

# U.S. Department of Housing and Urban Development

**Office of Housing Counseling** 

Model
Funding
Processes
that Comply
with OMB
Circular
A-110

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### Introduction

This Guide discusses the Office of Management and Budget (OMB) Circular A-110, The Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations as it relates to the funding processes within the housing counseling industry. This Guide outlines the requirements for the parties involved in the lifecycle of Federal grant funding with a focus on the post-award requirements. Housing counseling agencies (HCAs) should examine the circular to ensure a complete understanding of the requirements summarized in this Guide. This Guide does not provide a comprehensive breakdown of the entire Circular.

#### **Purpose**

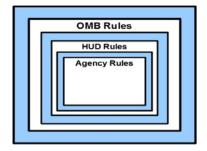
The purpose of Circular A-110 is to provide standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals and other non-profit organizations.

## **Circular A110 Policy Statement**

The standards set forth in Circular A-110 apply to all Federal agencies. The provisions of the sections of Circular A-110 shall be applied by Federal agencies to agencies. Agencies shall apply the provisions of this Circular to sub-grantees performing substantive work under grants and agreements that are passed through or awarded by the primary agency, if such sub grantees are organizations described as institutions of higher education, hospitals, and other non-profit organizations.

#### **Precedence**

If a statute prescribes policies or requirements that contradict the standards put forth in Circular A-110, the provisions of the statute will govern. OMB Circular A-110 provides guidance to Federal awarding agencies and limits their ability to impose additional or inconsistent requirements.



#### 1. Parts of the Circular

Circular A-110 consists of the components listed below with a brief overview of the content.

## **Subpart A: General**

The General section includes information such as:

- ✓ List of entities for which the OMB is providing guidance
- ✓ Terms and associated definitions used within the Circular A-110
- ✓ Specifies that sub-grantees are subject to Circular A-110 requirements

This section is a good reference point for anyone who hasn't reviewed an OMB curricular. Some sections apply to all agencies, and other elements are specific to a unique situation.

## **Subpart B: Pre-Award Requirements**

This section provides relevant information for the pre-award or application and contracting stage of the grant process, including:

- **✓** Forms
- ✓ Instructions
- ✓ Policies

This section is the guiding document for HUD on the most appropriate manner in which to administer pre-application and application submission portions of the grant award process. This section defines how HUD is supposed to operate when issuing notices, including the Notice of Funding Availability for Housing Counseling, relating to and administering grant application processes.

## **Subpart C: Post Award Requirements**

This section defines requirements related to the financial and program management stage of the grant process, including:

- ✓ Standards for financial management systems
- Methods and rules for making payments
- Cost sharing and matching requirements
- ✓ Rules for accounting of program income
- ✓ Rules for budget revisions
- ✓ Rules for auditing



✓ Rules for determining allowable costs



Rules for establishing fund availability

Each of these elements as it relates to the HUD Housing Counseling Grant Award can be found in the specific grant agreement and in the HUD Housing Counseling Handbook. HUD is responsible for taking the elements from Circular A-110 and applying them to the appropriate area of the grant award process. If there is any potential conflict or concern regarding these matters, contact the HUD Government Technical Representative (GTR) assigned to the HCA.

## **Subpart D: Post- Award Requirements**

This section provides guidance related to close-out procedures and post-grant requirements. In addition to the requirements in Circular A-110, the HUD grant award agreement executed during the pre-award phase of the grant period also contains important information about post-award requirements. From the date of close-out of the grant award, an HCA must securely maintain all relevant records and client files for a period of at least three years.

After a grant award has been closed out, a HUD-approved HCA must continue to provide HUD with HUD Form 9902 data that is a requirement for each HCA irrespective of funding status.

## **Appendix A: Contract Provisions**

The appendix provides a list of provisions consisting of Federal statutes that must be included in each contract issued by an HCA in excess of the Federal small purchase threshold. For example, if an HCA chose to contract with a marketing firm to develop a marketing campaign to alert the community about the services offered it offers, the contract may exceed the Federal small purchase limit. Contract provisions may be included or excluded depending on the size of the contract award and the involvement of any Federal funding within the contract. Generally, if more than \$100,000 in Federal funds are held within a contract, these contract provisions are required. In any contract it may be appropriate to consider the inclusion of these provisions as a way to reduce HCA liability or confusion.

#### **Housing Counseling Focus** 2.

While each section of Circular A-110 has a significant impact on operations of HUDapproved HCAs, the Post-Award Requirement section has the most direct language focused on the operations of an HCA that receives Federal funding. The importance of adhering to the rules, provisions, and guidelines in this section is critical.

# **Grantee Payments**

HUD makes direct-deposit payments to the grantees financial institutions. Part of the grant-award process includes the grantees completing Standard Form 1199A. Direct Deposit Sign-up Form. This form can be accessed by visiting HUD's Client Information and Policy Information website at <a href="https://www.hud.gov/hudclips/">www.hud.gov/hudclips/</a>. The payment options within Circular A-110 apply to both grantees and-sub grantees.

# **Types of Payments**

This section provides general information on payments, but the HUD Grant Agreement sets the payment options allowable by HUD. It is important to consult the with the HCA's GTR with regard to the specifics of the HUD Grant Agreement. Advanced payments and reimbursed payments are the allowed types of payment with the rare exception when it has been determined that an agency is ineligible for advanced payments and the agency doesn't have enough funding to execute the work under the agreement. In this instance there can be an Advance Payment to cover actual disbursement needs.

#### **Advanced Payments**

HUD housing counseling grant funding is designed to be leveraged with other grant funding, as such it is not designed to be the sole source of an agency's working capital. According to this circular, there are provisions to permit an agency to receive advance payments, such a structure is rare because of how HUD housing counseling grant dollars are awarded. The primary purpose of advance payments within a grant award is to allow an agency to sustain sufficient working capital to meet the service level defined in the grant agreement. While advanced payments are not specifically banned, it is a matter which should be discussed with an agency's assigned GTR during the preaward phase of the HUD housing counseling award process. To qualify for advance payments there must be written procedures that minimize the time elapsing between the transfer of funds and disbursement by the HCA, and financial management systems that meet the standards for fund control and accountability.

#### **Reimbursement Payments**

Reimbursement payments method is the preferred method used by HUD. When using the reimbursement method, the awarding agency shall make payment within 30 days after receipt of a proper billing. Agencies are allowed to submit request for reimbursement at least monthly when electronic funds transfers are not being used.

# Withholding Payments

Payments are to be disbursed to an HCA unless:

- The HCA has failed to comply with award terms and conditions, project objectives, or Federal reporting requirements
- 2. The HCA is delinquent in repaying a Federal debt

## **Controls Systems with Payments**

# **Standards for Fund Control and Accountability**

HCAs are required to relate financial data to performance data and develop unit cost information whenever practical.

#### Agencies' financial management systems shall provide for the following:

- ✓ Accurate, current, and complete disclosure of the financial results of each funded project or program
- ✓ Records that adequately identify the source and application of funds
- ✓ Effective control over and accountability for all funds, property, and other assets

- ✓ Comparison of outlays with budget amounts for each award
- Written procedures to minimize the time elapsing between the transfer of funds to the HCA from the receipt of funds from the grantor
- ✓ Written procedures for determining the reasonableness, allocation, and allowance of costs
- ✓ Accounting records supported by source documentation

## **Cash versus Accrual Accounting**

The financial results of a Federally funded project may be reported in one of two accounting methods: cash or accrual. The difference between these two methods is based in the timing of when income is credited and when costs are debited to the accounts of the HCA. The cash method, requires income be counted when cash (or a check) is actually received, and costs are counted when actually paid. In the more common accrual method, transactions are counted when they happen, irrespective of when the money is actually received or paid.

#### **EXAMPLE #1**

A HCA counsels a client and submits a request for payment to a grant funder in November, and doesn't get paid until three months later in January. Under the cash method, the HCA would record the payment in January. Under the accrual method, the NDA would record the income in November.

#### **EXAMPLE #2**

An HCA purchases a new computer on credit terms for \$1,000 in July and two months later in September the HCA pays the \$1,000. Using the cash method, the HCA would record a \$1,000 payment in September, the month when the money is actually paid. Under the accrual method, the HCA would record the \$1,000 payment in July, when possession of the computer is taken and the obligation to make payment occurs.

## **Line of Credit Control System**

The Line of Credit Control System (LOCCS) is HUD's primary grant disbursement system, handling disbursements for the majority of HUD programs. LOCCS provides the capacity to drawdown of funds as well as query and reporting capabilities.

# 3. Reports and Records

#### Overview

All records, reports, receipts, and other documents pertaining to a specific grant award must be kept secure and orderly by the HCA for a period of three years from the date of the final expenditure report. If an HCA received a grant on October 1, 2014 and spent the grant monies with a final expenditure report submitted to HUD on October 1, 2015, the records related to this grant must be held by the HCA until at least October 1, 2018. This is three years from the final report rather than three years from the grant awarded date. See Circular A-110 for exceptions to this rule.

## **Maintaining Receipts**

When considering how to develop a recording and processing system for funds for an HCA, the processes for receiving and making payments should be carefully considered. Cash and check receipts are a high risk area if not properly controlled. An adequate record keeping system starts with a solid process and procedure to handle cash receipts and overall accounting controls. It is suggested that these processes are reviewed by the HCAs accountant and/or auditor prior to the receipt of any Federal funds.

#### Recommended accounting controls include:

- Separate the duties between various staff members so that employees receiving and depositing cash and checks are not also responsible for approving check requests (i.e. Vendor Payments).
- 2. Maintain a log of cash and checks received, including copies of checks.
- 3. Provide receipts to the payer for payments received.
- 4. Restrictively endorse checks "For deposit only" upon receipt.
- 5. Establish a process for a supervisor to approve all check requests.
- 6. Keep all checks and cash locked in a secure area prior to deposit.
- 7. Deposit checks and cash into a bank account on a weekly basis or more frequently.
- 8. Obtain a receipt for all bank deposits.
- Maintain copies of checks in numerical order.
- Review and reconcile bank statements to copies of checks and check requests each month.

IMPORTANT: HUD, the HUD Office of Inspector General, Comptroller General of the United States, or any of their duly authorized representatives, have the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts and copies of such documents.

# 4. The Grant Funds Lifecycle

When applying for, receiving, and reporting on spending grant funds; note the source of the funds expended. The source of all HUD Housing Counseling Grant funds comes from the appropriation of taxpayer dollars. This appropriation of tax dollars has attached to it a very strict set of reporting and auditing requirements. The ability for Congress to continue to support the annual appropriation of these monies depends greatly on the integrity of the accounting and reporting elements within each local agency.

