



Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: Grant Financial Reporting

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SPEAKERS

Robin Booth

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the Grant Financial Reporting call. At this time all participants are in a listen-only mode. Later there will be opportunity for your questions and instructions will be given at that time. [Operator instructions.] As a reminder, today's conference is being recorded.

I'll now turn the conference over to Ms. Robin Booth. Please go ahead.

Robin Good afternoon and welcome to the grant financial reporting webinar where we will be reviewing the grant financial reporting requirements for

the FY16 grant. This webinar is being recorded and you can access it on the HUD exchange, usually within two business days after the webinar.

The number along with the PowerPoint and transcript, all of that information will be on the exchange.

You will receive an OHC list serve for the archives that will tell you that it's now available. During the call, we do ask that you mute all lines, even though I believe that these lines are muted for you, and we will later tell you how you can ask questions during the webinar.

You should have received some handouts prior to the webinar and these are the handouts that we'll be reviewing during this webinar and you should also be able to see them in your webinar dialog box. You should be able to download those attachments from there as well.

Questions and comments. Throughout this presentation or webinar, we will give you several opportunities or methods to ask questions. We will have a Q&A session, too, at the end of the presentation, where I'll ask if there are any additional questions. At that time, if you hit star zero, you will be put into the operator and when we queue for questions, you will be able to ask a live question.

However, during the webinar, you can use your chat box, which should be in the right-hand corner of your screen, and enter questions. We do have staff available to respond to your questions as they're being answered and when necessary, we will ask that those questions be answered live if we believe that they may be relevant and/or add value to the rest of the participants.

Subsequent to the webinar, if you have questions, you can send them to housing.counseling@hud.gov. Please include the name of the webinar in the subject line. That just allows us to better direct your question so we can be sure we direct it to the right individual.

As I previously stated, the calls will be muted during the discussion. If you're not automatically muted, which I believe you are, if you hit star, six, that should also mute your line. At the end of the webinar you will receive a survey, excuse me, you will receive a brief survey. We ask that you please complete that survey, responding to the questions and providing any comments and feedback.

We use that information to try to provide you with more relevant and more detailed and comprehensive training, and to make sure we're addressing

your needs. We appreciate your response and ask that you please take a minute and complete the survey.

As far as certificate of training, you will receive an email that says this is your certificate of training. There will not be any attachment nor will you receive any subsequent attachments. Please keep that information, that documentation for your records. You can either print it out or just save it so that you can have access to it in the future if needed.

Once again, if you have, if you need any more information or you want to access any of this webinar, or any other webinars provided, you should definitely use the HUD exchange as a resource guide. As you can see, you can go to hudexchange.info/programs/housing.counseling, but if you go to HUD exchange it's very easy to get to housing counseling. All of these materials, all of these resources, all these guides are made available to you at that HUD exchange so it's definitely a very valuable resource. If you have any questions please feel free to email them to housing.counseling@hud.gov.

On to our presentation and today we are talking about the grant financial reporting, specifically for the FY16 grant. As most of you—if you've ever

had a housing counseling grant, there have been some changes for financial reporting from the prior years' grants. Even if you have, if you're familiar with prior year grants, we do ask you to please pay close attention to the financial reporting requirements in this grant because there have been changes, primarily due to the new Uniform Grant Guidance and ensuring compliance with that guidance.

My name is Robin Booth. Our company, Booth Management Consulting, we are the quality, audit, and technical contractor. In addition to conducting these webinars, we also perform the financial and administrative reviews. We conduct action plans and/or assessments and we provide technical assistance, all under the guidance and direction of the Office of Housing Counseling. In addition to these webinars, if in fact, you may see us or we would be the company or contractor that would actually perform your financial and administrative review and provide technical assistance and other services as directed by the Office of Housing Counseling.

We're going to review the financial grant lifecycle. One of the things that we know is that if you look at the grant itself, there's not one specific area

that you can go to within the grant or within the regs that pretty much summarizes or lists what your financial requirements are. What we attempt to do in this training is to really identify the specific grant financial reporting requirements, help you to locate where there those requirements are in the various documents. We want to make sure you are clear on what the financial reporting requirements are relative to this grant.

We know there's a lot of different sources and a lot of different regulations. Our whole goal is to help you streamline as much of that information to really take out all of the—to de-mystify the whole concept of what we mean by grant financial reporting. We're going to go through the grant lifecycle and this is the financial grant lifecycle, not programmatic, but what we consider the key financial areas in this grant.

Then we're going to deal with your budget submissions for approval and what that means as far as financial reporting. The required financial certifications and disclosures, and really clarify what you're certifying to and to what extent your organization is being held accountable to those certifications, all of which are required under CFR part 200, the Uniform Grant Guidance.

We will then review the specific quarterly financial reporting requirements as outlined in the grant. Then go over with you some acceptable accounting practices and some things that we want you to remember. As I said, our goal here is to try to streamline and pretty much narrow down those financial reporting requirements under this grant.

Understanding the financial grant lifecycle. It actually starts with the NOFA, from a regulatory requirement and what you're held accountable for as it relates to your financial and administrative review. All the information that's initially published in the NOFA also becomes a part of what your financial requirements are under this grant.

When we look at compliance with the grant itself, we start with what was originally in the NOFA application to see if you're in compliance with that. Then what happens is, after you submit your application and as a part of that, where you indicate potentially your leverage funding, you indicate how you're going to track and maintain your accounting records, you provide information about the financial capabilities of your organization, all of that is a part of your financial grant reporting.

On the front end, it's a part of your application, but then on the back end it becomes a part of what we look at to determine if you're in compliance with financial and administrative requirements. After you submit your application and you receive your award notification from HUD indicating the amount of the grant that you'll receive for that year, you then submit your budget. You submit various certifications and other documentation.

One of the most critical financial documents that you submit is your budget. That's because the budget is determining how you're going to utilize the funds, consistent with your work plan and the performance requirements under the grant. That budget is actually reviewed to determine whether it complies with the financial requirements as spelled out in the regulations, but also with your work program and the other sources of leverage funding or the other sources of programmatic requirements that you've indicated.

The budget becomes very important. That's a very critical financial document. In response to the award, you then sign off and send back this award package, as I said, which includes that budget, which includes your financial certifications and disclosures.

It's in that award package that you verify that you have a financial management system, that you have internal controls. All of those things which become financial requirements, that we then determine whether you're in compliance with when we do the financial and administrative review.

Once you've sent in the award package and both parties have signed the grant agreement, that becomes then yet another key document in looking at your financial requirements. There's certain area in that grant agreement that speak to financial matters, from the article dealing with payment, I believe it's Article 11 dealing with reporting. There are certain areas, certain articles within the grant that speak to your financial requirements.

Then, as a part of the grant, one of the key requirements is that quarterly reporting and final reporting. It is on that quarterly reporting that you're really submission in conjunction with your invoicing or your requests for reimbursement, which becomes a claim to the federal government. So it's critical that that information that you're reporting on your quarterly report, that ultimately becomes a part of the claim you're submitting for payment, that information needs to be in compliance with requirements, it needs to

be adequately supported, and it needs to be consistent with the approved budget.

As you can see, that's a very critical part in this financial grant lifecycle. The LOCCS or eLOCCS from your standpoint becomes the payment vehicle, where you've submitted now that request for reimbursement based on that quarterly reporting and ultimately, that becomes a claim to the federal government. I think we all understand the importance or the sensitivity of submitting the claim to the government because we want to be sure that that claim is being properly paid.

All of that falls under the guidance or falls under the umbrella of proper payment or improper payment. It's not only your responsibility to make sure you're submitting complete and accurate financial information consistent with the grant requirements and regulations, but it's also the government's responsibility to review that request for payment to make sure that they're not also being subject to improper payment. Both parties have a key responsibility in reviewing that whole payment cycle, which is a big part of the financial grant cycle.

Ultimately, somewhere during your grant lifecycle, we will then come and perform a financial and administrative review where we're determining whether you were in compliance with the financial and administrative requirements that have been spelled out in all of these various stages of this grant lifecycle. Those requirements spelled out in the NOFA; in the award documents, which would include references to the various regulations from the Code of Federal Regulations to Uniform Grant Guidance and then ultimately, through the grant agreement.

When you think about it, where's the financial components of this grant? These are the key financial components of this grant. That's why I spend so much time talking about it. Now, on the next few slides and you can see this, I take you through each phase of what's critical during that cycle.

For the NOFA, when you're looking at financial documents, we have your pre-award accounting system review where you're certifying or attesting that you have an accounting system that you're maintaining where you're properly accounting for and tracking and reporting the financial obligations of this particular grant. And that information is adequately supported, it's consistent with generally accepted accounting principles,

and with the Uniform Grant Guidance as it relates to a financial management system.

Also in your NOFA, you're dealing with things like your leveraged funds where you're indicating these are the leveraged funds we anticipate using to help us perform these or provide these services and the supporting documentation. The OMB cert list, that should be Uniform Grant Guidance, I thought I changed it, but it should reference Uniform Grant Guidance. All of the various grant guidance and Code of Federal Regulations, those things are all also cited and referenced in your NOFA application.

Now, your award. What's my key financial documents for award? You have to sign those financial disclosures and certifications. If you have a single audit, you have to submit that single audit.

If you have an indirect cost rate or you're requesting the 10% de minimis rate, you have to have the submission negotiated indirect rate agreement. Or, if you're requesting the 10% de minimis rate you have to show the computation of that 10% indirect cost and make sure that you're applying it correctly, consistent with the requirements of the 10% de minimis rate.

You're also going to certify that you meet the eligibility requirements for that 10% de minimis rate.

For intermediaries or MSO's that have sub-awards, you have to provide your sub-allocation list and your billing methodology. Both documents are key financial documents because one, they're speaking to how you're going to allocate the funds to the various sub-awards and two, they're talking to how you're going to bill the government. Those are critical financial documents.

The grant agreement, you want pay to close attention to Article 11, which deals with reporting, as well as the references to the various federal regulations.

The budget. You want to make sure that you have budget assumptions and if you're not using the actual SF-424 but you're using another approved format. With this grant it's critical that once you identify what those budgetary line items, that you provide sufficient information to HUD so that they know how you're going to use that budgetary line item.

Just having a total dollar amount isn't sufficient. If it's salary or if it's for direct labor on the program then you have to tell us what the rate is, what the hourly rate you're going to pay and how many hours you're estimating. With the hourly rate, we have to make sure that rate is reasonable consistent with that rate for similar work being performed or based on regulatory requirements where certain types of services or types of costs that the government has ceilings on how much they're willing to reimburse you under this grant.

You want to be clear that you provide sufficient information so that HUD can make a determination of if the budgetary line items you're requesting are compliant with cost principles. Meaning that they're allowable, they're reasonable, they're allocable to this particular grant and that they're allowable.

Grant reporting. This is your ongoing grant reporting from the quarterly reporting that's indicated in Article 11. You need to make sure you read it. There has been a slight change in the FY16 grant. It was in the FY15 grant as well but they've added firm-fixed reimbursements as well as additional information as it relates to your budget. You have to submit a detail of actual versus budgeted. That's new to the FY15 and 16 grant.

If you historically had grants in the past, you need to make sure you go back and read that section again. With eLOCCS the critical financial areas are one, the authorized individual. Because under the new Uniform Grant Guidance, it requires that whomever is signing off or who's requesting these payments, they're certifying that it's not fraud, that it's true and accurate. That becomes very important, who's actually signing off on these types of documents. That's a request for payment or a claim and it's always critical to the government that they're not improperly paying a claim and if there is, there are potentially penalties and repercussions.

More importantly, you have to make sure you're maintaining all of the supporting documentation that supports the claim that you're submitting. If it's labor, you have to have your time sheets. You have to have your payroll records. You have to have your personal activity reporting, not necessarily a report because under the new Uniform Grant Guidance, that having a separate report is no longer required, but you still have to have personal activity reporting where you're showing what activities were performed by that person or persons that you're charging to the grant,

grant to make sure those activities are allowable and allocable to that particular grant.

Now, budget submission and I do say why I emphasize this. That's because the more time spent on the front end and making sure that you're submitting a budget that's detailed enough and consistent with the cost principles under the Uniform Grant Guidance, it ensures that on the back end there will not be a delay in your payment or the release of funds from HUD for your request for payment. A lot of times if there are delays in approving an invoice or claim submitted or request for reimbursement, it goes back to that original budget submission and maybe there wasn't sufficient details so when you actually submit your request for reimbursement and that's reviewed in conjunction with the original budget, it's not clear how that's consistent with the approved budget, all of those things.

The more time you spend or the time that you spend making sure you're clear on what the budgetary line items are and how you came up with those dollar amounts, and that's one or two sentences, it minimizes the likelihood that you'll have a delay in your payment when you're requesting reimbursement once you've started the grant.

First of all, the budget has to be based on your approved award amount. Depending on your organization, especially LHCA's—and we recognize that a lot of you really leverage or augment these programs of dollars from other sources. Oftentimes it's encouraged to keep it pretty much with your direct labor and your fringe benefits. Even if that's the case, you still have to identify the hourly rate, the personnel, the person that's going to be performing the work and that they've met the criteria or the requirements for performing the work, and then the number of hours. Even if you do that, you still have to provide sufficient information.

You can use the HUD form SF-424 or another approved format. Keep in mind, though, that on a quarterly basis you do have to submit a detailed actual versus budgeted statement or financial reporting on a quarterly basis. You might want to look at what format you're using and make sure it lends itself to quarterly reporting consistent with the grant.

Some of the assumptions, and this is to give you an example of some of your budgetary line items and the kinds of assumptions, if you have salaries, they should be based on actual amounts paid broken down into hourly rate. If it's an administrative salary that you're requesting as direct

labor, then consistent with the Uniform Grant Guidance, you have to justify. That means you have to have one or two sentences that explains this is an admin person but they're maintaining all of the files, they're doing the follow-up work on the files. You have to show a direct correlation between that administrative work that they're doing and the grant, suggesting that these are direct services to that grant.

For fringes, you have to be able tell them what's in these fringes, what's included so that we can make sure the fringes don't include costs that should not be included in a fringe benefit. We get a lot of questions on, how do I provide a rate because the rate fluctuates depending on a month-to-month basis each year. You need to do an average fringe benefit for the rate taking into account the various fluctuations for whatever labor categories you're submitting. Because once that is approved, that rate, that rate has to be applied to those direct salary hours every quarter. You can't fluctuate the rate because the approved budget was based on that particular rate.

If you have an indirect cost, if you have a negotiated indirect cost rate agreement in the budget, you have to make sure you submit the agreement and any amendments or modifications. But you can use, as a negotiated

indirect cost rate or lower rate. You can't use a higher rate. You can't round the rate up. You actually have to use the actual rate or lower but not higher.

If you're going to elect the 10% de minimis rate you have to one, identify that you're electing that rate and that you meet all the criteria, but then you have to make sure you're applying that 10% to the correct base or modified total direct cost. You need to make sure you clearly understand which costs you can include when you're applying that 10% rate.

Allowable costs, and this is all a part of why, even with a budget, we need some kind of understanding of how you're computing that budgetary line item. We have to determine if it's an allowable cost consistent with the various sub-part E cost principles. If it's not an allowable cost, even though you may call it one thing from a budgetary line item perspective, but we read whatever assumption that you include and we say, okay, but you can't do that under this particular grant, we won't know that unless you give us the assumption.

What tends to happen is it's found out on the back end when you've actually submitted your request for payment and you call that budgetary

line item something other than what the approved budget was, and so there's some confusion, which ultimately holds up payment, which could potentially cause a financial hardship for the program itself, but then for you as well.

Just be cognizant to make sure that you're providing sufficient information, not just for HUD but internally as well. Because with personnel changes and changes in staff, you have someone else that may pick up the budget and they see just salaries. They don't understand that there may be a ceiling on the rate for that salary or only certain salaries because you don't have any kind of assumptions or detailed information. Well, then they may submit a claim incorrectly, which ultimately holds up your funding, which ultimately can cause a problem for your ability to perform the program. That's why we ask for that kind of information because that budget is a critical financial document.

Unless otherwise stated, once that budget is submitted and considered approved, then you have to draw down based on that approved budget. Unlike other grants that you may have, there's no flexibility to allocate funding in between line items as long as it doesn't exceed a certain ceiling or threshold. That doesn't exist for this grant.

However your original budget approved the dollars by budgetary line items, you have to incur the cost and request repayment based on a request reimbursement for payment based on those budgetary line items. If there is a change, you have to submit, in writing, a request to modify your budget. You then should ensure that you receive some kind of determination from HUD prior to you submitting those costs on your request for reimbursement. As I said, that's a Uniform Grant Guidance requirement and that's something that if you're doing your quarterly reporting, if you're tracking your actual versus budgeted, that should not be an arduous process. You should pretty much be able to identify that relatively quickly and be able to get the required approval from HUD.

Just some additional budget related topics or just points for MSOs, intermediaries. That list of sub-grantees and funded branches, you know you have to submit that. Well, once the grant begins, you have to include your sub-grantee reporting as a part of your quarterly reporting. That means that you have to make sure you have in place processes and procedures where you're receiving the necessary information from your sub-grantees, specifically, timely enough that you can incorporate that

information in your quarterly reports that are due 30 days after the calendar year-end.

Sometimes I've seen where organizations will have sub-recipients or sub-grantees submit their information on the 15th of the month so that the parent can then incorporate their information in their quarterly report and submit to HUD by the due date for the quarterly reporting.

If there are changes in the sub-grantees or if you notice that the sub-grantee there's no activity, it's your responsibility to contact or reach out to them, to monitor the actual versus budget, and if it appears as if they may or may not use the funds and you want to allocate them to another grantee, you have to request that in writing from your HUD POC.

Once again, that's actually a change, that's a change in the usage of funds and because you've identified them as a sub-grantee with a certain award amount that they're receiving. As an intermediary or MSO, in a pass-through, you stand in the position of HUD. Just like you have to submit a request for a change, a budget modification, your sub-grantees, for whatever reason, will need to submit changes in their sub-grantees modification.

If it doesn't change the dollar amount from the sub-award then you don't necessarily have to report those to HUD, but if the dollar amount of a sub-award needs to change, then that's something that has to be approved by HUD prior to actual implementation. There goes that whole oversight and monitoring through the quarterly reporting of your sub-grantees.

None of us want to recapture funds at the end of a grant, so from HUD's perspective, they look to you, to intermediaries and parents, to be able to properly manage the sub-grantees to make sure that the programmatic aspects are held and that the funds are being used consistent with the approved budget.

A detailed budget accounting for all administrative costs, and these are the costs that the pass-throughs actually retain to manage the sub-grantees and manage other aspects of the program, especially if they do direct service. This includes your funds for training, travel, salaries, and remember you have to have supporting documentation for all of these things. But then you also need to know if those costs are allowable under the Uniform Grant Guidance.

There's certain elements of training that may not be allowable. Travel, you have to comply with federal travel regulations or travel per diems and/or your policy, whichever is more favorable to the government. If you have a policy for travel that says we pay actual travel expenses not to exceed the GSA per diem rates, then you'll be held accountable to those standards. But if your policy is just that we follow federal travel regulations and we use per diem, then at that point, we would verify that you've only requested reimbursement for travel up to the per diem amount.

So you definitely have to maintain that information, not just for you, but for any of your sub-grantees as well because ultimately, we could be—I know we're talking about administrative costs here, but ultimately you're responsible for making sure the sub-grantees are utilizing the funds consistent with the approved budget and the various Uniform Grant Guidance cost principles.

You have to keep your documentation for all of these for your administrative costs. You also have to do that whole budget versus actual for your administrative funds as well. In addition to your sub-grantees reporting, you also have to do for your administrative funds.

Finally, your billing methodology. There's a couple of ways of looking at your billing methodology. One could do with, potentially, how you're allowing sub-grantees to bill you ultimately for the funds that will be, for the comprehensive housing counseling grant. There's that billing methodology. But, then there may be your billing methodology for how you're billing HUD to manage and oversee this particular grant as a part of your administrative functions.

So your billing methodology has to be approved. It should be approved during the budgeting process because that would be a part of it. But when we do your financial and administrative reviews, when we look at your grant reporting, we look to see one, if your billing methodology is acceptable but then two, that you're actually billing consistent with the methodology that was approved during the budgeting process.

I just talked about what you need to do with the billing methodology. It needs to be clear how you're going to reimburse sub-grantees of branches. If you're using a formula, it still has to be based on actual hourly rates even if it's calculated on a fixed-cost reimbursement amount. It still has to be based on actual information, either that you've maintained internally,

statistically or you've collected over having operated this grant for a certain period of time that you're able to now say, hey, based on actual results, this is the fixed-cost reimbursement that we would have under this grant. But once again, the most critical thing is that it's clearly explained and that it's approved by HUD in advance.

If you have any questions, I would ask you to hit star zero in the queue.

Are there any questions on the chat that I need to respond to?

Moderator We have one question.

Robin Okay.

M "As an intermediary, the counsel of salary and fringe part of the budget our sub-grantees submit to us always has to be adjusted for each quarter because it is hard to predict how many clients will request housing counselling services. We then have to ask for an adjustment to the budget. Is there a better way to project a more accurate budget?"

Robin Okay. One, we are doing training specifically on salaries and fringes. Now when you say that they—I'm reading the question, too, so it helps

because you're saying that—the counselor's salary should not be adjusted, salary nor fringe. The key to this is that they have to compute their average fringe benefit rate.

Fringe rates naturally change just like indirect cost rates. That's why, if you have an indirect cost rate agreement, you actually get an indirect cost rate and that's considered a provisional rate until it's actually audited and then they determine it's final. So that's inherent to any kind of rate, that there's fluctuation. That's why you have to—using your best projections and your budgeting, you have to project what that rate is going to be and that will have to be the rate that you use.

So it's up to the organization to really look at their fringe benefit costs over a year, not a month-to-month, but over a year. So you look at last year's fringe benefit cost if you want to use that as a barometer or benchmark, or the last two years and say, hey for this position—because that's all we really care about—for this position, this is generally our fringe benefit to how much it cost us. Then you use that total and you compute your rate based on that total and that's what you use for the year.

So you have to—in fact the hourly rate should not change at all. One of the things you need to do is convert your salary to an hourly rate and that's a whole other training because you have to look at the actual hours worked to determine what the true hourly rate is. But once you determine the hourly rate, that's the rate that you have to continue to build. Unless there's some unanticipated increase in the rate, at which time you would have to request from HUD.

But a part of this really has to do with your initial planning and projections, especially something like fringe benefit rates, which inherently fluctuate. That's why you have to do a projection and use your best average for the year, and generally you're looking at prior year activity or you're pretty much projecting that particular person's fringe—or whomever you're billing fringe benefits rate for that year.

I see a question that says—and I think, Dave [ph], since you set our budgets for 12 months or 18 months in the grant applications since the extension and the grant period. Well your budget should be for the grant period of performance and I think that was yes. So I think we've answered that question as well.

Are there any questions in the queue?

Moderator There are no questions from the phone lines.

Robin Okay. Any other questions in the chat that haven't been answered that I need to answer live?

M No other questions.

Robin Thank you. So, financial disclosures and certifications. When you submit your award package, you're actually signing off—and I know that HUD has certain certifications of representations you sign off on. And this is critical because, once again, when we come do the financial administrator review, we're really verifying these certifications and disclosures. We're going to verify that you have a financial management system consistent with CFR part 200.305, which basically says that you have to maintain it consistent with GAAP on the accrual basis and have separate accounting for each grant.

So you certify to that as a part of your post-award package, but then we verify that as a part of the financial and administrative review.

Same thing with internal control. Now internal control, there is so much more emphasis on internal control under the Uniform Grant Guidance than it was under the prior circular. So where before there really wasn't an emphasis, now it specifically says that you have to have internal controls consistent with what the government calls *The Green Book* or what we call the COSO concept.

So for that, and for some of the smaller LHCA's, this becomes a point of concern because you're like, okay maybe one or two individuals. However, you can still establish sufficient internal controls with the primary goal of minimizing fraud, waste, and abuse, that's what your system has. So generally if they can't be done internally because maybe you're a one-person shop, every organization has a board or they're required to have some kind of board. We strongly recommend that you have someone on the board that has an accounting or financial background who can help fill some of those internal control gaps with you, at no cost really, as a part of their responsibilities as a board member.

And those are the kind of things we work through. But you certify that you have an internal control so when we do our financial and

administrative review, we verify your internal controls. So understand that's what you're certifying, too. So anticipate once we do the review, we're going to verify that you have an adequate oversight monitoring, adequate communication, segregation of duties, all those things that are required. And as I said, it does not have to be—depending on the size of your organization, you can have adequate internal controls to prevent or at least to minimize the likelihood of fraud, waste, and abuse.

You also certify whether you're a major or a non-major and we verify that. A lot of that's verified just through your submission of audited financial statements as a part of the award, but that is yet another financial disclosure certification.

And as I said, this is the exact language from—this is cut and paste from the actual Uniform Grant Guidance. You need to read this because although you certified to it, this will be the expectation when we come do our financial and administrative review. If we have any findings of non-compliance we will cite these specific sections as the basis for those determinations. So make sure you read them to really understand what you're certifying to.

Same thing with internal controls. You'll see under A where—I think it's the second sentence, these internal controls should be in compliance with guidance and *Standards of Internal Control and the Federal Government*, otherwise known as *The Green Book*, as well as with the Committee of Sponsoring Organizations, that's what we call COSO. So that's what the requirement says, that's what the regulation says. And when we do our financial and administrative review, we're determining your compliance with those regulations.

Now, I don't want to scare anyone, especially if you're a smaller organization because a lot of it really isn't as relevant to you because you don't have as many processes or transactions involved. But what you should understand is that you have to have some kind of controls in place to minimize fraud, waste, and abuse. As far as the non-major, non-profit organizations, that requires certifications referenced in the Uniform Grand Guidance as well.

Now, quarterly financial reporting. In the FY16 grant, there were some dates that appeared that I know that—this is from the grant agreement and I can tell you that first period of performance period, even though that's what it says, it's not that period, we corrected it here. In your grant

agreement you might notice that the performance periods are a little bit different than what we have here because we noticed some variations on the dates. But the biggest thing you need to remember that quarterly reports are due 30 days after the fiscal year end.

Now your first report, and this is because a lot of the awards were later, your first report should be between October 1, 2015 to 12/31/2015. As I said, this is how the grant reads, that date is going to change. A lot of you it's not even relevant because you didn't have your award anyway, but just for clarify the period of performance should have been 10/1/2015 to 12/31/2015, which would be due 30 days afterwards or no later than January 31, 2016.

As I said, the biggest thing to remember is that once you get your grant award, that's when the quarterly reporting really starts. That first calendar-year quarter, you're required to submit a quarterly report. So if you got an award on March 30, 2016, you still have to do a quarterly report for the quarter ended March 31, 2016 even if it's zero. But you do have to submit a report. The government can't estimate or can't guess that you didn't submit a report because you didn't have any activity. That's

why you have to submit a report for every quarter until you submit your final report to close out the grant.

So if you get a grant and you realize that you're going to utilize all the funds as soon as you get it, it's in your best interest to, once you've submitted a quarterly reporting, you've submitted your request for reimbursement, and you've gotten a total amount of funding from your grant to go ahead and submit that final report. Because once you submit that final report and the government knows from that perspective that you're closing out this grant, you're no longer required to submit quarterly reports. However, if you don't submit a final report, then the government looks for quarterly report because you could have changes, you could have modifications, they can't make an assumption that just because you didn't submit a report and it looks like the funding is all being used that there's no activity. So that's why you have to submit a report no matter what unless and until you submit that final quarterly report.

This is the exact language from your '16 grant, from the hourly—if you'll notice, one of the biggest changes here is that they have this fixed-price reimbursement. We are going to do some training to really go over what that fixed-price reimbursement is because it still has to be based on actual

expenses. We know that some organizations have talked about they have staffing studies or they've done other things to come up with how they should bill for this grant so this is giving them the kind of flexibility to say, if you have another method, based on actual expenses that correlates to some kind of fixed-price reimbursement, we want to allow you to be able to bill under that method. But of course, that means that you're going to have to be clear and fully explain that method and you're going to have to be able to document the actual expenses.

Another area just to emphasize—and this was also on the FY15 grant, is number six, itemized accounting of actual cost. So now you have to submit actual versus budget. Now the HUD 424 doesn't necessarily lend itself to actual versus budget so you may just want to put that in a simple Excel format showing your actual budgetary line items, approved budgetary line items and the actual expenses and then whatever variance.

That also really becomes a tool that should help you in making sure that your spending of fund consistent with the grant agreement. Because if you have some actual costs that you have for this grant and they're not on the budgetary line item, then you can either request from HUD a budget modification to reallocate funds from one line item to the other or you

may say, okay we can't request those funds or reimbursement for that under this particular grant.

Also note that number seven you have this required certification that has to be affixed or on all of your financial documents including your required certifications. And this one speaks specifically to false, fictitious, or fraudulent information and that it's criminal or civil or administrative for fraud, false statements, false claims, or otherwise. So this is a very strong certification and whoever is signing this report must have sufficient knowledge to be able to sign off on this certification. So they must know whether the report is true and accurate, be familiar with the program, be familiar with the budget. Whoever is signing off on this report is being held accountable to this certification and it must be affixed to the actual report.

This is for sub-grantees. You have this particular section of the grant agreement that's pretty much for everyone. Then your intermediaries, SHFAs and MSOs, have this additional section that for each sub-grantee and branch you have to submit a separate report containing the following items. So per the grant agreement, in addition to—and this is for particularly intermediaries and MSOs, you have to submit this information

for each of your grants. That's why it's critical that you have a process where you're getting the information from the sub-grantees or the branches in sufficient time to allow you to incorporate them in your quarterly reporting.

And pretty much it's the same information that you're required to report as the intermediary. If you don't do direct service, then primarily you're taking your administrative costs and you're showing the actual versus the budget. But this same information, you're required for each sub-grantee on a quarterly basis.

So for all grants sub-grantees, go to your Article 11 of the grant agreement. It does vary according to grantee type, as you can see that's different reporting for LHCA's versus parents or other pass-throughs. You still have to submit a report even if there's no activity and you still have to make sure that report is correct.

So if you submit a quarterly report for two quarters and there was activity and then one quarter you don't, you still have to submit your cumulative-to-date amount. So that amount still should coincide with your last report. That doesn't mean just submit a report with no activity. You still have to

show the cumulative-to-date and that should still reflect any prior activity reported.

This report should go to HUD, your HUD POC directly. And as I said, once you fully expended that grant and received the reimbursement, I strongly recommend you to go ahead to submit your final report to close it out. Then you no longer have this financial reporting requirement.

This is just reiterating what's in the grant agreement in Article 11 that has to deal with reporting. Just remember though, just some key points, use your full legal name. It should be the same name that was on your SF-1044. You'll see a grant—a quarterly report where you use an abbreviation or you're using a different name, well you need to use the name that's on your approved award document, the SF-1044. And if there are any name changes you know you have to notify HUD of those things.

Another area, start and end dates, these should be the start and end dates for the quarter, not for the period of performance of the entire grant, for the quarter that you're reporting on. There's another—and as I said, these are the exact instructions from the grant agreement, but these are some of

the common errors that we see. If you have multiple quarters, use the actual dates of performance through that quarter.

So often the first report after award is for multiple quarters because they allow you to do that with the first report. So you still want to show the period of performance for those quarters. If your first report is for 10/1/2015 to June 30, 2016 then you need to indicate that as the period that you're reporting on, not the grant period or just the quarterly dates for that particular quarter. And that's because we're looking to see if the work was actually performed during the period that you're reporting on and it coincides with your request for reimbursement.

The government is also wanting to make sure they're reimbursing costs in the right financial reporting quarter. So that information is very, very important.

Hourly rates, you have to identify each counselor employee, their time and activity and their hourly billing rate. You have to convert some salary to hourly and a part of that conversion is understanding what hours you're going to use to determine what that billing hourly rate. As I said, there will be subsequent training.

If you're using a fixed-price reimbursement, then of course you have to document the actual expenses associated with that fixed price. That should be done, as I said, during the award process so that the HUD POC doesn't have to evaluate that each quarter. So once it's an approved methodology then you continue to use it for fixed-price reimbursement, but you have to submit that information as a part of your budget and your awarding process so the HUD POC can make that determination.

Then you have the staff labor hours. You have to indicate the total hours actually worked. Paid time off, all of those things are actually a part of your fringe benefit rate. So your staff labor hours should only include hours you actually worked on that particular HUD grant. If you have multiple HUD grants with overlapping periods of performance then you have to make sure that, in your accounting system and in your various tracking systems, that you're segregating those charges to the correct grant. It could realistically happen based on how the grants have been awarded so you need to be clear on that.

And it has to be broken down by service provided, which is the activity. So no you don't have to do a separate personal activity reporting;

however, you do have to report activity so that we can verify that the activity is in compliance with the requirements of the grant. That's to determine the whole [ph] allowability [ph].

We already talked about fixed price. You have to do an itemized accounting. So you want to do actual versus budget and we want to see the various budgetary line items. If you keep it simple, you just have labor and fringe benefits or just labor, that makes it very easy. But if you have multiple line items then we're expecting to see the detail of each line item even if the activity is zero.

You have other requirements. Remember, prior approval for extensions. If you're not going to get your quarterly financial report done, let's say you had change in personnel or something happened, you need to notify your HUD POC immediately and request an extension. One of our, I guess, ongoing non-compliance issues is failure to timely file a report. So let's not make that a compliance finding in the financial and administrative review.

Another point, if you're making any changes to your quarterly report and you're resubmitting, indicate that this is an amended or a corrected report

and make sure you're maintaining that in your own personal files.

Remember, we may come do a financial and administrative review two years after the grant period of performance. So it's important that your file speaks for itself.

I can't tell you how many times we'll get quarterly reports which turn out to be not the final one, that there was an amendment or a correction, but the person that originally prepared it is no longer there and you have somebody just picking up the file providing information. Well if it's clear that there's an amended or corrected, then that just minimized the potential for us to get wrong or outdated information or for your organization to be given a compliance issue that they should not have. And make sure to sign and date it by an authorized individual and this certification is affixed to it, that's very important.

For the intermediaries, you have to have your sub-grantees and it does identify a number for each. For your administrative costs, you have to do your detailed accounting by all of the budgetary line items, actual versus budgeted. If reimbursement is for the first two quarters, it should reflect itemized accounting for each period.

Billing methodology, I've already said you have to clearly explain it. That really should be approved during the award process as a part of your budget so that once your HUD POC approves it, you don't have to explain it again and again every quarter, but you can just indicate it as the billing methodology was approved as a part of the budget approval process.

And for your intermediaries, MSOs, and SHFAs, you also have to do the SF-425, which we do entire separate training on financial form 425 that you have to submit quarterly. That's a very important report because that's uploaded into the federal government—into HUD's comprehensive reporting, so that information is very important.

Acceptable accounting practices. Okay, these are just some things that we want to give you tidbits for some things that you can do, some best practices. If you can, you want to have your accounting basis on the accrual basis of accounting so that your actually charging or posting transactions during the period that they incur, not necessarily when you receive the cash.

For instance, for whatever reasons, when the grant program area, they may prepare the request for reimbursement but they're not communicating with

accounting so accounting doesn't even know what—they'll receive a payment from HUD and don't even know where to post it because they didn't accrue the charges in the general ledger, in the accounting system. So it's really important that you communicate with accounting so they can have the information and assist you in ensuring that you're in requirement with the financial management requirements.

Also they can help you make sure you have the right supporting documentation for all the charges and assist you in reconciling what they have in their general ledger or accounting system to what you're reporting on your quarterly reports and your requests for reimbursement.

So needless to say, everything here really speaks to the fact that the more you communicate with accounting, it's strongly encouraged and actually it generally minimizes a lot of the errors we have in reconciling books to the actual records and things of that nature. And with that kind of relationship, you then facilitate better internal controls. We recognize that with smaller organizations you may be doing your own accounting, once again that's when we suggest that you have somebody on your board that's responsible for reviewing your quarterly reporting, for reviewing your requests for reimbursement before it's actually sent to HUD, thereby

providing some internal controls to make sure that it's true and accurate and complete.

For pass-throughs, you should make sure all your financial reporting in HUD flows down to your—whatever your sub-grant agreements, you have to make sure at a minimum they include the reporting requirements of HUD. You may put additional requirements in but at a minimum they have to comply with HUD requirements. You have to properly monitor submission of financial information to make sure that the sub-awards are actually incurring or utilizing the funds consistent with their budget. So you have to properly monitor that, that's part of your responsibility as a pass-through.

You have to do your own internal review of financial reports of sub-grantees prior to incorporating them in your quarterly reporting to HUD. It's your responsibility to review them; to make sure that they're complete and accurate; that they include all of the required certifications, especially the signatures; and that when necessary they're consistent with the approved budget.

We do recommend that you give [indiscernible] just to help a lot of the sub-grantees that, when possible, that you develop some templates or forms that they can use to help make sure that everybody is reporting information the same way. If you have 30 to 40 sub-grantees and everybody is submitting you a different report in different formats, it becomes much more difficult to compile that information into your quarterly report and submit it timely. So that's just a best practice that usually facilitates a much smoother quarterly reporting to HUD.

Just a couple of frequently asked questions. Who is required to submit that standard form, SF-425? Everybody but the LHCAs. The LHCAs are not required to submit that form. However, intermediaries, SHFAs, and MSOs are required.

Are federal grantees that expend less than \$750,000 in federal awards required to submit an independent audit financial statement? No they're not. Actually, the new requirement increased it from \$500,000 to \$750,000. So if you're not expending \$750,000 of a federal award, you're no longer required to do a single—what's called a single audit. And that's, as I said, the new requirement increased the ceiling, it raised the ceiling from \$500,000 to \$750,000.

I'm a pass-through. Am I required to accrue for costs incurred by my sub-grantees in my accounting system? Absolutely. Each of your sub-grantees should be treated as a vendor, or dependent on what type of accounting system you use, in your accounting system. As they're submitting requests for reimbursements and payments, that should be accrued in your accounting system, not just when you're paying them but as they're submitting the request.

As you know, there's a prompt payment requirement that you pay them within three business days of when you receive payment from the federal government. You have a requirement for making sure that you're consistent with generally accepted accounting principles, you're accruing expenses when they've incurred. So it's important that when you're getting these requests for reimbursement, you're actually posting them to your accounting system as a payable and then tracking them and monitoring them until they're ultimately paid through your accounting system.

Some things to remember. Read the grant agreement. I can't say it enough. And you want to read the Uniform Grant Guidance, specifically

sub-parts D and E. D deals with more of your administrative requirements and E with your cost principles.

You want to send all of your financial reporting, except requests for payments, to your HUD POC. So everything else, except for your requests for payments, should go to your HUD POC. The requests for payment should go through eLOCCS.

File your report timely. If you can't, I don't think HUD is too tough on giving you an extension with a reasonable justification. And all that really means is that you're putting in writing an email request for an extension, but you're not doing it the day after it's due. You're doing it prior to the due date and giving HUD sufficient time to actually receive it and be able to give you a response.

You want to use your approved rates for labor, which is a big issue and that's we're doing training just on the whole hourly rates and fringe benefits and those concerns relative to that.

Please utilize your HUD POC as a reference. Do not hesitate to contact them via email, via telephone if you have any key questions. If you need

additional technical assistance, they would be the one that would refer you to our firm or to someone else for that technical assistance. So you definitely want to utilize them as a resource.

Before I end this webinar, I would ask if there are any questions in the queue. That would be hitting star zero if you had a live question.

Moderator No questions in queue at this time.

Robin Any questions on the live chat that haven't been answered?

M No, there are no questions.

Robin Okay. Well I thank you all for your time. This webinar and all the materials will be available on HUD exchange, usually within two business days from the webinar. If you have any questions, you can send them to housing.counseling@hud.gov and please put grant financial reporting in the subject line item.

Thank you all for your time and enjoy the rest of your day.

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT

Host: Kristen Villalvazo

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Moderator

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

Thank you for your participation. You may now disconnect.