MEMORANDUM FOR: All CPD Formula Grantees
                      All CPD Field Offices
FROM: Clifford Taffet, Assistant Secretary (Acting)
SUBJECT: System and Regulatory Changes to Eliminate First-In-First-Out Accounting in the Integrated Disbursement and Information System (IDIS)

This memorandum is to notify HUD Office of Community Planning and Development (CPD) formula grant recipients of pending system changes that will affect the administration of the following block grant programs: Community Development Block Grants (CDBG); HOME Investment Partnerships; Emergency Solutions Grants (ESG); and Housing Opportunities for Persons with AIDS (HOPWA). The HUD Office of the Inspector General (OIG) and the Office of Management and Budget (OMB) have determined that the First-In-First-Out (FIFO) accounting methodology used by CPD’s Integrated Disbursement and Information System (IDIS) does not comply with federal financial standards. This determination has resulted in OIG material weakness findings against the Department’s Financial Statement. In order to clear these findings, CPD must re-engineer IDIS to eliminate the FIFO accounting methodology.

This IDIS re-engineering will ensure that both commitments and disbursements of grant funds will be done on a grant-specific basis, instead of the FIFO (oldest money disbursed first) method that has been used for the CDBG program since 1974. The first phase of IDIS re-engineering will implement grant-specific accounting beginning with FY 2015 formula allocations. With these changes, IDIS will specifically tie activity funding/commitment and draws to the origin year of a grant. The final re-engineering of IDIS for all future grants is expected to be complete by late 2015, including edits to related reports and other required functionalities.

In addition, the U.S. Government Accountability Office (GAO) recently determined that HUD’s cumulative method for determining compliance with the HOME 24-month commitment deadline does not comply with the statutory language requiring HOME grants to be placed under binding commitment within 24 months of HUD’s obligation of the funds. Consequently, beginning with FY 2015 HOME grants, HUD must implement this requirement by examining only those commitments made from the HOME allocation subject to the deadline.

As a result of this accounting change and the determination with respect to HOME commitments, HUD must revise both the Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) regulations to ensure consistency with the new method of accounting and with the new commitment requirements. Regulatory revisions are not required for ESG and HOPWA.
HUD is working to prepare a proposed rule for publication in the Federal Register in July, 2014. This proposed rule would detail regulatory changes deemed necessary to implement the revised accounting approach and may affect how grantees address a range of financial issues. CPD is striving to limit these changes to the minimum necessary to effectuate the change and invites your comments in response to the proposed rule. CPD will notify grantees, through the OneCPD grant program and IDIS listserves, when the draft regulation is published in the Federal Register.