to then use an indirect cost rate because you're charging 100% of your cost every program. That, once again would have been something that's approved.

Just a reminder, you're still required to retain records. If you elect the 10% de minimis rate, you still have to maintain supporting documentation for those costs you included in the modified total direct cost. Just because you're not negotiating the rate, or you're not negotiating the amount, you're still have to maintain the documentation for the modified total

direct costs because those are the costs which that 10% was applied against to get your indirect cost. You have to maintain that supporting documentation. If we refer to 2CFR 200.333, you can look up what the retention requirements and records are. That's on the de minimis rates.

I don't think I see any questions in the chat. Are there any questions in the queue?

Moderator [Operator instructions].

Robin Okay, if someone does enter a question, I'll be stopping again after internal control. A question did just come in, but we may be able to handle that with the staff online.

Let's talk about internal control. It's not that internal control is a new requirement because it used to be in the OMB A-133, but see the difference is when OMB A-133, which is the circular that has to do with single audits, only those agencies that were subject to single audit reports then had to meet the internal control requirement. Now, however, they moved it out of just being requirements for those being single audits, and put it as a part of the post-award administrative requirements. Therein lies

the big shift because now it's not just organizations that are subject to a single audit, but it's all organizations that receive a federal award. That's the big shift now.

It encourages non-federal agencies to better structure their internal controls. There's an emphasis on internal controls throughout our financial management system, not just on the public side but also on the private side. Part of this new requirement is saying that to substantially minimize fraud, waste, and abuse, internal controls is a key deterrent and a key factor in really protecting federal assets, mainly fraud, waste, and abuse or dollars being misspent, or not spent consistent, or being, as I said, fraud, waste, and abuse, I guess, pretty much sums it up.

It doesn't matter how much the award is. Some might say, but I'm only getting a \$15,000 grant. Well, the requirement is not based on a dollar amount for the award. This is for all federal awards. As fiduciaries for taxpayers, it's really holding those that are receiving federal dollars accountable for properly managing and overseeing those dollars as a fiduciary for each taxpayer. Every non-federal agency must comply.

As I said, before it was under the single audit requirement, so at that time if you weren't spending \$500,000 or more on a federal award, this really wasn't something you were subject to. It wasn't a compliance requirement; however, now under the Uniform Guidance, it has moved from being an auditing requirement to being a post-award requirement. So, now, yes, you must have these controls in place.

One of the things it also does is it clarifies the meaning of must and should. Must is not optional. Should is recommended. When you refer back to the internal control requirements, and you look at the language, be very careful if I go back up, under 200.303, it states that non-federal entities must, so let's talk about what you must have, must do. That's why, under the Uniform Guidance, it really clarified what was a must or what was a should.

Must, you have to establish and maintain effective internal controls. These controls have to comply with federal statutes, regulations, and terms. You have to have a process in place to evaluate and monitor compliance, take prompt action when instances of non-compliance exist and take reasonable measures to safeguard personally identifiable information such as social security numbers, birthdate, any kind of

account numbers, whether it's banking account numbers, or any PIIN information.

There's a lot of clauses associated with P-I-I-N, PIIN information that you should be aware of. Now, this is a must. As we talked about on the prior slide, so this must is indicative for everyone that receives an award. It's not just limited to those agencies that are subject to single audit. If you have any kind of federal award, these are your musts.

On the flipside, these are your shoulds. What it tells you should do, is to make sure in compliance with either the Green Book, which is the Federal Government Standards for Internal Control, or COSO, the difference being that this isn't a must, but they're telling you these are the expectations, or these are the frameworks that you can use to ensure that you're in compliance.

For a lot of organizations it may seem that we don't have sufficient personnel or we have to build now, or we have to engage internal audit functions and all of that. That may not be the case. One of the things that is not designed to tell you is that there is one specific way that you're internal controls should be set up to make sure you comply.

Almost any agency of any size there can be internal control structure, income stats based on these examples, like the Green Book, and like COSO, which COSO is just what the private sector came with this committee spearheaded all of the internal control issues when we had those major cases like Enron and WorldCom where really the stock market or Wall Street really took a hit because companies really didn't have adequate internal control to minimize fraud, waste, and abuse.

The government then used what COSO did which is just that committee, and based on that, they developed the Green Book, or enhanced the Green Book, or updated and modified the Green Book, so there's really a lot of similarities between that Green Book and COSO. That's all COSO is, the committee that spearheaded and took the lead on internal control related issues. Note, this is not a requirement that you strictly adhere because to be quite honest with you, it is a very difficult to meet the standards 100% under Green Book and COSO.

Personally, I am what's called a COSO-certified auditor, so that I've been trained on how to review and ensure compliance of COSO requirements, and the bar is much higher. All it's saying here is that when you're

determining how to develop your internal controls, you might want to use these sources as guidance on having an effective internal control.

You might have seen this cue. This is just a generally accepted model for internal control. As I've said, we will be doing internal control training to help with understanding the basic concepts. Some of you may have received emails or marketing materials from various third parties pretty much telling you that they can assist you in pulling together your internal control.

Well, that's why, because a lot of them know that with nonprofits, this is not a new requirement and they're using it as an opportunity to potentially identify new potential opportunities for business. You probably have received that. Between internal controls and procurement, those are two areas that you're getting a lot of marketing materials on because they know for a lot of nonprofits, under this new Uniform Guidance, they're key areas.

Why is this important? Well, good control, support efficiency, compliance of laws, and eliminate waste and abuse. Additional concepts related to internal controls because it's really existing for all organizations

and it can be designed not within your resources. So, it's not a matter, as I said, of going out and incurring additional costs you just don't have or trying to put layers and layers of people. If you understand the concepts, then you can develop an internal controls consistent with those concepts.

Also, management must establish and maintain these controls. They apply to manual as well as electronic systems and it's not that any particular system is 100%, but we know that if you create an environment where there's an understanding that internal controls are important, that they're going to be in force, and that there will be penalties or there will be actions as a result of failure to comply, you change the mentality of the entire organization. One of the key things about internal controls is it starts at the top. The top sets the tone.

A lot of this is more of educating and training and just indoctrinating your staff or your team the importance of these types of controls to meet the or to eliminate or let's say minimize what fraud, waste, and abuse and to make sure you're in compliance with laws and regulations and policies.

We've been working with OHC to figure out as a part of the financial and administrative reviews how will this impact our review procedures

subsequent to those reviews that are happening for FY '16 and '17 because now our review procedures now had to be modified so that we're verifying your compliance of the requirements. Well, what we've always done is we review segregation of duties. We looked at policies and procedures, organizational charts, and we would do a few tests of controls.

Now, our new procedures will do everything that we've done historically, but in addition we'll request and review internal control policies if you have them. If you have an internal control plan or if you have an internal audit function, we're now going to request and review that in more detail. We're going to increase the level of our sampling especially if you don't have any procedures. If you don't have any documented internal control procedures, you'll have to do a survey which is probably five pages.

We have to document our understanding of your internal control. Then we'll interview you when we're onsite during these financial and administrative reviews about your controls to see if the components are in place. Then, we'll increase the sample size of test controls. We've always done some like with receipts and disbursements, but now we'll have to do a little bit more testing of internal controls.

Now, OHC is open to proposed alternatives for IC compliance, so if you've had a single audit, an OHC grant on your federal awards schedule. So, if you have a single audit, and OHC is one of those grants that you're incurring costs of \$500,000, well now it's \$750,000 or more. If you don't have any significant deficiencies, then we'll go ahead and accept that report as compliant. So, we would only do our old procedures, no new procedures.

Now, if you do have deficiencies, but no material weaknesses, we'll treat them as observations, and we'll just really follow up to see where you are on corrective action. But, if you have material weaknesses which are major, we'll treat that as a finding. So, it will automatically be a finding on our report, and you'll be required to give us corrective action. This is one of the ways to minimize any additional administrative burden if in fact you have a single audit, and OHC is on the grant.

Now, for agencies, if you do have an internal audit function, we will look at your internal audit plan and see what you're doing internally. If, as a part of your internal audit function, you identify significant deficiencies or weaknesses, we'll once again use what you've already done just to determine how we'll treat your internal controls as a part of our report.

That's if you have a documented internal audit function. Those are the two areas that we've tried where OHC is open to additional alternatives as a part of the review to minimize your administrative burden.

This time, I'll ask once again, I don't see any questions on the chat box.

Are there any questions in the queue?

Moderator There are no questions in queue at this time. [Operator instructions].

Robin Okay, so with that said, we'll go to the next key area, personnel activity reporting. We all should be excited about this because under the new Uniform Guidance, you no longer have to have that separate report signed and completed on a monthly basis. There's several options. When we get later in the slide, we'll talk about one of the guides that we're coming out with or that really is farther along and hopefully will be available in the HUD Exchange in August is the updated personnel activity reporting guide where we're telling you now.

It's been scaled down. I want to say that it's layman's terms, so it tells you what your options are for complying with this requirement. If you do personnel activity reports now, and it's a part of your process, it doesn't

cause a lot of additional administrative burden, then keep doing what you're doing because that complies with the requirement. If you're maybe new to federal awards, I don't know if you're a new grantee or in the past you've had issues relative to your personnel activity reports, then you may want to look at some of these other options.

Option two, maintain a time-tracking system that allows for a description of the activity performed. This basically is using activity code. We have an example of what that could look like in a timesheet where you just add an activity code, and each person as they're charging their time, to a specific HUD grant and another grant, they're also indicating using an activity code, what activities performed, that then meets the requirement.

Option three, you could use the data recorded in your CMS system. Now, the caveat with that is that you're recording all activity in that system. I know just based on our years of doing these reviews, a lot of times the actual direct counseling, those kinds of things are recorded in the system but some of the administrative functions, like the backlogs, the file management, and the backend, that's not included in the CMS. Well, you may have some issues because then we can't rely on CMS data to reconcile to the total hours that you're charging because it won't have any

hours that you're charging for file management or backend work, if in fact it's not in the system.

The fourth one is if you use a manual system. You don't have any electronics, so now it's just a matter of using whether it's a timesheet or whatever that system is to maintain it, and then because of the new Uniform Guidance, there's flexibility for you to propose another methodology. Maybe there's one that's not listed here. That's also an administrative burden that's been released.

Under option two, where we talked about potentially using activities codes, this is an example of a timesheet and how you can use it to add the activity code just to that timesheet and then be able to use the existing timesheet including activities code. This is an example of that. This is available in that resource guide for PARs that hopefully, as I said, will be made available during the HUD Exchange in August, I would say no later than September. This is just to give you an example of how you can do it under option two.

The other option, option three, this is just pulling from the CMS data.

This particular example assumes that all of the client interaction is named

in the system. This is what we could be looking at from your CMS data.

It's an illustration of what it would look like under option three.

Another example of documentation, this could be from manual system or out of the CMS system, just a manual system for tracking time if that's how you want to maintain it, and this is this person we've seen people keep logs and things of that nature, but this could be another option for how you want to maintain if you have more of a manual system in place.

Other considerations, you still must have a policy and procedure. That did not go away. You still have to have the policy and procedure. It's just that now you have much more flexibility in how you're reporting personnel activity.

You have to maintain a documentation. None of these changes decreased documentation. All it did was just give you flexibility and what types of documentation you now have to maintain to support whatever option you're using for personnel activity reporting. You're no longer required to have that separate monthly report.

That whole separate monthly reporting requirement is eliminated. Now, we're just looking at your processes or your systems for maintaining that type of information. The reason why personnel activity reporting is so important, especially if you're in a multi-award situation where you have multiple, not just federal awards, but just other sources of funding is that in order for us to meet the cost principle of allocable, meaning whether that time and the associated payroll dollars associated with that time should be charged to the grant, we have to know where that activity is performed.

You could yes, on your timesheet indicate this as for HUD FY '17 comprehensive counseling grant, but then what activity did you perform? We don't know if that activity was allowable. You could have attended a lobbying session in Washington D.C. as a part of maintaining the funding for comprehensive housing counseling grant. Well, under the Uniform Guidance, lobbying, any activity associated with lobbying is unallowable, so that would mean that time that you're trying to charge to your timesheet under the HUD grant would be unallowable.

If it's activity that's not approved as a part of your HUD grant that could be unallowable. That's why we have to know what activity it was that you

performed, not just the number of hours you're charging to the HUD grant.

Hello?

Moderator Yes.

Robin I'm sorry. Okay, and then examples of policies and procedures, this is just an example of a PAR policy and procedure that you may want to maintain. That's because you're still required to have a PAR policy and procedure. That's on internal control.

Are there any questions in the queue?

Moderator There are no questions in the audio queue, no.

Robin Okay, and it looks like any questions in the chat, they have been answered.

Okay, so this is an example of the type of policy and procedure that you need to have. As I said, that did not go away, so you're still required to have that under the new guidance.

The next area is sub-recipient award and monitoring. These are all of the areas of new requirements. There's a lot more requirements here. We do a separate training, once again, on sub-recipient award monitoring. They should also be on HUD Exchange, but that's a much more in-depth area and it's specific to intermediaries of those that have pass-through entities that have subawards.

What is the requirement now? That you must evaluate sub-grantees risk of noncompliance. You must consider imposing specific subaward conditions. You must consider whether the results of the sub-recipients' are audited or whatever reviews or monitoring you do, you're doing, necessitate adjustments to their records.

You must have some considered enforcement actions if in fact they don't comply. These are musts. Once again, earlier, we talked about how the requirement differentiated between must and shall. These are musts. These, as I said, are indicative to those who have sub-grantees.

We've developed a toolkit that and if you're receiving technical assistance, we have made that available to you. We use it as a part of the

tool to help come to review your monitoring your award and monitoring process. In this toolkit, we provide templates, we provide instructions, we provide guidance, we provide multiple information to you in this toolkit so you can use that information to really look at your award process, your monitoring process, and all of your other processes.

As I said, this is for intermediaries and those that have grants. If you don't have subawards, then this wouldn't be applicable to you, but it's good information to have. It's good information to understand because a lot of it is then kind of awarding the monitoring process that you go through with HUD directly.

What is the process if you want this kind of assistance? You send a request to your HUD POC. They then send the request to Gail Osgood, or Tracy Fields, or Linda Bozeman, any one of our three GTMs. Then in fact it's a matter of whether they approve it. If they approve it, we provide the technical assistance and to that extent, usually with the sub-grantee award and monitoring, we actually come onsite and help you implement the full award and monitoring process. That's available for award and monitoring.

For procurement, this is a big area too. We hear from a lot of grantees receiving marketing materials from companies saying we can help you with procurement. Well, the reason that you're receiving that is because under this new Uniform Guidance it says that the non-federal entity must, remember must versus should, use its own documented procurement procedures which reflect applicable state and local.

So, if in fact there's a discrepancy, if you notice here if there's any inconsistencies among federal, state, or local, the strictest of the requirements applies. If the federal requirement is more strict than you're state and local, then you go with the strictest requirement. That's important to know.

That's why there's a big emphasis in the nonprofit sector right now and a big push as it relates to procurement because of this new requirement under the Uniform Guidance. You'll probably see this illustration everywhere. They call it the procurement claw.

We're also, once again, doing additional training on procurement and how to set up your documents, your procurement policies, and procedures. It's not sufficient to say we followed somebody else's whether it's the federal

acquisition regulations, or I follow another agency, or I follow the state.

That's not sufficient.

As you read in the requirement, that was the language specifically from the Uniform Guidance, you have to have your own documented. This is the basic claw which talks about the major methods of procurement and then what you have to your general standards, your documented policies. It has to be necessary, full and open completion, conflict of interest and documentation. This gives you an overview of the areas that you have to address in procurement.

Now, with procurement, though, there's also this new provision that covers organizational conflict of interest. This is new. If there's a non-federal entity has a parent, an affiliate, or sub that is not state or local, the non-federal entity must also maintain written standards of conduct covering organizational conflicts. What it also did was explain that conflict means a financial or other interest by employees, officers, agents, members of the immediate family, partners, or employers. It gave more definition to what it means by conflict.

Now, within your procurement standard, with your documented policies and procedures, you have to also make sure it's consistent with whatever your organization's conflict of interest because they've put more emphasis on understanding what is defined as a conflict, what type of relationships are defined as a conflict. You have to have those as a part of your procurement policies, and because you have to maintain a conflict of interest statement anyway, those policies should be consistent.

Employees, officers, agents must neither solicit not accept gratuities, favors, or anything of monetary value. It may set standards for situations. Written policies must include disciplinary actions.

In fact, we become aware through OHC of complaints from third parties about grantees or about agencies, and a lot of times those complaints are centered around conflict of interest suggesting that there's certain relationships within organizations where there's collusion or they're working together to misuse or mismanage grant funds. That's one of the key areas of whistleblower for lack of a better term of somebody reporting that there appears to be fraud, waste, or abuse at an agency. Please make sure that you really understand the conflict and the requirements in both

procurement and just your general conflict of interest. Just as a note, and as I said, we will be doing procurement training.

A best practice, employee and board member sign statements annually, not just when they become a board member, but every year just like a personnel every year, they have to do an updated W-4 or hopefully they have some kind of performance evaluation. Hopefully, they're doing a conflict statement at least annually; so should board members. They should also have to do a conflict mitigation analysis at least annually.

Then board members, as a part of this, they should review the vendor list, whom you are doing business with annually to ensure they are aware of any potential conflicts. If you're doing business with a company that they have a financial interest in, they need to disclose that interest as a part of the conflict of interest as a part of disclosing any conflict and then at that point recuse themselves, for lack of a better term, from any kind of decision associated with that vendor. That's what happens when you have a conflict in a relationship.

Then, after disclosure, the rest of the board or management makes a decision on one, how extensive is that conflict? Will it impede your

ability to act responsibly within whatever position you hold, and if it doesn't impede your ability, then they make the decision to either limit or allow no specific decision-making associated with that particular relationship.

One of the things it does too is consistent definition between what's a sub-recipient and what's a contractor. A sub-recipient is a non-federal entity that receives a subaward. They're actually helping you to perform the grant. They're doing a function of the grant as a part of whatever work plan and grant work being performed, and it's a subaward; however, a contractor, they're an entity that receives a contract, and so they're more of a vendor.

The nature of relationships trumps what the agreement is called. If we look at subaward, we see a sub-recipient, that's why part of what we do with a lot of testing is look at the sub-recipient agreement and things like that. If in fact it more constitutes a contract than it does a sub-recipient, then we would review it and analyze it as a contract and probably recommend that this is a contract and not a sub-recipient. The actual Uniform Guidance also clarified that.

Just some other changes, a lot of you know any kind of revision to budgets or program plans have to be pre-approved. I think there's a total of 21 areas, but some of the other prior approval required. Now, you're required, under the Uniform Guidance, to get prior approval for change in key person which is number two.

Three, disengagement of project leader for more than three months, or a reduction of time, those are two big prior approvals that really didn't exist prior to. Now, you have to get prior approval from your HUD POC when you're having key change in persons that are working under this federal grant. As soon as you become aware of a change, and recognizing that sometimes a change occurs prior to trying to rapidly so you may not have the chance to go through the formal pre-approval process, you still have to submit in writing, and obtain pre-approval for the new person that would be taking the place of whomever's left.

Sometimes, it could be an immediate termination so you couldn't have gotten a pre-approval on that person leaving and the new person coming, but you can get prior approval on the new person coming. The whole emphasis is you're notifying and letting HUD have some intel on the changes on those individuals that are managing the grant.

Other big requirement is that it increased the threshold for the single audit requirement from \$500,000 to \$750,000. That is major. For certain organizations, it substantially decreases their audit costs because now if they don't have grants of \$750,000, they're no longer required to get a single audit. That's how that works.

With all these changes, and some of you may have very limited financial resources, where do you get the professional assistance to implement these changes if you do not have them internally. A couple of places. One place is the implementation materials that we're working on. Right now, only two of these guides we are on target to be made available on HUD by August the 9th. That's the date that we have.

That's the personnel activity report guide and then understanding billing methodology, which isn't something that was new under the Uniform Guidance. These are just two guides of materials that are in the final stages of review, and hopefully they'll be available on HUD Exchange.

The rest of these materials or guides, you get them through technical assistance, requesting technical assistance from OHC. When we do the

technical assistance, we can then provide you with this information, the checklist, how to do the 10% rate, that whole sub-recipient awarding and monitoring, the whole financial statements guide, especially for intermediaries who have to review financial statements for sub-awards to make as a part of this whole award and monitoring process, and then the internal control assessment. They're not going to be made available publically because they're still in various levels of review, but we can use the documentation as a part of technical assistance.

How do you get this assistance from OHC? OHC took a proactive step to identify additional resources to make available to you as a grantee to help subsidize some of the costs associated with implementing a lot of these new requirements, training being one of them, whether it's these webinars, yes, but in addition, you can receive training if you're an intermediary or have sub-awards. You can receive the whole sub-grantee award. If you're new, this is your first time getting a federal grant, or a HUD counseling grant, we can do onboarding training where we take you through all of the various requirements, review all of your policies and procedures, make sure you're 100% in place. If you need more one-on-one assistance with this whole Uniform Guidance and implementation, that's available to you as well upon request.

Then, we have other ad hoc trainings that may be made available as needs come up. For instance, we've had to do trainings on billing methodologies, just understanding them and then maybe the intermediary had multiple sub-grantees or sub-recipients that had billing methodologies and they needed help on really trying to understand them and then make the determinations if they're acceptable, so training on how to read and understand billing methodologies or training on how to review budgets and financial information submitted by sub-recipients to intermediaries.

These trainings can be done onsite or remote. Once again, these are available assistance that OHC is making available to you as grantees, and in the next couple of slides, after we talk about the assistance, I'll tell you how you can request them.

You can get action plans, whether it's a corrective action plan, of which a lot of you may be familiar with, that address findings from a review or maybe a technical assistance or maybe just by a HUD referral. We're also doing action plans to see your assessment of compliance with the Uniform Guidance. Our initial, I guess, flow of action plans in this area, we did assessments of intermediaries because they had so much more, the impact

of those changes had more effect on those than it did on a lot of your LHCA's or your SHFA's and other organizations. However, if you're LHCA, and you want to see where you are, you want us to come tell you these are the requirements. Where are we? What do we need to do to get in place? You can request that through an action plan through your HUD POC.

Internal control assessment, these are all proactive, so these aren't when we're doing the financial reviews, and they could ultimately become findings or observations. This is beforehand to get you ready to hopefully minimize the findings and observations that you could have in a financial and administrative review. We can do an assessment of your internal control, tell you where you are, where you need to be. That's a request you can make through an action plan.

We can do multiple financial analyses. Some of you may not have a formal audit, for whatever reasons, and we'll be able to do a financial capability assessment to say, okay, although because of limited resources, or whatever the case may be, we do a financial capability assessment to make sure that you can financially perform on the grant. We'll do financial review of execution documents just to make sure they're all in

place, and if you're a national intermediary and you need assistance with reviewing your sub-grantee documents, you can request that assistance as well through your HUD POC through this various contract.

Finally, technical assistance, we can help with your Uniform Guidance implementation, so if you didn't get an action plan, and for instance, you know you're okay in everything but procurement. You can request specific assistance, as you can see, with procurement assistance.

If it's internal control, we can do the internal control assessment, but we can also help you to write an internal control plan or review your internal control environment and make recommendations on the areas you need to improve and actually help you develop the necessary policies and procedures to be in compliance for internal control.

Then, other TAs could result from FARs [ph], FAs, and action plans.

With procurement, specifically, we can help you write your procurement policies and procedures, more so for your organization. It's easy to go out and just get this whole big procurement guide from somewhere, but you need your procurement to not only comply with the requirements but to be

customized to your organization and be something you can in fact implement.

You don't want to make it so robust that it's beyond your capacity to even maintain or to follow your own policies and procedures. We can assist you with developing and writing your procurement policies and procedures or review your existing policies and procedures and let you know that they're in line.

To get these services, you have to request them from your HUD POC. When you make that request, you should be real specific about what you want assistance with. Identify who would be the point of contacts too. We put that in the request for technical assistance, and then the person that ultimately who we would need to work with to provide the assistance, they aren't aware of it. Then, we have to spend time bringing everybody in the loop so we're on the same page.

If you want any of this assistance, you should request it from your HUD POC and in turn be very specific about what you need help with, who would be the person in contact, and then make sure you're going to be available because we try to get from the time of request to completion of

whatever the technical assistance we like to do it in 30, no more than 45 days. If you request it, please make sure you're then available to receive it and to work with us to provide you that assistance.

From that point, it goes out of your purview, because the POC has to approve it, make sure it makes sense. They then send it to the contracting government technical monitors which are Linda Bozeman, Gail Osgood, and Tracy Good [ph], and they make a final approval of it, and then once it's approved, we get the okay, and then we initiate the assistance. The approval process tends to be one to two business days from the time the request comes out.

Generally, unless it's just a request that's beyond the scope of what can be provided under our contract, which is the contract that's providing these or within HUD's own internal resources, generally the requests are approved, except if they fall, as I said, beyond either of those scopes or relevance to this particular grant. It's a one to two business days, and as I said, all of those areas that we spoke of in the prior slide, they're areas that are available for request.

How does it benefit you? It gives you comprehensive assistance to minimize your burdens of implementation, hopefully potentially reduces findings on the backend because a lot of the assistance is a proactive approach to get you ready and to get your policies and procedures in place.

You're provided financial and technical assistance to grantees that can be transferred to other federal programs. You're receiving assistance that ultimately could increase your organization's full capacity and be enabled to perform on other federal awards and hopefully reduce the administrative and financial burdens through training of sub-grantees especially to relieve some of that burden on intermediaries who then have the added burden of overseeing sub-awards and sub-recipients.

Let me ask, at this point, are there any questions in the queue?

Moderator

There are no questions in the audio queue.

Robin

Okay, and I don't see any unanswered questions on the chat box. I was just checking, yes. So, it looks like those questions are answered. If you realize you have a question subsequent to this training, please forward any questions to housing.counseling@hud.gov and include Uniform Guidance

Refresher in the subject line so the questions can be distributed to the correct individuals for a response.

If there are no other questions, I'll thank you all for your time and look forward to the opportunity to work with you in the very near future.

Thank you.

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.