

Community Development Block Grant

CARES ACT Program

Financial Management



CDBG
CARES Act



Webinar Instructions

- PowerPoint and webinar recording will be available on the HUD Exchange.
- Participants in 'listen only' mode.
- Submit content related questions in Q&A box on right side of screen.
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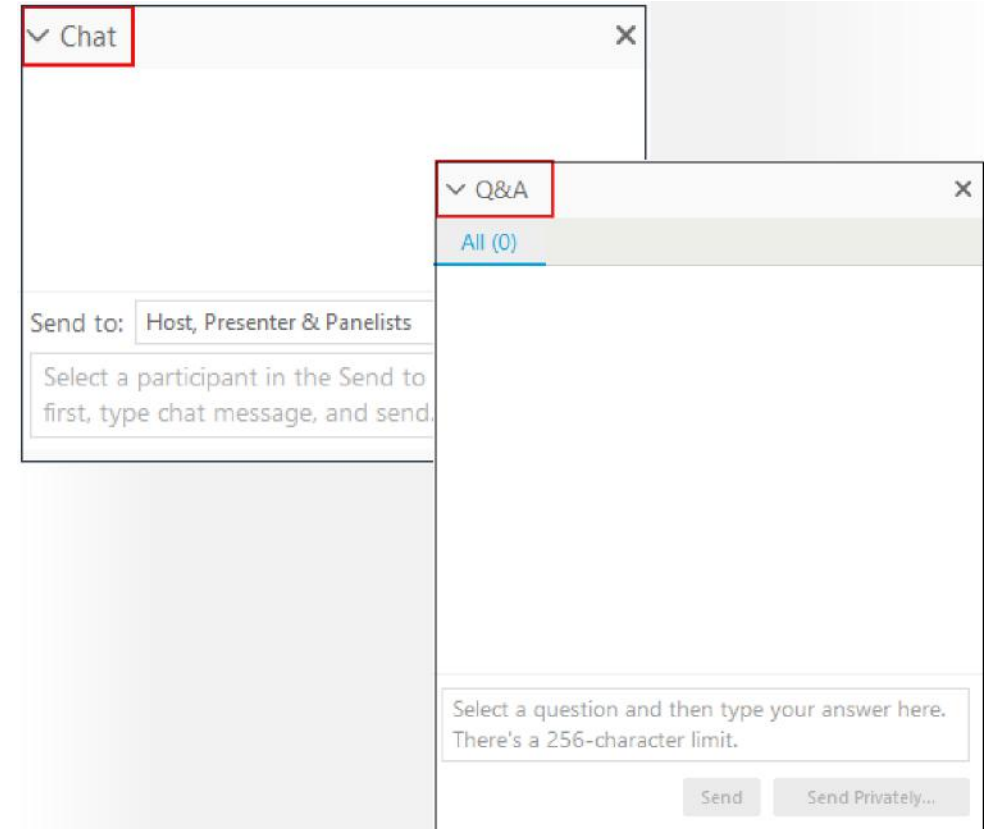
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- **Chat**

- Please submit any technical issues via the Chat box.
- Send the message to the Host
- Host will work directly with you to resolve those issues.

- **Q&A**

- Please submit any content related questions via the Q&A box.
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Introductions



Michelle Bush, Corporate F.A.C.T.S., Inc.

Regarded for her innovative approaches to strategic planning, community development, creating low-cost, patient capital investment funds and the ability to work in very complex and challenging environments. Michelle has provided community building capacity services to over 100 government and nonprofit agencies and helped CDFIs shape their community investment strategies.



Andre Brickhouse, Corporate F.A.C.T.S., Inc.

Senior Financial Management Consultant, CPA and a Certified Financial Planner with over 14 years of experience evaluating Grantees' ability to manage and implement financial requirements pertaining to the administration of federal awards.



Jonathan Sherwood, Cloudburst Consulting Group

Over 20 years of Non-Profit and Governmental Experience, with specialties in Community Planning and Development; Supportive Housing Program Design; Grant Management and Compliance; Non-Profit Organizational Development and Management; Community Needs Assessment; Program Evaluation.

Today's training will be based on the [FINANCIAL MANAGEMENT QUICK GUIDE](#).

This resource includes topics such as:

- CDBG-CV Eligibility and Requirements
- Costs Eligible for Reimbursement
- Special Economic Development Underwriting Requirements

Additionally, this training provides an overview of HOPWA/HOPWA-C CARES Act grants.



Three-Part Presentation

Part 1: CDBG-CV Program

**Part 2: Financial Management
Considerations for CDBG-CV**

**Part 3: Financial Management
Considerations for HOPWA-CV/HOPWA-C-CV**



Program Considerations

April 9, 2020 – CARES Act Flexibilities for CDBG Funds Used to Support Coronavirus Response and Plan Amendment Waivers:

- HUD Given Substantial Waiver Authority.
- Regular CDBG Program Used as Basic Rule (see 24 CFR Part 570 and related requirements).
- All Regular CDBG Rules Apply Unless Amended, Waived or Altered by HUD.
- Waiver Authority Authorized for CARES Act and Regular FY2019/2020 Funding.
- Waived Updates of Housing and Homeless Needs Assessments.
- Housing Market Analysis and Strategic Plan per Consolidated Plan.
- Eliminated 15% Public Service Cap for Covid-19 Activities.
- Broadened Authority to Cover or Reimburse Costs Incurred (Pre-Award Costs).
- Streamlined Citizen Participation, Public Hearing and Consolidated Plan Submissions (Including Substantial Amendments).



Program Considerations, continued

Federal Register Notice (FR-6218-N-01)

- Covers CDBG-CV and Regular FY 2019/2020 CDBG.
- Similar Provisions Per April 9th Funding Memo.
- HUD Cannot Waive Rules Related to Fair Housing, Non-Discrimination, Labor and Environmental.
- Must Conduct Adequate Management and Monitoring (Especially Subrecipients and Other Third Parties).
- Must Avoid Duplication of Benefits (“Double Dipping”).
- HUD Will Expedite Processing of New Funding.
- States Must Explain How CDBG-CV Method of Distribution Differs from Regular CDBG Program.



Program Considerations, continued

Federal Register Notice (FR-6218-N-01)

- Allowable Costs – Prevent, Prepare For or Respond to Coronavirus (PPR).
- Pre-Award Cost Allowed but Must Get Prior Approval from HUD for Costs Incurred Before January 21, 2020.
- Eminent Domain Limited to Public (Not Private) Re-Use.
- Special Economic Development permitted.
- Must Underwrite Projects Per Appendix A of CDBG Regulations.
- Timeliness
 - Six Years to Expend All Funds and
 - Three Years to Expend 80% of Funds



CREATING AN EFFECTIVE FINANCIAL MANAGEMENT SYSTEM

Let's give your Financial Management System a "health checkup."

CREATING AN EFFECTIVE (FMS)

Starts with Internal Controls

Documented policies that provide reasonable assurance that the recipient can achieve the goals and objectives of the Federal award in a cost-effective manner and written standards of conduct for officers and employees for the recipient of Federal funding.

- Control Environment
- Control Activities
- Risk Assessment
- Information and Communications
- Monitoring



CREATING AN EFFECTIVE (FMS), continued

Internal Controls Maintain the Recipient's:



CREATING AN EFFECTIVE (FMS), continued

Grantees must develop and utilize an effective and efficient record-keeping system to properly account for CDBG-CV funds.

Grantees must also be able to track expenditures including personnel and non-personnel costs by grant agreement or funding source.

Therefore, Recipients must identify and authenticate all Federal awards received and expended via:

- CFDA (now “Assistance Listings”) title and number.
- Federal award identification number and year.
- Name of the Federal agency.
- Name of the pass-through entity.



CREATING AN EFFECTIVE (FMS), continued



The following CDBG-CV activities must be documented in the Recipient's FMS:

- Award Authorizations
- Obligated and Unobligated balances
- Assets
- Expenditures
- Program Income
- Interest

Source documentation to support grant related activities:

- Purchase orders
- Invoices
- Contracts or Agreements
- Time Sheets / Payroll Activity Reports (PAR) or equivalent records
- All records pertinent to the CDBG-CV Award

FMS-Health Check-up

To ensure accurate, current, and complete disclosure of the financial results of the CDBG-CV award in accordance with reporting requirements, your FMS should have:

- Procedures to compare actual expenditures with budgeted amounts for all CDBG-CV award budget categories.
- Policies to encumber CDBG-CV funding for executed contracts or purchase orders.
- Sufficient support for all invoices, asset purchases, and agreements entered.
- Written procedures to minimize the time elapsing between the receipt of CDBG-CV funds from Treasury and their disbursement.
- Policies and procedures for determining the allowability of costs in accordance with cost principles specified in Subpart E of 2 CFR part 200 and the specific terms and conditions of the CDBG-CV award.
- Support for the current and complete disclosure of the financial results for all HUD standard reports e.g., the CAPER.

Activity Delivery Costs (ADCs)

Allowable costs incurred for implementing and carrying out eligible CDBG Activities. Examples include:

- Salaries of employees for time devoted to implementing and **carrying out specific eligible CDBG activities** such as public services, rehabilitation of public facilities and improvements or housing rehabilitation.
- The cost of materials acquired, consumed, or expended by staff in carrying out specific eligible CDBG activities.

ADCs are eligible as part of the cost of carrying out CDBG activities and are authorized under 24 CFR 570.201- 570.204

Activity Delivery Cost MUST be allocable to an eligible CDBG activity that:

- Meets a national objective
- Complies with ALL other CDBG program requirements

INDIRECT COSTS OPTIONS

Indirect Cost Rate Agreement

Document prepared by a non-Federal entity to substantiate its indirect cost rate

De Minimis Rate 10%

Allows organizations to recover their indirect costs (not to exceed 10% of Modified Total Direct Costs (2 CFR Part 200.414))

Cost Principles – Applicable Requirements

- Cost Principles and Procedures -2 CFR Part 200, Subpart E (and related appendices)
- All costs, whether charged on a direct or indirect basis, are subject to the factors affecting the allowability of costs (§200.403)
- General Provisions for Selected Items of Cost (§200.420 through §200.476)

Factors Affecting Allowability (§200.403)

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment.

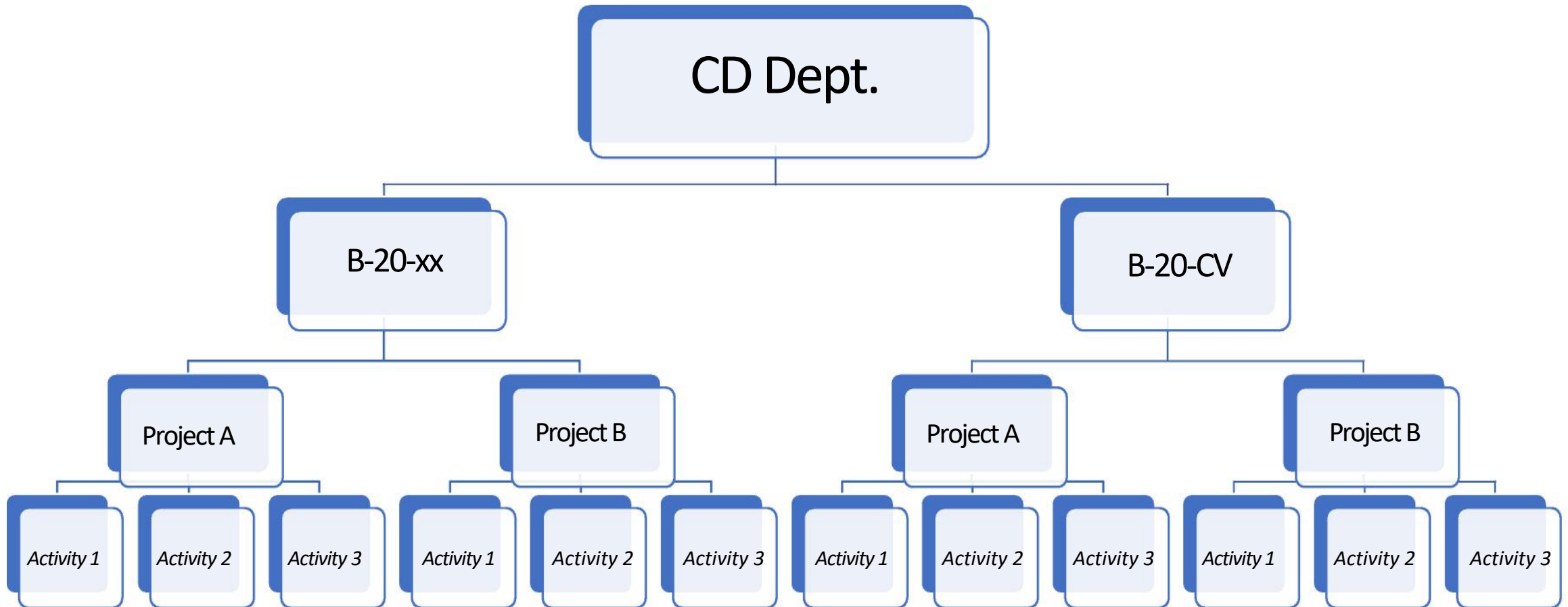
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in part 200.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.
- Cost must be incurred during the approved budget period.

Cost Objective

A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative) cost activity, as described in Subpart E-Cost Principles.

A typical cost objective is a HUD award, project, or activity.

CDBG Cost Objective Examples



ELIGIBLE CDBG DIRECT ACTIVITIES

1. Acquisitions
2. Dispositions
3. Public facilities and improvements
4. Relocation payments
5. Loss of rental income
6. Housing services
7. Public Services
8. Homeownership assistance, etc.

Note: Complete list of eligible activities 24 CFR Part 570 Subpart C



Indirect Cost Rate

$$\frac{\text{Indirect Costs}}{\text{Direct Cost Base}}$$

(expressed as a percentage)

Acceptable Direct Cost Bases:

- Direct salaries and wages including (or excluding) all fringe benefits.
- Direct salaries and wages including vacation, holiday, sick pay, and other paid absences but excluding all other fringe benefits.
- Modified Total Direct Costs (MTDC) 2 CFR Part 200.68 MTDC

INDIRECT COSTS

Per 2 CFR Part 200 Indirect Costs “are those costs incurred for common or joint objectives and cannot be readily identified with a specific final cost objective...”

Two broad categories: “Facilities” and “Administration”

Facilities

- Depreciation of building, equipment and capital improvements, interest on debt associated with certain building, equipment, operations and maintenance.

Administration

- General admin and expenses not specifically under one of the subcategories of “Facilities,” including cross allocations.

Preliminary Steps- Documentation

Organization review

Review Federal and non-Federal funding

Review accounting structure

Prepare cost policy statement

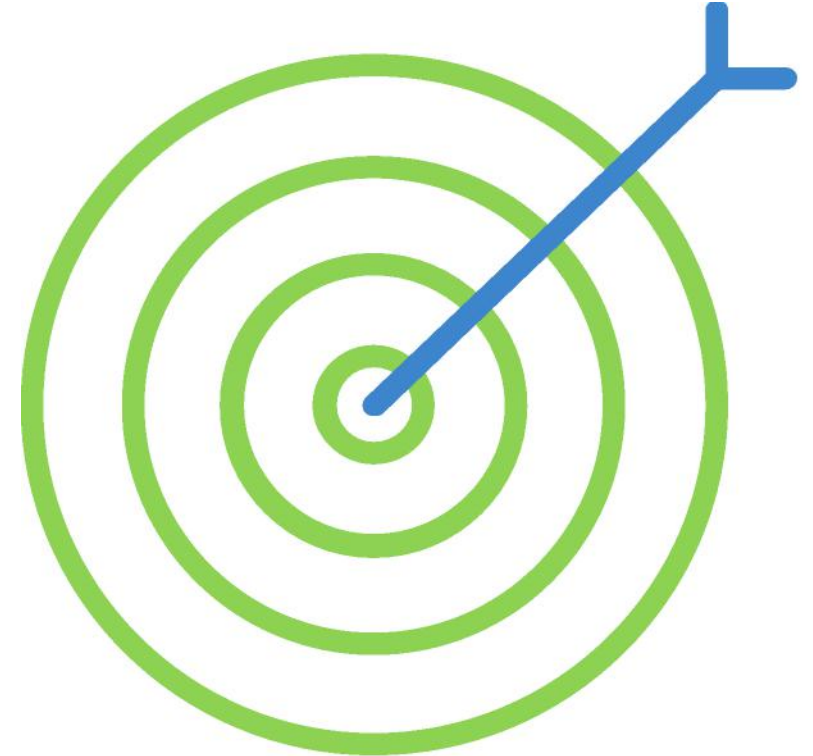
Prepare indirect cost proposal

Submit to cognizant agency (or retain for review)

FMS-HEALTH CHECK-UP SUMMARY

Recognize the importance of:

- Internal Controls
- Record Keeping
- Description of Grant Activities Conducted
- Effective Source Documentation
- Key Policies for Ensuring Accurate Financial Management Data
- Activity Delivery Cost (ADC)
- Indirect Cost Applications



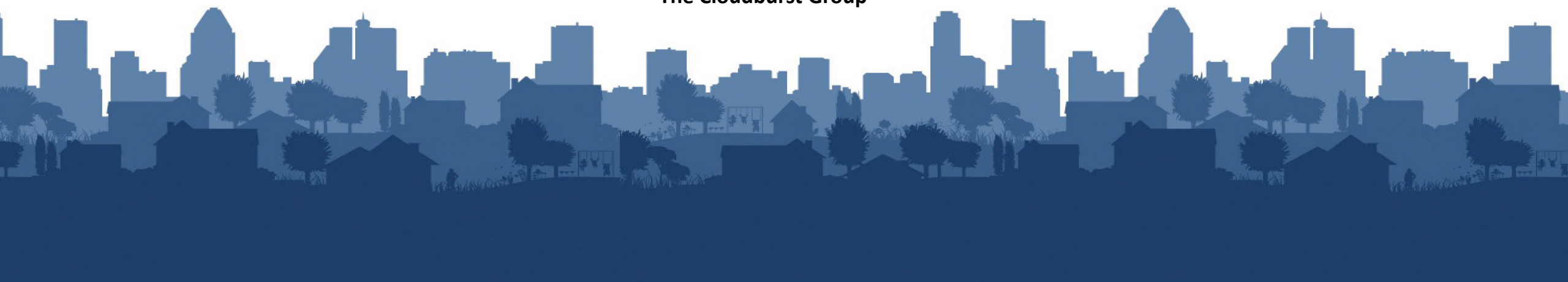


Housing Opportunities for
or Persons with AIDS (HOPWA)

CARES Act Financial Management

Jonathan Sherwood

The Cloudburst Group



Agenda

*Target Audience: HOPWA Formula and Competitive Grantees**

- Overview of HOPWA/HOPWA-C CARES Act grants
- Grant-based accounting requirements
- HOPWA 'Approximate Cost Incurred Date' (ACID) function in IDIS
- Using the IDIS 'Coronavirus Response' Activity Set-Up Detail
- Using MicroStrategy for HOPWA/HOPWA-C CARES Act management

**though will be helpful to HOPWA sub-recipients, too!*

Definitions

Award: Federal financial assistance that a Grantee receives directly from a Federal awarding agency [e.g. HUD]

Grantee: Legal entity to which a grant is awarded [directly by HUD] and that is accountable for the use of the funds provided. Aka 'Recipient'

Grant-Based Accounting: All project expenditures are tied to a single award and are traceable to this award.

IDIS: 'Integrated Disbursement and Information System' – the electronic system that Grantees use to draw down funds from HUD

MSTR/MicroStrategy: The plug-in platform for IDIS users to create customized reports.

Project Sponsor: Entity...that receives a subaward from a pass-through entity ['Recipient'] to carry out part of a Federal award. Aka 'Sub-recipient'

HOPWA/HOPWA-C CARES Act Awards

CARES Act funded 2 types of HOPWA awards

- Formula – ‘HOPWA-CV’
- Competitive – ‘HOPWA-C-CV’

3-year awards, starting from date the grant agreement is executed

12-month Accomplishment Years on ‘CV’ awards

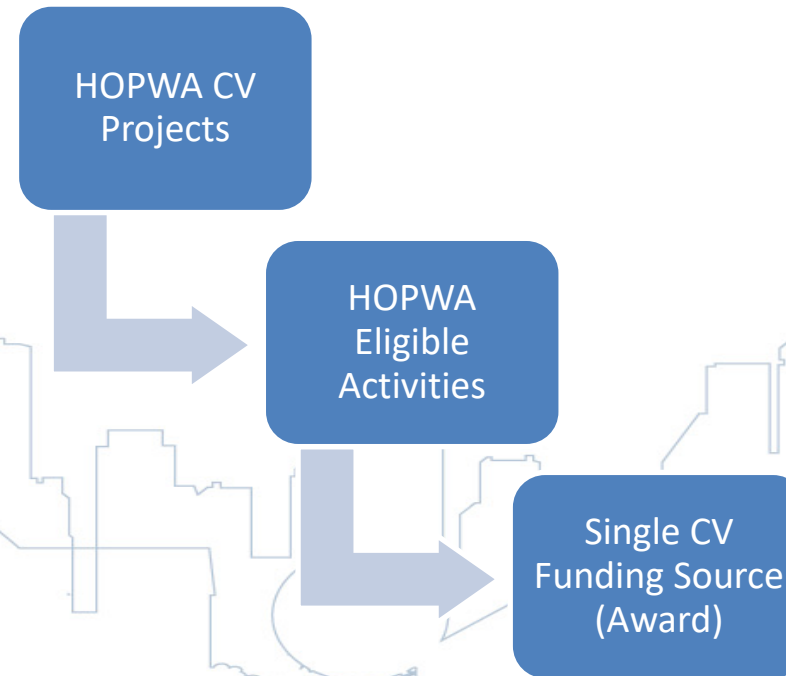
- Formula – follows Grantee program year, regardless of CV award grant agreement date
- Competitive – follows date of HOPWA-C-CV grant agreement (above)

Grant-based Accounting Requirements

HOPWA-CV and HOPWA-C-CV subject to standard grant-based accounting requirements

The Point = All program activity/costs → connected to a *single* funding source only (a specific award)

In IDIS:

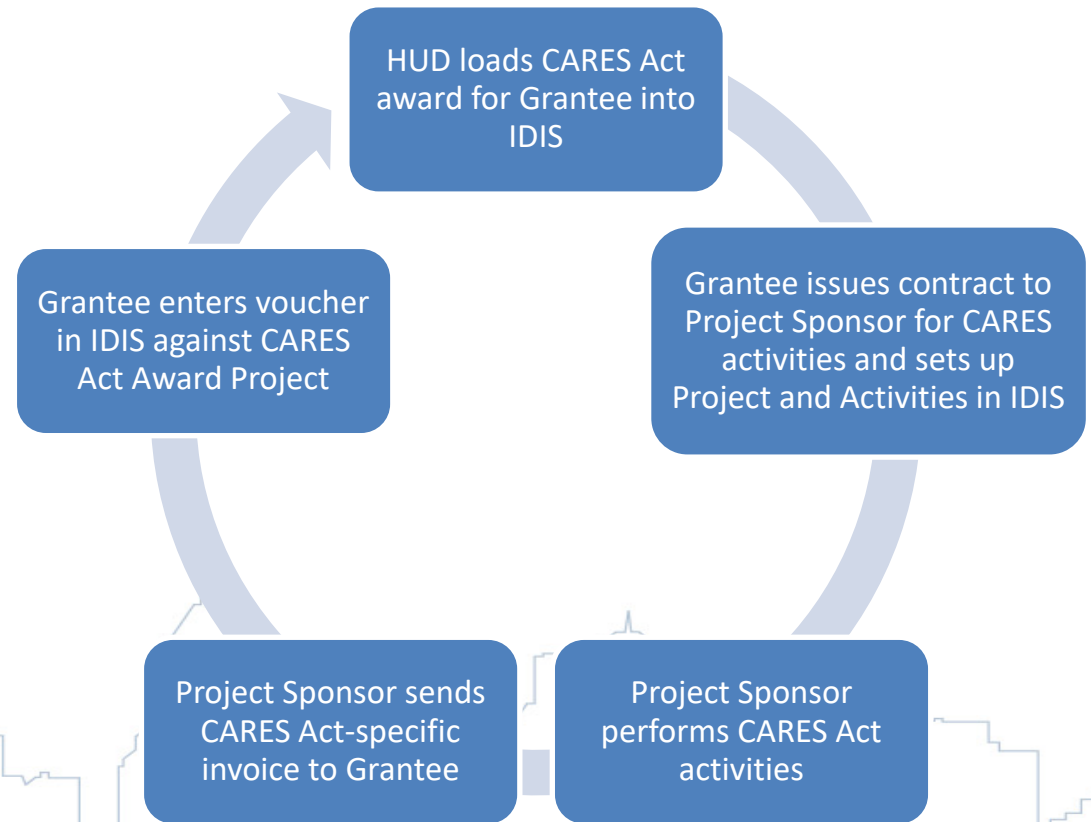


Grant-based Accounting Requirements, continued

Grant-based accounting flows in both directions

Contracts to Sponsors – specify funding source for activities, inc. for CARES Act line items

Invoicing to Grantee – specify funding source behind all activities performed



Grant-based Accounting Requirements, continued

Challenge: Project Sponsors may have both 'regular' and CV funded contracts with Grantee

'Regular' and CV expenditures will have to be tracked and billed separately by the Project Sponsor

Grantee will need to be able to report ALL expenditures against the appropriate source of funding (award) in IDIS

IDIS: HOPWA 'Approximate Cost Incurred Date' Function

Introduced December 2019 as required element for ALL HOPWA/HOPWA-C draws in IDIS

Purpose: Connect all expenditures with a particular Accomplishment Year

Users choose single date to represent 'approximate' date the charged costs were incurred

Critical for tracking expenditures for annual HOPWA Performance Reporting

≠ Date of Draw or Draw Entry in IDIS

IDIS: HOPWA 'Approximate Cost Incurred Date' Function

HOPWA-C-CV EXAMPLE:

As a competitive award, grantee has Accomplishment Year of April 15, 2021 through April 14, 2022

Project Sponsor submits an invoice for activities from May 1, 2021 through May 31, 2021 and assigns an Approximate Cost Incurred Date of "5/31/21"

This allows the *cost* to be assigned to the 4/15/21 – 4/14/22 Accomplishment Year

IDIS: HOPWA 'Approximate Cost Incurred Date' Function

Approximate date enables correlation of ALL expenditures with a *particular* Grantee Accomplishment Year, *regardless of IDIS voucher creation or approval date*

Sample PR05 Report

Activity Category	HOPWA/HOPWA-C	Approx Date	Cost Incurred	HOPWA ACCOMPLISHMENT YEAR	Vou
Tenant-Based Rental Assistance (TBRA)		6/1/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		7/1/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		7/31/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		8/28/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		9/30/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		11/30/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		12/29/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		1/31/2021	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Tenant-Based Rental Assistance (TBRA)		5/31/2021	12:00:00 AM	YR2 (04/15/2021 - 04/14/2022)	
Grantee Administration		6/2/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Grantee Administration		7/1/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	
Grantee Administration		7/31/2020	12:00:00 AM	YR1 (04/15/2020 - 04/14/2021)	

Note: Later 'cost incurred' date on this voucher associates cost with a *different Accomplishment Year*

IDIS: 'Coronavirus Response' Activity Detail

In HOPWA/HOPWA-C activity setup (for ALL HOPWA/HOPWA-C fund types), users can select 'YES' if activity specifically responds to coronavirus

Non-CARES Act HOPWA/HOPWA-C Projects can be indicated as part of coronavirus response –data element is NOT specific to CARES Act funds

This shows up as an element on HOPWA/HOPWA-C MSTR reports (PR02, PR05, PR07)

Helps track CARES Act & non-CARES Act coronavirus response expenditures

IDIS: Useful MSTR Reports for CARES Act Management

PR02 - List of Activities by Program Year and Project - HOPWA and HOPWA-C

- Useful for reviewing/confirming what Projects (+ Activities) have been set up with grant number, funding amount, drawn amount, and balance
- Includes if activities were tagged as responding to coronavirus + if CARES Act funds were used

IDIS: Useful MSTR Reports for CARES Act Management, continued

PR05 - *HOPWA Drawdown Report by Project and Activity*

- Useful for tracking individual draws, by Project (+Activity), against CARES Act and 'regular' HOPWA funds
- Includes if activities were tagged as responding to coronavirus + if CARES Act funds were used
- Includes Approximate Cost Incurred Date and related Accomplishment Year

IDIS: Useful MSTR Reports for CARES Act Management, continued

PR07 – HOPWA Drawdown Report by Voucher Number

- Useful for viewing voucher number, status, and line item info in chronological order
- Helpful research tool if grantee is trying to respond to questions or iron out discrepancies
- Includes if activities were tagged as responding to coronavirus + if CARES Act funds were used

Q & A

Resources

CDBG CARES ACT WEBINAR SERIES: OVERVIEW OF THE FEDERAL REGISTER NOTICE (FR 6218-N-01) AVAILABLE ON THE HUDEXCHANGE.

- CDBG CORONAVIRUS Guidance https://www.hud.gov/program_offices/comm_planning/cdbg_programs_Coronavirus
- CDBG CV HUD Exchange Program Page <https://www.hudexchange.info/programs/cdbg-cv/>
- Federal Programs DOB Tool <https://files.hudexchange.info/resources/documents/CARES-Act-Programs-CDBG-AwarenessDuplication-Benefits.pdf>
- Financial Management Curriculum <https://www.hudexchange.info/trainings/financial-management-curriculum/>
- CPD Monitoring Handbook-Chapter 34 – https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2/
- OMB Circular 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal
- Awards - <https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II/part-200>

HOPWA CARES Act Resources

HUD Ask A Question Help Desk: <https://www.hudexchange.info/program-support/my-question/>

HOPWA CARES Act Resources (HUD Exchange):
<https://www.hudexchange.info/programs/hopwa/covid-19/#resources-and-guidance>

HOPWA CARES Act Resources (HUD.gov):
https://www.hud.gov/program_offices/comm_planning/hopwa_covid-19

Contact Info

Corporate F.A.C.T.S., Inc.

- Michelle Bush, mbush@corporatefacts.net
- Andre Brickhouse, abrickhouse@corporatefacts.net

Cloudburst Consulting Group

- Jonathan Sherwood, jonathan.sherwood@cloudburstgroup.com