Managing Administrative Funds and Other Tips for Financial Management

2023 CDBG-DR Problem Solving Clinic| Chicago, IL

Wednesday, April 26, 2023 | 11:00AM-12:00PM CDT

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Learning Objectives

Grantees will understand:

- When to start planning and allocating administration funds

- Key considerations to managing administration funds and activity delivery costs

- How to effectively use administration funds across CDBG-DR grants

Agenda

- Overview of CDBG-DR Cost Types
- Setting up CDBG-DR Administration Funds
- Managing Administration Funds Throughout the Grant Lifecycle
  - Scenario: Managing Time and Timekeeping for CDBG-DR
  - Scenario: Managing a Grant Consultant with CDBG-DR
- Questions and Answers

Overview of CDBG-DR Cost Types

Types of Costs

Administrative

Planning

Grant Budget

Project

Activity Delivery

Program Administrative Costs (PACs)

- <u>Max 5%</u> of total grant amount or program income amount
- Costs incurred for the **general management**, oversight, and coordination **of the grant**
- Costs that <u>cannot</u> be directly attributed to a single, implemented project/activity
- Since administrative funds are limited, ensure costs are categorized correctly
- Citation: 24 CFR 570.206

**Program Administrative Costs (PACs)
=
Admin!**

Administrative Costs

Only grantees and subrecipients can incur administrative costs

- Grantee determines what portion (if any) of 5% admin is shared with each subrecipient, depending on the nature of their assigned CDBG-DR tasks
- If a subrecipient is incurring administrative costs, the amount and use of administrative funding provided must be outlined in the grant agreement
- A subrecipient managing a single program (Owner-occupied Housing Rehabilitation) should not need to incur any admin costs, since all of their costs may be directly related to that single activity

Administrative Costs

Examples of eligible administrative costs:

- General Grant Administration
  - Staff time and/or contracted services
- Administrative support
  - Legal/accounting/HR/audit
- Financial management/DRGR
- Reporting/QPR
- Monitoring overall program performance
- Leased office space and general operations
- On-going compliance monitoring after project close-out

Activity Delivery Costs (ADCs)

- Staff and overhead costs **directly** related to:
  - Administering and implementing programs,
  - Management and execution of a specific activity or program area
- May be charged to the activity instead of administration
- Must be documented as effort related to the activity and not as a percentage of staff's total time worked
- ADCs meet national objectives in same proportion as the projects to which they are tied and count toward the LMI overall benefit threshold (when the activity meets one of the LMI national objective criteria)

- Citation 24 CFR 570.206
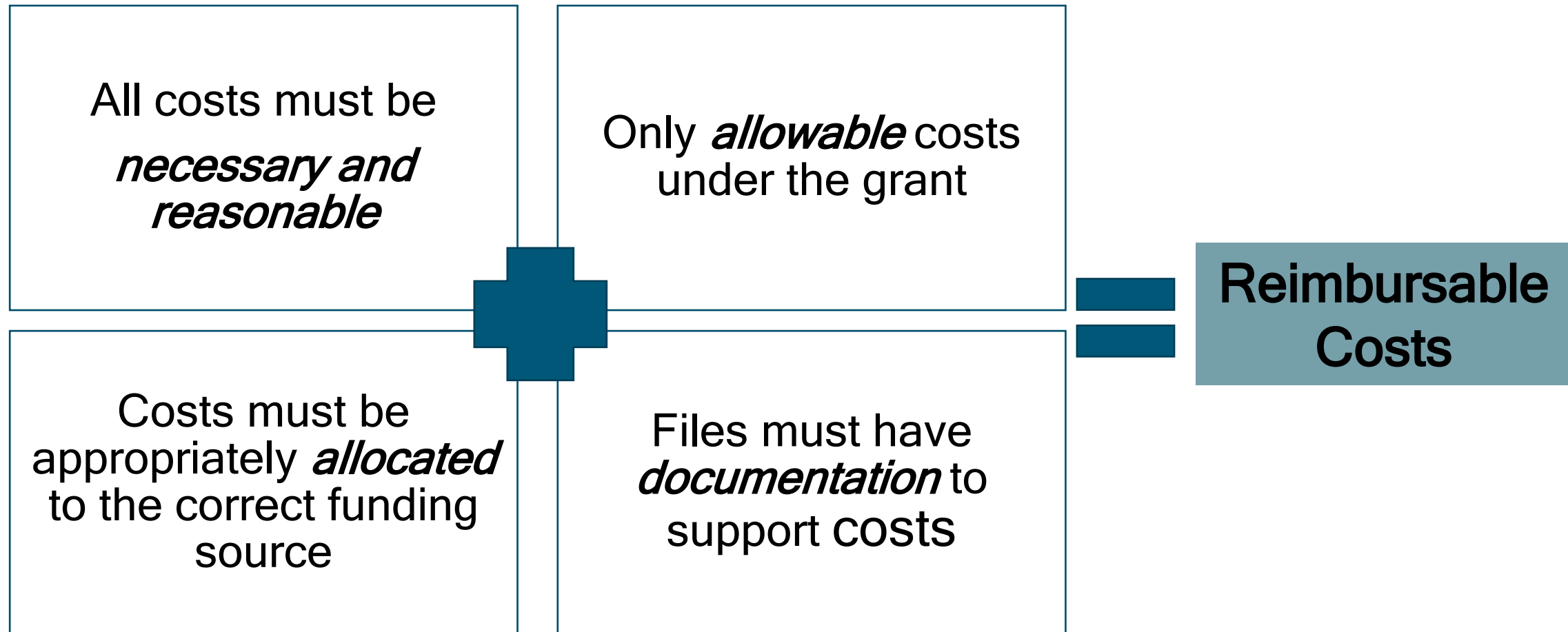
Activity Delivery Costs

- Examples of eligible activity delivery costs:
  - Site specific environmental costs
  - Engineering/design/architecture services for a project
  - Applicant intake/eligibility screening in specific program
  - Project underwriting/selection
  - Leased office space and related utility costs for delivering a single program, if not included in indirect costs
- Developers, owners, businesses, and other beneficiaries cannot incur ADC-eligible costs
- Must comply with Cost Principles (2 CFR Part 200) as necessary, reasonable, allowable, and allocable

Pre-Award Costs

- Can be incurred as any of the four cost types (admin, activity delivery, project, or planning)

- Grantee and its subrecipients can be eligible for reimbursement of pre-award costs to the extent the costs meet all cost principles, subject to:

  - Inclusion in the action plan

  - Compliance with environmental review requirements

  - Payment under an eligible CDBG-DR assisted activity which is compliant with all other applicable statutory and regulatory provisions

  - Since 2020, grantees may submit an Admin Action Plan for HUD approval to access administrative funds prior to executed grant agreement

2 CFR 200 and CDBG-DR Cost Principles

All costs must be *necessary and reasonable*

Only *allowable* costs under the grant

Costs must be appropriately *allocated* to the correct funding source

Files must have *documentation* to support costs

Reimbursable Costs

Setting up CDBG-DR Administrative Funds

Key Considerations for Managing CDBG-DR Administrative Funds

Prepare financial controls and systems to manage CDBG-DR accounts and reporting

Determine how CDBG-DR programs will be managed internally and with partners

Forecast the admin budget available for expected costs

Set up the grant in DRGR to report admin expenses

Establish timekeeping processes to record admin and ADC activities

Manage consultant scope of work and invoicing

Setting up Financial Management Controls

Financial management begins when Action Plan development starts

- Identify Finance and Accounting staff roles
  - What grant administration tasks need to be managed? (i.e., budget set up, invoice review and payment process, DRGR voucher management)

- Set up administrative policies and SOPs
  - Which policies need to be adjusted or developed for DR? (i.e., SOPs for program income reporting, reconciliation of grant expenditures, quarterly projections, recapture or repayment)

- Update timekeeping systems to track hours and cost types
  - How will staff report time for admin or ADCs?
  - Can timekeeping system track tasks for different cost categories?

Developing the Action Plan

The Action Plan guides the administration and program structures and budgets

- Determine if you need an Action Plan for administrative costs
  - Since 2020, grantees may request admin funds for the development of the action plan and the grant set up
  - The admin costs are incorporated into the PAP once it is approved
- Determine what role your organization will have managing programs
  - Will the grantee administer programs directly or use subrecipients?
  - If acting as a passthrough, will admin be shared with subrecipients?
- Estimate program budgets
  - Program budgets should be proportional to the recovery needs
  - Include ADC costs within program budgets

Developing the Action Plan, continued

HUD will soon release guidance updating CPD Notice 13-07 for CDBG-DR, CDBG-MIT, and CDBG-NDR grants.

- In the annual CDBG program, staff costs incurred in creating the Consolidated Plan/Action Plan and Consolidated Annual Performance and Evaluation Report (CAPER) are considered Admin.

- However, due to the scope and nature of CDBG-DR grants and the emphasis on data gathering, analysis, and planning for future disasters that must go into the development of CDBG-DR Action Plans, HUD has determined that some staff costs associated with the development of the action plan can be assigned as planning costs.

Developing the Action Plan, continued

- CDBG-DR grantees may assign *some* staff costs in developing the Action Plan as planning costs, if costs are allocated consistent with existing federal statutes, regulations, and the terms and conditions of the federal award.

- While all costs associated with developing the Action Plan can be assigned as Admin, grantees have the option of assigning certain costs in the planning costs column as either planning or Admin (see Table on next slide).

Developing the Action Plan, continued

Admin (PACs)

- **Outreach:**
  - Costs related to providing local officials and citizens with information about the disaster recovery program or action plan
  - Costs related to other fair housing enforcement, education, and outreach activities (if not allocable as ADCs)
- **Citizen Participation/Public Comment:** Costs related to citizen participation and public comment including the provisions of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of activities being assisted with CDBG-DR funds
- **Program Design and Budget**
  - Costs related to the provision of fair housing services designed to further the fair housing objectives of the Fair Housing Act (42 U.S.C. 3601-20) by making all persons, without regard to race, color, religion, sex, national origin, familial status, or handicap, aware of the range of housing opportunities available to them
  - Costs for other activities designed to further the housing objective of avoiding undue concentrations of assisted persons in areas containing a high proportion of low- and moderate-income persons
  - Costs to prepare program budgets and schedules, and amendments both in and outside of DRGR

Developing the Action Plan, continued

Planning Costs

- **Unmet Needs Assessment:** Costs related to data gathering, analysis, and the development of the impact and unmet needs assessment used to inform the grantee's action plan

- **Mitigation Needs Assessment:** Costs related to data gathering, analysis, and the development of the mitigation needs assessment used to inform the grantee's action plan

- **Fair Housing Assessments:** Costs for Fair Housing planning activities, such as the assessment required to determine the impact CDBG-DR funds will have on protected class groups under fair housing and civil rights laws, vulnerable populations, and other historically underserved communities

Projecting Admin for Duration of Grant

Estimate admin based on the grant timeline and planned levels of effort

- Prepare a forecast of the admin allocation over the six-year grant term
  - Admin budget may need to cover costs through grant closeout which may include action plan amendments, monitoring and compliance, reporting, and financial management

- Determine staffing needs for different phases of the grant
  - As part of the Implementation Plan, complete a capacity assessment to identify gaps for grant administration versus program activities
  - Identify other agency or partner roles for the grant (i.e., legal, audits, finance)

- Identify pre-agreement costs
  - Are there costs that will be incurred as part of setting up administration for the grant?

Setting up Admin Funds in DRGR

DRGR is the reporting system for CDBG-DR. Administrative funds are set up as a category, while ADCs are included within activities

- Established in DRGR as an 'Administration' project
- DRGR activity data required for admin activities:
  - Activity Type - administration
  - National Objective – N/A
  - Responsible Organization
    - Grantee
    - Subrecipient
    - Unit of General Local Government (UGLG)

Managing Administrative Funds Throughout the Grant Lifecycle

Managing Admin Funds for Multiple Allocations

- Grantees may use grant administration funds across multiple CDBG-DR and CDBG-MIT allocations
  - Simplifies grant accounting overall
  - Allows grantees to leverage administrative work across grants and build capacity
  - Provides opportunity to think strategically about grant management and identify process improvements
  - Applies to grantees receiving awards for disasters between 2015 and 2022 and can use admin funds across any of those grants or any future grants
    - Grantees receiving awards for disasters occurring in 2020-2022 can use admin funds across any prior or future grant
- May require new Accounting process or set up to manage
  - What does Finance or Accounting need to know to charge all admin costs from multiple CDBG-DR grants to just one grant?

Managing Admin Funds for Multiple Allocations

- Administrative funds apply to CDBG-DR and CDBG-MIT grants based on the related Public Law provisions

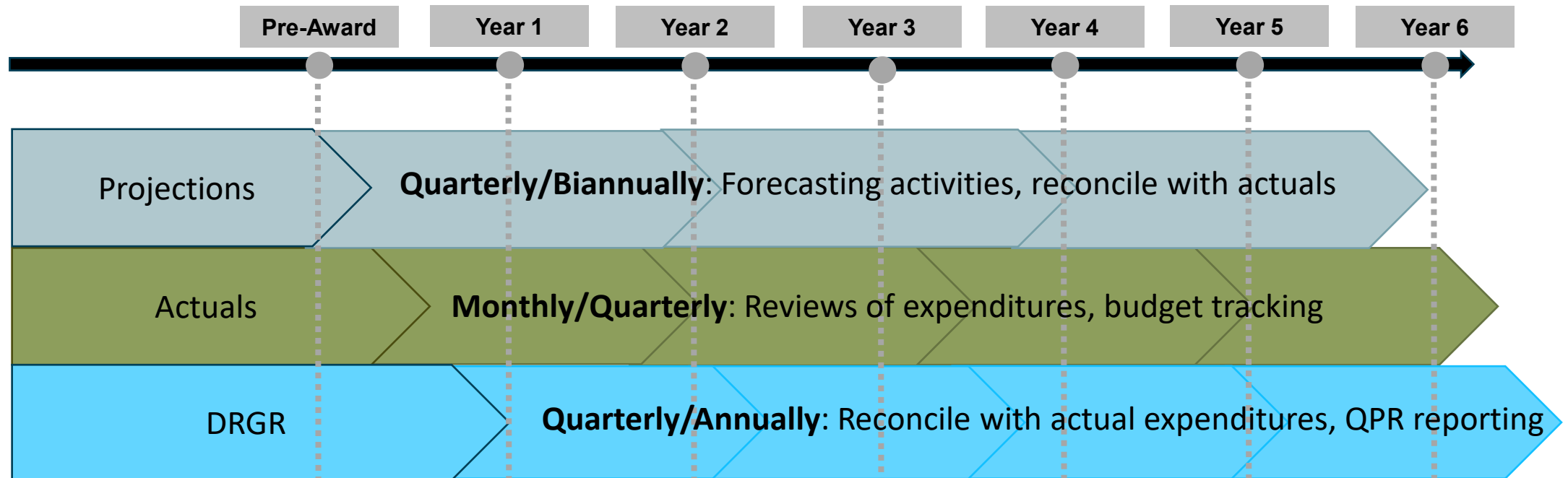| Grant Year	Admin Can Be Used	Public Law Reference
Prior to 2015	Only within the grant it is from	Refer to the Public Law for each individual allocation
2015-2019	For any DR or MIT grant from 2015, 2016, 2017, 2018, 2019, and any future DR grant that may be received	Public Laws 114–113, 114–223, 114–254, 115–31, 115–56, 115–123, 115–254, 116-20
2020-2022	For any DR or MIT grant, including prior to 2015 (and NDR grants) and any future DR grant that may be received	Public Law 117-43, Public Law 117–180, Public Law 117-328, Division L, Title II

Monitoring Admin During the Grant

Monitor and review administrative costs throughout the grant period

- Grantee must work closely with other departments to ensure constant reconciliation of grant expenditures, and accountability of costs and funding

- Review staffing at different phases to manage administrative costs
  - Revise and update the capacity assessment and determine any adjustments needed

- Coordinate with Finance and program teams to track actual expenses and compare to forecasting
  - Are administrative expenditures on track with projections?
  - Are costs being documented and allocated appropriately?

Tracking, Reconciling, Reporting

- Forecasting, reviewing actual expenditures, and DRGR reporting work together to help you plan and track Admin budgets and ADC allocations to activities

Pre-Award	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6

Projections — **Quarterly/Biannually**: Forecasting activities, reconcile with actuals

Actuals — **Monthly/Quarterly**: Reviews of expenditures, budget tracking

DRGR — **Quarterly/Annually**: Reconcile with actual expenditures, QPR reporting

Scenario: Managing Time and Timekeeping for CDBG-DR

Timekeeping for CDBG-DR

- Grantee receives CDBG-DR funding for the first time, but has managed a formula grant for decades. The grantee has a timekeeping system staff enter time worked into each week, and Finance reviews time reported to move costs charged from payroll to the grant account. The CDBG-DR grant will include two housing programs and an infrastructure project.
  - Staff have typically worked on one specific grant and charge time to admin on that one grant
  - Staff does not typically include details about how time was spent each day in the timecard report
  - Timekeeping system currently has entry codes for regular time, holidays, and paid leave time
  - Finance reviews time monthly to reconcile between payroll and the grant account

Timekeeping for CDBG-DR

How can the grantee prepare to manage staff costs between CDBG-DR admin and programs?

- Ensure staff understand how to document CDBG-DR time
  - Training on the different cost types under CDBG-DR and how to determine admin and ADC costs
  - Staff must provide notes that correspond with the hours worked and details work done for each activity, especially for time billed to ADCs

- Update the timekeeping system to track cost details
  - Set up additional codes to account for admin and each program (including ADCs)
  - If note fields are available, recommend including them within the timecard entry

- Finance will have additional steps for reconciling staff time
  - Staff time will need to be tracked separately within the grant account according to how it is reported – so ADC-eligible time is charged to appropriate program and not admin budget

Documenting Staff Time

Key questions to determine whether staff costs can be ADCs or Admin:

- What **task** does the time or cost relate to the most? Such as:
  - General or direct program management and oversight
  - Program management and development
  - Support or coordination on project
- What was the **outcome or deliverable** of the time? Does that translate into general (admin) or into direct program (ADC) management?
- How is the time **recorded and documented**? Does it clearly identify program work?
  - Staff costs default to admin if timesheet documentation does not identify tasks and is not descriptive enough to support program activity (i.e. "Reviewed policy document" vs. "Reviewed affordable housing program policy for application requirements")

Scenario: Managing a Grant Consultant with CDBG-DR

Managing Consultant with CDBG-DR Funds

- Grantee completes their capacity assessment in the Implementation Plan and determines current staffing is not sufficient to manage the CDBG-DR grant.

- Grantee decides to bring on a grant consultant with CDBG-DR experience to support and build administrative capacity and provide program support.

- Grantee completes procurement and sets up the consultant's budget under admin, assuming the consultant's work would be primarily on grant administration. However, the scope was written to allow the consultant to support on program deliverables and the consultant works on both administrative and program tasks.

Managing Consultant with CDBG-DR Funds

How do you set up the contract budget and manage a contractor supporting with administration and programs?

- Determine the need and the scope of work
  - Refer to the capacity assessment and identify where you need the support and for what purposes

- Be clear on the available budget and set up of tasks and reporting
  - If the scope will include program work, incorporate ADCs into the budget and require the consultant to report on those activities

- Make sure the procurement documents include these expectations as part of the scope of work. If not, then set requirements for invoicing

Managing Consultant with CDBG-DR Funds

- Consultant must provide documentation for staff time to be eligible and allocable to the grant
  - Time should be tracked based on administrative and program tasks
  - Similar to grantee staff, consultants should track notes with their time, detailing the work was done for each activity, especially for any ADC-eligible work
  - All time charged by a consultant has to be supported by notes and/or deliverables to be considered an ADC, otherwise it defaults to Admin

- Grantee coordinates with Finance for payments and reporting
  - Finance staff should understand how to separate consultant expenditures between admin and program budgets

Key Takeaways

- Start planning administration funds early
- Build relationships with your finance team
    - Develop roles for managing and reporting funds
    - Coordinate on new requirements and system needs
- Set up timekeeping processes
    - Determine how to build out the timekeeping system to track tasks and support notes
    - Provide staff tools to know how to report time for CDBG-DR
- Manage contractor budgets to align with the scope of work

Resources

- CDBG-DR Tool Kit – Capacity Assessment
  https://www.hudexchange.info/programs/cdbg-dr/toolkits/program-launch/#capacity

- Grantee Guidance and Checklists
  https://www.hudexchange.info/programs/cdbg-dr/consolidated-notice-grantees/#grantee-guidance-and-checklists

Thank you!

If you have any questions, please feel free to send an email to ODR's Policy Division at
ODRPolicyDivision@hud.gov