



# Transition to Grant Based Accounting

*Integrated Disbursement and Information System (IDIS)*

Please read the following memorandum for context on the, [System and Regulatory Changes to Eliminate “First-In-First-Out” Accounting in the Integrated Disbursement and Information System \(IDIS\)](#).

IDIS has historically operated on a first-in-first-out (FIFO) basis. Under FIFO, funds were committed and disbursed against the oldest grants with funds available. Under grant based accounting funding/commitments and disbursements are made against specific user-defined grant years. Generally, this accounting practice will strengthen the linkage between an annual grant allocation and the actual expenditures of those funds, streamlining year-end reconciliation between IDIS and local financial systems.

These changes will impact the following programs:

- [Community Development Block Grant \(CDBG\)](#);
- [HOME Investment Partnerships \(HOME\)](#);
- [Emergency Solutions Grants \(ESG\)](#); and
- [Housing Opportunities for Persons with AIDS \(HOPWA\)](#).

## Why the Change?

HUD’s Office of the Inspector General (OIG) has determined that the FIFO accounting methodology does not comply with federal financial management standards. The change to grant based accounting will help to bring IDIS into compliance with these standards.

## Immediate Changes and HUD Resources

What CPD Formula Grantees should expect:

- Beginning with FY 2015 formula allocations, IDIS will specifically tie activity funding/commitments to activity draws and to a specific grant or grants.
- HUD will develop and release resources and tools to assist CPD Formula Grantees throughout the transition. Once released, they will be available on the grant based accounting webpage through the HUD Exchange.
- HUD will continue to support and answer Grantees’ IDIS technical questions through the HUD Exchange IDIS [Ask-A-Question](#) help desk.

## Transitioning to Grant Based Accounting

The first *Activity Funding* Screen will look very familiar, and grantees will identify the grant source to fund an activity (e.g. by Program, Fund Type, and recipient).

FIFO and grant based accounting is accomplished through the DIVISION OF FUNDING SOURCES:

1. ‘Pre-2015’ Source’s amount available for funding aggregates the FY 2014 grant and prior year grants.<sup>1</sup> Pre-2015 source will continue to fund and draw on a FIFO basis. The *Grant Year* field will function as it has in the past, by linking to certain reports, but not influencing voucher creation.

### Funding Source Pre-2015

Program	Grant Year	Fund Type	Source Name	Available for Funding	Funded Amount	Drawn Amount
CDBG	Pre-2015	EN	HUD	\$1,096,961.11	\$0.00	\$0.00

### Current Funding for This Source

Grant Year (tip)	Funded Amount	Drawn Amount
2014	\$ 10,000	\$0.00
<input type="button" value="Add Grant Year"/>		

Figure 1. Activity Funding Screen Pre-2015 (screenshot modified for display purposes)

2. For each year starting with grant year 2015, the funding sources are divided by year. Grantees will select the appropriate grant year(s) from which to fund the specific activity. The Available for Funding and Drawn Amount fields will **only show** what is available to fund and draw for that specific grant allocation.

<sup>1</sup> ESG is an exception, and will retain its current screen format and requirement of only allowing an activity to be funded by one grant year allocation.

Funding Source							
Program	Grant Year	Fund Type	Source Name	Source Type	Available for Funding	Funded Amount	Drawn Amount
CDBG	2015	EN	HUD	MC	\$1,175,620.00	\$0.00	\$0.00
CDBG	2016	EN	HUD	MC	\$1,175,620.00	\$0.00	\$0.00
CDBG	2017	EN	HUD	MC	\$1,175,620.00	\$0.00	\$0.00

  

Current Funding for xFIFO		
Grant Year (tip)	Funded Amount	Drawn Amount
2015	\$ 20,000	\$0.00
2016	\$	\$0.00
2017	\$	\$0.00

Return to Add-Edit Funding | Save | Cancel

Figure 2. Activity Funding Screen Post as would appear in 2017 (screenshot modified for display purposes)

Similar to funding, draws against the Pre-2015 source will operate as FIFO. Draws against the FY 2015 source and beyond will be applied against the specific grant year allocation designated at both the funding and draw process.

## Revising Vouchers

Funding and drawing against the correct grant year and fund type is critical. Under grant based accounting, draws can now only be revised between activities funded with the same funding source (e.g. the Pre-2015 EN funding source, 2015 EN funding source, 2016 EN funding source, etc.). In addition, some programs (e.g., HOME) have specific criteria that must be met in order to revise vouchers.

If a draw needs to be revised between activities not funded with the same source, then:

- If the voucher is against a source with a remaining balance available for funding, then by adding funding from the corresponding source to the new activity, the voucher may be revised.
- If the voucher is against a source that is fully obligated/committed, then reducing that source's funding for other activities would increase the amount available to fund, allowing the corresponding funding to be added to the new activity.
- If the voucher is against a source that is fully expended, then the funds would need to be repaid to the line of credit, thus increasing the balance for that source and allowing the funding and a new voucher to be applied to the new activity.

Grantees can avoid the time consuming process of returning funds when drawing against the correct grant year through planning and paying special attention when funding an activity.

## Commitment and Expenditure Deadlines

Most CPD programs have deadlines related to funding an activity (programs may refer to this as either committed or obligated) and/or expenditures. Under FIFO, compliance with these deadlines was generally assessed cumulatively, since IDIS defaulted to committing and drawing against the oldest funds first. Under grant based accounting, compliance is determined for each specific grant year. Funds may accumulate in specific grant years when, for instance, activities come in under budget or funds are returned.

With the aid of new IDIS reports, grantees will need to carefully track these balances and re-allocate them to eligible activities that will ensure deadlines are met.

## Action Plan and CAPER

Grant based accounting helps reinforce the link between funding and projects within any Action Plan year. The Action Plan and Consolidated Annual Performance and Evaluation Report (CAPER) and the State CDBG Performance and Evaluation Report (PER) provide opportunities for grantees to identify any underspent projects, and to reallocate these funds.

Grantees will continue to use projects under each annual Action Plan, and then set up activities in IDIS under each project to fund and disburse funds. To maintain the logical link, grantees are strongly encouraged (and for ESG, required) to fund these activities from the same grant specific year as the corresponding Action Plan for which the project was established. This organization will help maintain the natural linkage between the activities associated with a specific Action Plan and that same year's annual allocation. Grantees will want to be thoughtful of how to reallocate prior year unexpended funds.

As always, Action Plans, or substantial amendments to Action Plans, should provide information to citizens when programs are impacted by the reallocation of prior year funds. Forthcoming program specific guidance will include additional information on reprogramming of prior year funds.

## FOR MORE INFORMATION

Please visit the [IDIS Manage A Program Page](#) on the HUD Exchange for the latest resources and tools from CPD.