



## Final Transcript

### **HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Reviewing the 425 and Other Financial Forms**

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#### **SPEAKERS**

Petergay Bryan

#### **PRESENTATION**

Moderator                   Ladies and gentlemen, thank you for standing by. Welcome to the Completing the Federal Financial Report conference call. At this time, all participants are in a listen-only mode, and later we will conduct a question and answer session. Instructions will be given at that time. [Operator instructions]. As a reminder, today's conference is being recorded.

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

Petergay

Hello, everyone. I am Petergay Bryan with Booth Management Consulting. Today we'll be conducting a presentation on how to complete the Federal Financial Report, which is also known as the Standard Form 425.

As the moderator already mentioned, you all will be on mute during today's presentation. Prior to today's meeting, you received an email from Jane with the handout of the presentation so you can follow along by looking at your handouts, or if you open the control panel, you will see a section that's marked Handouts, where you can actually download the PowerPoint presentation and keep that for your records.

After today's training, within 24 to 48 hours, you will receive an email and it's pretty much going to be a thank you email that's going to say this is your certificate of training. There will be no attachments to that email, but you should print and save a copy for your records as your training certificate.

We'll be taking questions at the end of today's presentation and when I do pause for questions, the moderator will let you know how you can actually

pose your question. In the meantime, if you would please keep your phone lines on mute so as not to disturb or disrupt the training.

If, however, you have questions while we're doing the training, you can open up your control panel, again. There's a section that's marked Questions. We do have BMC personnel who are on standby for any questions that you may have. You could type up your questions and they will respond to you in real time.

Now we'll just go ahead and get started with today's training. The topic that we'll be going over today is we'll talk about the purpose of the form, what are the submission requirements, how to complete each section of the form, some common errors that we have come across while we have been reviewing the form, and some important things to remember as you go forward.

So, the Federal Financial Report is required by the Office of Management and Budget. It pretty much is helping the government to track the status of financial data that's tied to any particular federal awards. It's a cumulative report that has to capture any obligations and disbursements for any federal awards that have been granted during a specific time

frame. A separate Federal Financial Report, or FFR, is required for each grant that you may have. Particularly for the HUD Housing Counseling grant agreement, intermediaries, SHFAs and MSOs are the ones who are responsible for submitting this report to HUD. So, LHCAs are not required to submit this.

According to your HUD grant agreement, you are required to submit an FFR each quarter, along with your quarterly financial reporting package. Now, once you've started the grant period and you've been awarded the grant and you've been incurring expenses, you are required to submit a report, an FFR report, even if no expenses have actually been incurred. So, in that case, you would go ahead and submit your activity report to HUD just so that HUD knows that okay, they didn't incur any expenses under this grant during this time frame.

The quarterly FFRs are due no later than 30 calendar days after the end of each quarter, so it coincides with the due dates for each of your quarterly financial reports pretty much. For the final report, those are due no later than 90 days after the end of the period of performance. And that, too, coincides with the due date for your annual financial report that you submit to your HUD POCs.

It's also very important to note that all amounts should be cumulative. So each period that you're reporting on, you want to make sure that you're reporting the cumulative amount for that period and not just the costs that you incurred for that reporting period.

All lines should be completed when you're completing the FFR report. So, if there is no activity or there are no expenses to report, you would document zero dollars, or you put not applicable if that particular line item doesn't apply to your agency. This allows your HUD POC or anyone who's reviewing the report to be able to be sure that the report was actually completed properly. They won't have to make any assumptions as far what you're trying to report because you're specifying whether it's not applicable or it's a zero-dollar balance that should be recorded in that line item, etc. By you leaving it blank, it leaves room for assumption by the reviewer, which should not be the case.

Also important to note is that if you've missed a period, a reporting period, then once you submit your next FFR report, you want to make sure that you also report on any periods that you have missed prior. As an example, so say you were reporting on your June 30, 2017 reporting

period, but your most recent FFR that you submitted to your HUD POC was December 31, 2016, meaning that you missed the one in March, you would have to then go ahead and submit an FFR for the period ending March 31, 2017 as well as the period ending June 30, 2017. So, just to summarize, if you're delinquent in any periods, you must go ahead and submit any of the periods that you have missed when you're submitting your next report.

Again, you submit the FFR report to your HUD POC quarterly with your quarterly financial reporting package. If you needed to get an extension, that should be requested of your HUD POC prior to the due date. You should obtain an approval from your HUD POC in writing for any due date extensions that you do receive. Once you get that extension, and have it in writing, you want to save that for your records. Just in case you do get selected for a review, you would have evidence that okay, we weren't able to submit our FFR in time; however, we did get an extension from our HUD POC.

If in any case you had to modify or amend your FFR report, you should clearly identify that by writing the word modified or amended on the report that you're submitting just for clarification purposes.

And now, we'll get into the various sections of the FFR report. Here we have an excerpt at the top of my page. We just copied a section of the FFR report for items 1 through 9, and this is how we'll go through each of the sections for the rest of today's training.

So, in block 1, you want to document the name of the federal agency that awarded the grant. So, specifically for your Housing Counseling grant, you document HUD's information here.

In block 2, you put your grant agreement number, and so it should match up with the grant year that you're reporting on. You document the number of pages over here. So, if you had to include—typically the FFR report is one page. Sometimes agencies do have to include remarks or attachments, and in that case you would label how many pages you'll be submitting. So, if you're going to include an attachment, you probably have one or two-page. The FFR would be one of perhaps two or three pages. On the second page or any additional pages that you're submitting, you want to include the grant number, the organization name, the DUNS Number, your employer ID number, as well as the period covered by the report that you're submitting.

In block 3 is where you would enter your agency's name and address. This should correspond with what you have on your grant agreement, otherwise you'd have to update your information in the Housing Counseling system.

4A is where you document the DUNS Number, or B, employee ID number. On block 5, that's not applicable because HUD grantees don't have a recipient account number, so that should always be not applicable for you.

As far as the report type, you are required to submit a report quarterly. So, unless you're submitting your final report, the report type should be classified as quarterly and then when you're submitting your final report is when you would select final.

In the basis of accounting, you will select either cash basis or accrual basis. And that will pretty much correspond with however you—that would be the basis that you use at your agency to record your transaction. Whatever basis you use to record your transactions is the basis you should use to complete this report. The cash basis pretty much means that



expenses are being recorded when they're paid, and the accrual basis is where your agency is recording transactions, expense transactions, once the expenses are incurred.

In block 8 is where you would document the period of performance. So, block 8A over here, where we have October 1, 2014, is where you would specify the beginning of the grant period. And in the block that has March 31, 2016 is where you would put the end of your grant period.

Block 9, however, is where you would document the period end date. So, in our example here, this agency is reporting as of September 30, 2016. But you will see that they're reporting on their fiscal year or their grant year that started October 1, 2014 and runs through March 31, 2016. I wanted to emphasize the difference between these two, block 8 and block 9, because a lot of agencies make the mistake of in the reporting period they'll probably put the end of the grant year, or they'll just mix up where they should put the reporting period versus the period of performance of the grant.

The next section of the FFR report has to do with lines 10A through C. If you are reporting on multiple grants you can do so for lines 10A through

C, but for the rest of the FFR report, it would have to be a single grant reporting.

In line 10A, cash received, here we document the cash received. I'll get through to the other slide where we can really breakdown what's reported on the cash receipt section, the cash disbursement section, and the cash on hand section, which is where you're subtracting your cash disbursements from your cash receipts.

On the cash receipts section, that's where you're documenting the amount of federal funds that you have submitted a request for and that you have actually received from HUD to date. So, usually in your first quarterly financial reporting, you would not have received any funds from HUD as yet, so therefore, line 10A would be zero usually for your first FFR report that you do create. But, going forward, line 10A would equate to any amount that you have received from HUD.

In line 10B, that is where you're going to document the amount of federal funds that you've already paid out. So, depending on your basis of accounting, it would probably differ. If you're on a cash basis, it's going to equal to the amount of cash disbursements you have made, including

any associated indirect expenses, as well as any cash that you've paid to your sub-recipient. So, it's strictly all for cash payment related to the Housing Counseling Program that you've made to date. Bear in mind that all of these amounts should be cumulative.

If you are on the accrual basis, however, it's going to be all of the cash payments that you've made in addition to any costs that you've incurred but you haven't paid as yet. So, your accrual portion is going to be included in that.

In line 10C, your cash on hand, that's a subtraction where you're taking away any disbursements that you have made from the cash receipts. So, I'm going to jump back up a little bit. Here in our example we're saying it is this agency's first time submitting a FFR report. They haven't received any funding from HUD as of yet. So, the cash receipts are zero dollars. However, they've incurred and paid \$5,000 in HUD-related expenses, so line C here we have a negative balance of \$5,000, and this represents the amount of money that HUD would owe them for that period. So, this is also going to correspond with their quarterly financial report to show the amount that they're submitting as expenses incurred that they're seeking reimbursement for at that time.

I'll scroll back down to this slide. So, typically, for the cash basis accounts, if there's a positive balance in line C then you would have to submit an explanation. If there's a negative balance, it just means that this is the amount of money that HUD owes us at this point in time and that's what you're submitting for reimbursement.

As we scroll down to the other sections, here we talk about lines 10D through H. Line 10D is going to be the award amount that you've had from HUD. So, going forward, from this point on, it should be based on a single grant reporting. So, the amount that you receive from your HUD, it should match up to your HUD grant award. Line 10D is what's going to be specified as the total federal fund authorized. So, this amount should not change as you're going through your reporting period unless you had an amendment to your HUD grant where the amount that you've been awarded was increased or decreased. So, for example, at first you had a \$15,000 award but then that award increased to \$20,000, that would be the only time that line 10D would change from period to period.

Also important to note is that if you receive the grant and you're submitting your FFR report along with your quarterly financial report, but

you haven't incurred any expenses or anything like that, and you're submitting a zero dollar report, everything else would be zero, except for this line item because you were awarded a grant amount of, in this example, \$15,000.

On line 10E, here is where you're going to show your federal share of expenditures. That should be—usually it's the same as line B. Again, line B or line E here is where you're showing the federal share of expenditures that one, if you're on the cash basis it would be the expenses that you paid for, however, if you're on the accrual basis it would be all of the above in addition to your accrual amount.

On line 10F, that's where you show the federal share of unliquidated obligation. On the cash basis, this is where you would document any expenses that you've incurred but you haven't yet paid. For agencies who are using the accrual basis, this is where you would document expenses that you've incurred but you haven't recorded in your accounting system. I must state that usually nine times out of ten from all of the FFRs that I've reviewed, this is usually at zero. Line F is usually zero. We don't see too often where agencies have unliquidated obligations on this particular line item.

On line 10G, it's a summation of lines 10E and F. And on line 10H is where you're taking away line D from line G. I'm sorry, you're taking away line G from line D. And this is pretty much the amount that you haven't touched yet from your grant. Going back to 10D, that same amount you've been awarded, line 10E and F and where you're summing up on 10G showing the expenses that you've incurred for that period, and then line 10 is the amount that is available for you to—is the amount that you're available to submit for reimbursement as you keep on incurring expenses going forward.

In the next two or so slides, we'll talk about cumulative reporting, where we'll pretty much give you an example of how you move through each period with increasing expenses and how you show the expenses are incurred and increasing going forward.

So, in this example, for the period July 1 through 9/30, the federal expenditures that you were reporting was \$5,000, and then for the subsequent period, you incurred an additional \$3,310. So, in the top spreadsheet here you'll see it's pretty much the same as what we looked at in the prior slide, but in the bottom section for cumulative reporting, you'll

see where you have to add the \$3,310 to the \$5,000 that you incurred last period to show the cumulative amount.

In line 10H you'll see where the balance, your unobligated balance is reducing each time you submit a quarterly financial report. So, line 10D remains the same because of course, that's your grant award amount. Line 10E will continue to increase the more costs you incur and the more expenses that you pay for each reporting period. And then line 10H it does keep going down the more costs you incur and the more you submit expenses for reimbursement.

In this section, lines I, J, and K, you document not applicable because it's not applicable to the HUD Housing Counseling grant. But typically that's where you would document your recipient share that's required. And as you already know, you're not required to have a match requirement for this grant.

On lines L, M, N and O, this section has to do with program income. In line 10L, that's where you would document the total federal program income that you've earned for your Housing Counseling program. Line 10M is where you would document the amount of program income that

you've expended, in accordance with the deduction alternative. So that's pretty much the program income that you'd be using to reduce the federal share of your program's total project cost.

10N is if you were to use the addition alternative, that's where you would document the amount that you were using based on that alternative to increase the amount that you're committing to your total project costs. But, the HUD grant agreement does require you to use the deduction alternative so that is why here in our example we put not applicable. And so for you all, it would also be not applicable because you are required to use the deduction alternative.

And, line 10O is where you're doing a subtraction of line 10M from line 10L. Here we have an example for you for how you would apply the deduction method to your Housing Counseling grant. So, say for example, your total Housing Counseling Program costs are expected to be \$200,000 and by chance your HUD award is also \$200,000; however, you earned program income of \$20,000. You would be required to reduce the amount that you submit to HUD for reimbursement by about \$20,000 and not submit for reimbursement the whole \$200,000 for your project.



In this section is where we would talk about the indirect expenses. In our example, we're using the 10% de minimis rate as you can see. But of course if you had a NICRA, I will show you how you will document that as well. Now, line 11A, where you put the type of indirect cost methodology that you're using, so if you're using the 10% de minimis you'd document de minimis here. If you had a NICRA, however, you would look at your NICRA to see whether it's a provisional rate, predetermined rate, final rate, whatever your NICRA specifies is what you would document here.

Here we have documented the 10% rate. Line 10C [sic] is where you would document the period within which that rate that you're applying is applicable to. The base is where you would apply the indirect cost rate to the base cost. If you're using the 10% de minimis rate you'd have to make sure that the \$5,000 would only modify total direct costs that you're applying that rate to. If you're using a NICRA, you'd have to read your NICRA to see what types of direct expenses you're allowed to apply your NICRA amount to.

And then line E is just a calculation where you multiply the rate by the base. And then line F, the federal share is typically the amount charged. It's typically usually equal to the amount that you're charging.

On line 12, if you had any explanations for any line items or any comments or anything like that is where you would say see the attachment or something like that in your remark section.

In line 13 is where you're pretty much certifying that the report that you're submitting is complete, true and accurate based on the best of your knowledge. Here we have the executive director signing off. It's important to note that it has to be the authorized official who is going to certify to making sure that their report is true, complete and accurate, and also you have their contact information and date here.

I think I'll pause for questions here before I get into the other section.

Moderator [Operator instructions]. There are no questions from the phones.

Petergay I'll continue. Some common errors that we've noted in the top section here or overall with the report, one of the biggest things that we see is that

the report—or the forms that are submitted are incomplete. I can't stress enough that every line item has to be completed when you're submitting the FFR report. If it's something that's not applicable to your agency, please just document NA. If it's an issue where it's a zero dollar balance, you just document zero dollars.

Also, agencies may not have submitted the report each quarter.

Remember that's a requirement that you submit a report each quarter and then for the final report you have to submit that at the end of the period of performance and specify in block 6 that it's a final report that you're submitting.

Not reporting the correct grant number, or not capturing the accurate reporting type, not reporting the accurate reporting period end date, that's line 9 right here. A lot of times agencies just go ahead and document the end of the period of performance, and that's incorrect unless you're reporting on the final, you're submitting your final report. So this should correspond with each of the quarters that you're submitting a report for, and then once you get to the end of the year, then if you're submitting on the March 31<sup>st</sup> report, that's when you put in a final.

Over here on lines 10A through C, for the cash receipts, a lot of times agencies may make a mistake and not document the amount of cash they receive from the federal agency at that time. So, just bear in mind that 10A is where you document the money that you've received from HUD as reimbursement. Line 10B is where you're documenting your cash disbursements that you've made to date. And I can't stress enough that this has to be cumulative. So, each time, each reporting period you want to make sure that you have your reports from the prior period to make sure that everything that you're reporting on is cumulative. And line 10C is usually a negative balance, and it's usually showing us the amount that you're submitting for reimbursement at that time. So, that's the amount of money that HUD owes you at the time because again, this is a reimbursement grant.

Line 10D, that's the total federal funds authorized, so that should match up to your grant award. And E is your federal share of expenditures, so you want to make sure that you're documenting your expenditures to date. And, in the previous slide that I showed you, how you make sure that you're accumulating the federal expenditures from prior periods and adding those amounts to get your line 10E. And 10F would be your

federal share of unliquidated obligations, not very common for this grant, but it sometimes happens.

Lines G and H, those are just calculations. But important to note is that line 10H is showing you how you're unobligated balance is decreasing each time you submit costs for reimbursement, and if you use money from HUD, this amount gets reduced each time.

On your program income, you document on 10L the program income you've earned. Bear in mind that you should be using the deduction alternative, so you would document any program income that you've expended in line 10M. 10N is usually not applicable because you're not allowed to use that method for this grant. And then line O would be any unexpended program income that you may have.

Also, we've had not including notes for any cash on hand. Again, it's a reimbursement type grant so there shouldn't really be a positive balance in line 10C. If it's a negative balance, fine, but if it's a positive balance that means you have cash on hand and that would mean that you received an advance so you should be providing an expenditure for what happened.

Unobligated balance of federal funds, and that would be 10H here. If you had a negative unobligated balance of federal funds you should put a note because that should balance out at zero. Or if you didn't draw down all of your funds at the end of the year, you thought you were going to—your program needed \$50,000, you had a HUD award for \$50,000 but you only spent \$40,000 and you do have a positive balance on hand, you should provide an explanation [indiscernible] reimburse that. You wouldn't have to reimburse because it's not an exact, but you'd just document the reason why you didn't incur as much for your program and let your HUD POC know.

Then, an explanation for any unexpended program income because with the deduction alternative you should be spending that money prior to submitting any costs for reimbursement from HUD or just making sure that you're not getting reimbursed for costs that your program income already covers.

Things to remember, of course you want to double check to make sure that the form was completed correctly and that it contains all of the information that's required, that your authorized official is signing off on the report. Also, you want to have a copy of the award notification

available so you can reference for when you're documenting your federal funds authorized.

Also, we do recommend that you keep copies of your most recent FFRs just so you're making sure that you're using the cumulative amount each time.

Program outlays and program income should be reported on the same accounting basis as you do with your normal accounting system. When you're submitting the final report you should document final in block 6 so that we know that you're submitting your final FFR report. Also, important to note if you wanted an extension you would have to submit that in writing prior to the due date and be sure to keep that in your records so that you can have evidence of the extension that you were granted.

If you have any questions, you should submit them to [Housing.Counseling@HUD.gov](mailto:Housing.Counseling@HUD.gov). I'll open the lines one more time for any questions.

Moderator

[Operator instructions]. There are no questions in queue from the phones.

Petergay Delbert, were there any questions?

Delbert We have one remaining question. “If a contract began September 1, 2017, and we are reporting December 31, 2017, how would you reflect on box 8 and box 9?”

Petergay How would the contract start September? HUD’s grants don’t start until October. But, I’ll go back.

So, for example, if your contract had started September 1, 2017, and ended December 31, 2017, that’s the question, right?

Delbert Yes, if the contract began September 1, 2017 and we are reporting December 31, 2017, how would you reflect on box 8 and 9?

Petergay Thank you. So, where we have 10/1/2014 is where you would document September 1, 2017. Where we have 3/31/2016, that’s where you would document the end of your contract period. So, if your contract period actually ended December 31, 2017, you’d put that information here, and then on block 9 when you’re reporting for that one quarter, September 1, 2017 to December 31, 2017—no, wait, I’m sorry.



So, whoever posed the question, can you let me know when the end of that contract is so that I can give you the correct information?

Moderator, can you please open the line up?

Moderator I'm not sure who had the question. The question was online.

Petergay I'll respond. On block 8, you would document September 1, 2017 and so I'm trying to figure out their reporting period. So, I guess they're reporting in December for September through December, I'm assuming. Or, because then they could be reporting for a month of September, so I'm a little bit confused as to the reporting end date as well as the quarter end date.

So, can you please send that question to [petergayb@bmc-llc.net](mailto:petergayb@bmc-llc.net), so I can answer your question correctly? Because, I need to know the period of the contract, the period of performance of the contract and when you're reporting for in order to give you the correct answer.

Moderator We have Cathy Clark in queue. I'll open her line. Cathy, your line is open.

Cathy Hi, so we're the ones asking about the grant period. Our grant period began September 1, 2017, ends August 31, 2018. So, we were told that in box 8 that we were going to put in our quarter that we're covering.

Petergay No. In block 8, that's where you put in your period of performance.

Cathy Which is the entire grant period.

Petergay Yes.

Cathy Okay, and then in block 9 we're going to put in the quarter in which we're working.

Petergay Correct.

Cathy Okay.

Petergay The period that you're reporting on.

Cathy Yes, ma'am.

Petergay Okay, yes, that's correct.

Cathy We just wanted to clarify that. We received this advice from HUD from our point of contact, the one who reviews our FFRs, our FS 425s. So, we just wanted to clarify that because we've been doing it correctly and she's asking us to do it differently.

Petergay Okay, and we can speak offline, too. You can take my information down. It's petergayb@bmc-llc.net. You can also send that email; I'll scroll all the way down to the last slide, and if you submit an email to Housing.Counseling@HUD.gov, then if you submit an email to that email address it will come to me as well, eventually. And then we can talk about it further.

Cathy Okay. I just want to ensure that we're doing it correctly and we are. I have another question on the forms that we submit. We have only submitted forms, or the FS 425, using A, B, and C. We have never filled out the D through J. And then for our program income, we just actually

summarize it in 12. So, hopefully, with our training today we know now going forward, hopefully, you have to complete all 9.

Petergay Yes, ma'am.

Cathy Thank you. For program income, are we talking about program income for entitlement only?

Petergay For the Housing Counseling Program only.

Cathy Okay, because we do the FFRs for CDBG entitlement. We do not do an FFR for CDBG PI or revolving loans [ph], so we should not be including that program income with our entitlement summary, correct?

Petergay I'm sorry. I'm not sure about those grants. I guess we could talk about it offline with someone from HUD.

Cathy Okay.

Petergay I can't guide you on that part of it. I'm sorry.

Cathy No, that's fine. Any other questions, guys?

W No.

Cathy Okay, we're good. Thank you.

Petergay Well, I want to thank everyone so much for their time. Again, if you have further questions, please submit them to this email address. I also gave out my work email address if you wanted to shoot me an email as well or copy me, whichever you're more comfortable with.

Thank you for your time and follow-up by email if you have any further questions.

Moderator Ladies and gentlemen that does conclude your conference for today. Thank you for your participation and for using AT&T Executive TeleConference. You may now disconnect.