MULTIFAMILY HOUSING PROGRAM

# FINANCIAL MANAGEMENT TOOLKIT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF MULTIFAMILY ASSET MANAGEMENT
AND PORTFOLIO OVERSIGHT

## Table of Contents


**PART ONE: FINANCIAL MANAGEMENT BASICS ..... 3**
**1. Toolkit Overview ..... 3**
1a. Introduction ..... 3
1b. Structure of This Toolkit ..... 3
1c. DUNS Number and SAM Registration Requirements ..... 4
1d. Brief Program Descriptions ..... 4
**2. Building Blocks of Successful Financial Management ..... 6**
2a. Financial Management Defined ..... 6
2b. HUD's Integrity Bulletins ..... 6
2c. Budgets and Budget Controls ..... 7
**3. Guiding Statutes, Federal Regulations and OMB Circulars ..... 11**
3a. Implementation of the Omnibus Circular – 2 CFR Part 200 ..... 12
3b. Overview of 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ..... 13
**4. Accounting and Record Keeping ..... 13**
4a. Introduction ..... 13
4b. Regulatory Standards Relating to Accounting Records and Documentation ..... 14
4c. Basic Elements of Accounting Records ..... 15
4d. Basic Elements of Source Documentation ..... 15
**5. Fund Accounting and Cost Accounting Defined ..... 16**
5a. Fund accounting ..... 16
5b. Cost Accounting ..... 18
**6. Procurement ..... 18**
6a. Introduction ..... 18
6b. Uniform Guidance on Procurement Standards ..... 18
6c. General Procurement Standards (200.318) ..... 19
6d. Categories of Procurement (200.320) ..... 19
6e. Grantee and Sub-recipient Organizations' Policies and Procedures ..... 20
6f. Permitted Approaches to Procurement by Grantees and Sub-recipients ..... 21
6g. Graphic Depictions of the Five Types of Procurement ..... 21
**7. Reporting ..... 24**
7a. Overview ..... 24
7b. Steps to Follow for Reporting Compliance ..... 24
7c. Other Reporting Requirements ..... 25
**8. Financial Audits ..... 26**
8a. Audit Overview ..... 26
8b. Threshold Amount for a Federal 'Single' Audit (§200.501) ..... 27
8d. Submittal of Audits to the Federal Clearinghouse ..... 28
8e. Requirements for Grantee Monitoring of Sub-recipients' Audit Compliance ..... 30

**PART TWO: COST ALLOCATION ..... 31**
**9. Basics of Cost Allocation ..... 31**
9a. Allowable Costs (§200.403) ..... 31
9b. Reasonable Costs (§200.404) ..... 32
9c. Allocable Costs (2 CFR §200.405) ..... 33
9d. The RADAR Test ..... 34
**10. The Cost Allocation Process ..... 34**
10a. Defining Direct and Indirect Costs (§200.412) ..... 34

10b. Documenting Personnel Costs ..... 35
10c. After-the-Fact Time and Activity Reporting ..... 36
10d. Supplemental Documentation of Staff Activities ..... 36
10e. Direct Charge of Personnel Costs ..... 37
10f. Direct Charge of Non-Personnel Costs ..... 39
**11. Allocating Indirect Costs ..... 40**
11a. Direct Allocation Method ..... 40
11b. Defining Administrative Costs for HUD Purposes ..... 41
11c. Allocating Shared Personnel Costs ..... 41
11d. Allocating Shared Non-Personnel Costs ..... 41

**PART THREE: PROGRAM DESCRIPTIONS ..... 45**
**12. Assisted Living Conversion Program ..... 45**
12a. Program Overview ..... 45
12b. Summary of Closeout Procedures ..... 45
12c. Recommended Closeout Actions ..... 46
12d. Recordkeeping Requirements ..... 47
12e. Additional Resources that Grantees Might Consider ..... 47
**13. Congregate Housing Services Program ..... 47**
13a. Program Overview ..... 47
**14. Section 811 Project Rent Assistance (PRA) Program ..... 48**
14.a Program Overview ..... 48
14.b Responsibilities of PRA Grantees ..... 50
14c. Grantee Operations and Cooperative Agreement ..... 51
14d. Key Financial/Accounting Requirements for PRA Grantees ..... 51
**15. Service Coordinators in Multifamily Housing (SCMF) Program ..... 61**
15a. Program Overview ..... 61
15b. Requirements Related to the Financial Management of HUD Grants and Awards ..... 62
15c. The Primary Means of Funding SCMF Programs ..... 63
15d. Annual Budget Review ..... 65
15e. Drawdown Requests ..... 67
15f. Changes to NOA ..... 68
15g. Useful and Required Forms for Quarterly, Semi-Annual and Annual Reporting ..... 70
15h. Management of Grant Funds ..... 71
15j. Internal Controls ..... 77
15k. Overview: Service Coordinator Activities, Quality Assurance & Training Requirements ..... 77
15l. Additional Resources ..... 78
**16. Support Services: Elderly Households Demo in HUD-Assisted Multifamily Housing ..... 79**
16a. Program Overview ..... 79
16b. Program Description: Support Services, Elderly Households Demonstration Project ..... 80
16c. Funding Restrictions and Renewal ..... 82
16d. Other Statutory and Regulatory Requirements ..... 82
16e. Reporting ..... 83

# PART ONE: FINANCIAL MANAGEMENT BASICS

## 1. Toolkit Overview

### 1a. Introduction

Financial and grants management are integral to effectively and efficiently utilizing HUD funds to achieve the goals of on-the-ground housing programs across the U.S. This Multifamily Housing Finance and Grants Management Toolkit serves as a supplementary reference to assist HUD grantees and their sub-recipients in fulfilling the fiduciary and grants management responsibilities that are detailed in contract and grant award documents.

#### What Is Our Objective?

Our primary objective is to help assure that grantees and sub-recipients are able to safeguard grant funds and ensure that all funds are used for the purposes for which they were awarded. The Toolkit provides straightforward statements of compliance and responsibility, along with references to the underlying rules, regulations and legislation that affect the financial and administrative management of Multifamily Housing grant awards. Wherever possible, we include citations and links to source documents, where you'll be able to find, in many cases, more detailed instructions and references to underlying statutes and examples.

#### Who Is Our Audience?

The primary audiences for the Toolkit are the grantees and sub-recipients of Multifamily Housing grant programs:

- Section 811 Project Rental Assistance (PRA) Program
- Assisted Living Conversion Program
- Congregate Housing Services Program
- Service Coordinators in Multifamily Housing
- Supportive Services Demonstration for Elderly Households in HUD-Assisted Multifamily Housing

### 1b. Structure of This Toolkit

Grant programs share the overarching characteristic of being funded with through a competitive process under HUD's Notices of Funding Availability (NOFA) for discretionary programs. Because the core activities funded under each program – as well as the types of entities that are eligible for awards – differ, the rules and guidelines for managing each type of grant also have differences.

- For example, while Section 811 PRA Program grantees are exclusively state housing finance agencies, the grantees of the other programs are primarily 501(c)(3) nonprofit entities.

In regards to eligible program activities, the Section 811 PRA Program funds only rental assistance (and program administration). Meanwhile, the Service Coordinators in Multifamily Housing Program funds only the staff costs associated with service coordination for tenants (and nearby neighbors) of multifamily assisted housing. As a result, specific rules, regulations and guidance will vary based on program-specific and grant-specific situations.

### How Is This Toolkit Structured?

To accommodate these differences, we have structured this Toolkit in the following fashion: the guidance and financial management expectations that are common to all multifamily housing grant programs will be presented first.

This will be followed by more detailed explanations – with examples in some cases – that illustrate the nuances and specifics that apply to each grant program and type of grantee and sub-recipient, e.g. guidance that relates specifically to:

- Section 811 Program and its housing finance agency grantees
- Assisted Living Conversion Program grantees
- Congregate Housing Services Program grantees
- Multifamily Service Coordinator Program and its public housing authority grantees

## 1c. DUNS Number and SAM Registration Requirements

Before submitting an application to HUD, every applicant must be registered at sam.gov and provide a valid DUNS number in its application. Only applicants with a valid SAM registration are able to submit electronic applications via Grants.gov as required by HUD NOFAs. Further, every grantee must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by HUD.

### What is a DUNS Number and How Do I Get One?

A DUNS number is a unique nine-digit identification number assigned to a business or organization by Dun & Bradstreet and provides a means of identifying business entities on a location-specific basis. The web site for DUNS registration is:
https://fedgov.dnb.com/webform

### What is SAM.gov and How Do I Register?

SAM is the federal System for Award Management and is a requirement for doing business with the U.S. government. For more information and registration, go to: www.sam.gov

## 1d. Brief Program Descriptions

Brief descriptions of the programs covered by this Toolkit can be found in Section 17 – Appendix. For more information on these and HUD's other Multifamily Housing programs, please visit our website.

### Section 811 Project Rental Assistance (PRA) Program

Through Section 811, HUD provides funding that allows persons with disabilities to live as independently as possible in the community by subsidizing rental housing opportunities which provide access to appropriate supportive services. The grants to state housing finance agencies can be applied to new or existing multifamily housing complexes funded through different sources, such as the Low-Income Housing Tax Credit program, HUD's CDBG and HOME programs, and other Federal, state and local programs.

### Assisted Living Conversion Program

The Assisted Living Conversion Program (ALCP) provides private, nonprofit owners of eligible developments with a grant to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF) or Service-Enriched Housing (SEH) for elderly residents aging in place. An ALF must be licensed and regulated by the State (or if there is no State law providing such licensing and regulation, by the municipality or other subdivision in which the facility is located). Service-Enriched Housing is housing that accommodates the provision of services to elderly residents who need assistance with activities of daily living in order to live independently.

### Congregate Housing Services Program

The Congregate Housing Services Program (CHSP) offers grants to States, units of general local government, public housing authorities (PHAs), tribally designated housing entities (TDHES) and local nonprofit housing sponsors to provide meals and other supportive services needed by frail elderly residents and residents with disabilities who live in federally subsidized housing.

### Service Coordinators in Multifamily Housing

The Service Coordinators in Multifamily Housing (SCMF) program provides funding for Service Coordinators who assist elderly individuals and persons with disabilities, living in federally assisted multifamily housing and in the surrounding area, to obtain needed supportive services from community agencies. Independent living with assistance is a preferable, lower cost housing alternative to institutionalization for many frail older persons and persons with disabilities.

### Supportive Services Demonstration for Elderly Households in HUD-Assisted Multifamily Housing

The Department's Fiscal Year 2015 Supportive Services Demonstration for Elderly Households in HUD-Assisted Multifamily Housing funds supportive services in eligible existing HUD-assisted multifamily developments targeted to elderly households. HUD's investment under this Demonstration is intended to produce evidence about the impact of a supportive services model in existing assisted senior developments on:

- Aging in place
- Transitions to institutional care
- Housing stability, wellbeing, health outcomes, and health care utilization (e.g., hospitalizations, emergency room visits) associated with nursing home placement and high health care costs.

# 2. Building Blocks of Successful Financial Management

## 2a. Financial Management Defined

Financial management is the process of using funds effectively, efficiently and transparently. It is accomplished through a combination of procedures, methods, rules of conduct and standards. Effective and efficient financial management systems have key characteristics in common.

The critical characteristics of good financial management include:

- Transparency and clear accountability at all levels of operation
- All parties are held accountable for making good financial decisions and following all rules and regulations.
- Expenditures are planned, then checked against the plan (e.g. an approved budget)
- Costs are reasonable, allowable and appropriately allocated to the correct source
- Funds do not sit idle and are protected from misuse
- Records are clearly understood by any accountant
- Reports generated are useful to program managers and agency leadership

HUD expects grantee and sub-recipient financial management systems to include the following key components: budgeting, internal controls, federal cost principles, accounting and record keeping, procurement, reporting and audits. Sound financial management requires that all of these components work properly and in connection to one another. This Toolkit assumes that grantees have established secure fiduciary environments and do not require detailed information regarding initiating and maintaining fund and cost accounting systems. Grantees who need more detailed information and guidance regarding setting up and operating a financial management system can find those resources on the internet. The detailed instructions in this Toolkit will focus primarily on the ins-and-outs of these specific grant programs and HUD requirements.

## 2b. HUD's Integrity Bulletins

HUD's Office of the Inspector General and the Office of Community Planning and Development have developed a set of "Integrity Bulletins" that address issues that CPD grantees struggle with most often. Each of these topics is referenced in this Toolkit, and these bulletins offer a clear perspective from HUD regarding the difficulties they've identified and suggestions for how to avoid them. Topics include:

- Conflicts of Interest
- Documentation and Reporting
- Financial Management
- Internal Controls
- Procurement and Contracting
- Sub-recipient Oversight

## 2c. Budgets and Budget Controls

### Budgeting Overview

Every project must be guided by a budget. A budget is a plan for how much money will be received and expended within a given timeframe and, based on careful analysis, how management expects these financial flows to be distributed across the different parts of the entity's operations.

Budgeting is a federal requirement as part of implementing the uniform cost principles articulated in 2 CFR Part 200. [See Section 3.a] Ultimately, budgets outline anticipated funding from all sources and establish boundaries for all expenditures. Once those boundaries have been established for a given timeframe, grantees must operate within them.

Based on the funds available and the programmatic objectives we hope to achieve, we develop budgets for our organization, each program and each project. Each of these budgets has details on specific items or categories of items. In this way, budgets help promote accountability at all levels.

### The Budgeting Process

The budgeting process includes planning for both revenue and expenditures at the project and program levels. Budgeting helps to assure that funds will be available when needed and also provides an ongoing check for reasonableness through comparing actual revenues received and expenditures requested against the plan. Thus budgets are core components of applications, written agreements and reports.

Management staff is responsible for developing the budget, but governing bodies, such as city councils or nonprofit Boards of Directors, are required to review and approve each budget. When presenting for review and approval, it is important to:

- Connect the budget to organizational objectives and explain how the budget supports implementation of the annual action plan or the strategic plan.
- Compare the proposed budget to the prior year's actual revenues and expenses, and account for variances.
- Explain impact on cash levels and provide recommendations for maintaining a stable financial environment.

### Budget Controls

Once a budget is approved, it becomes the guide for all expenditures. Budget management and control is the ongoing process of comparing actual results with budgeted amounts in order to monitor adherence to the planned budget, identify and understand variances, and proactively plan for necessary revisions.

Budget controls are procedures for comparing actual revenues and expenditures with the approved budget, and for understanding and addressing differences or variances between them. This is an ongoing process throughout the budget cycle, and during the accounts

payable process every time a payment request is prepared. All payment requests should be compared to the approved budget to ensure that expenses are eligible, planned, and can be covered with existing cash resources.

The basic elements of budget controls include:

- Comparing expenditures-to-date against planned expenditures and against projected accomplishments for such outlays
- Reporting deviations from budget and program plans
- Requesting approval for budget and program plan revisions

Grantees' requests for payment will not be processed unless two conditions are met: first, there must be budget authority for the intended expense type, and second, there must be sufficient funds remaining in the line item budget to cover all current and projected expenditures and encumbrances. Understanding this reality is essential to understanding the importance of careful, realistic budgeting. We recommend that prior to spending, or authorizing anyone else to spend grant funds, grantees routinely compare year-to-date and projected expenses to the authorized budget amounts for each line item and confirm that the projected annual total will fall within the boundaries of that line item.

**Knowledge Check – Budgeting**

Select the appropriate response to complete the statement and then, select the Submit button.

**1. Budgeting is important for the following reasons:**

A. Serves as a tool for planning
B. Forecasts revenues and expenses for the year
C. Helps control expenses
D. All of the above

*The correct answer is 'D.' Budgeting is important because it serves as a planning tool, it forecasts revenue and expenses, and it helps to control spending.*

**2. Budgeting revenues to cover expenses guarantees that the organization will have sufficient cash.**

❑ True
❑ False

*The correct answer is 'False.' Budgeting is a planning tool; it does not guarantee that forecasts will materialize.*

**3. It is better for finance managers to develop budgets internally and only share them with program managers when they are complete**

❑ True
❑ False

*The correct answer is 'False.' Budgeting should be inclusive, engaging both agency leadership and program managers early in the budgeting process.*

**4. When presenting a budget, management should be sure to:**

A. Communicate how the budget aligns with organizational goals, annual action plans or strategies
B. Compare the budget to prior year actual revenues and expenses
C. Ensure the organization has enough cash to operate in a stable environment
D. All of the above

*The correct answer is 'D.' Management must ensure due diligence in all aspects of operations and communications.*

**5. All of the following are purposes of budget controls EXCEPT:**

Determine the likelihood that an activity can be completed within the amount budgeted for that activity.

A. Verify that the cost per unit is aligned with identified expectations.
B. Ensure that resources are being used for the proper purposes and are going to the correct projects.
C. Identify sources that can be used to complete a project if the amount budgeted for an activity will be insufficient.

*The correct answer is 'C.' Ensuring that resources are being used for the proper purposes and are going to the correct projects is a purpose of an internal control system rather than a budget control. Determining the likelihood that an activity for which funds are budgeted can be completed within the budgeted amount, verifying that the cost per unit is aligned with identified expectations, and identifying sources that can be used to complete a project if the amount budgeted for an activity will be insufficient (answer choices A, B, and D) are all purposes of budget controls.*

Internal controls are a combination of tools designed to minimize the misuse of funds and poor record keeping, and to maximize the likelihood of detecting problems if they occur. Internal controls require that multiple people with different roles review each and every financial transaction. They cross check one another to make sure that budgets, costs, records, and reports all match up. In this way, internal controls help make sure that funds are being used appropriately and that no one person can defraud the organization.

### What Are the Key Elements of Internal Control?

The key elements of an internal control system include:

- Organizational structure, as documented through organizational charts and position descriptions
- Policies and procedures, including hiring policies
- Separation of duties, especially related to the handling of revenue and expenditures
- A secure recordkeeping system
- Regular reconciliation of budgets and records, including within a HUD system such as TRACS

## Knowledge Check – Internal Controls

Select the appropriate response to complete the statement and then, select the Submit button.

**All of the following are basic elements of an internal control system EXCEPT:**

A. Organizational budget detailing all of the expenditures for the year.
B. Hiring policies to ensure that financial staff qualifications align with job responsibilities.
C. Written position descriptions describing the responsibilities of those employees who have a relationship to the financial and accounting issues.
D. Accounting manual and a chart of accounts that includes a list of account names and the numbers assigned to each of the accounts.

*'A' is correct. An organizational budget detailing all of the expenditures for the year is not one of the basic elements of an internal control system.*

**2. What element of internal controls is meant to make sure that no single person can defraud the organization?**

A. Policies and procedures
B. Segregation of duties
C. Controlled access to records
D. Reconciliation of budgets and records
E. Cash Controls

*'B' is correct. Segregation of duties ensures that no single staff member can defraud an organization.*

**3. How often do you think you should update your organizational chart?**

A. Every six (6) months
B. Once a year
C. As often as changes are made
D. When the executive leadership of your organization changes

*'C' is correct. Organizational charts should be updated as often as changes are made.*

**4. Internal controls are to your organization as:**

A. Checks and balances are to the three branches of government
B. Policies about asking the front desk of the hotel for an extended check-out time are to a hotel guest
C. Getting permission from Mom and Dad and a friend's parents before going out with friends on a Friday night are to a teenager who is living at home
D. A and C
E. None of the above
F.

*'D' is correct. Internal controls are like the federal government's system of check and balances, or a family's requirement that a teenager obtain permission from both parents and their friend's parents before spending the night at a friend's house.*

**5. One difference between internal controls and accounting controls is that internal controls:**

A. Pertain to the budget; accounting controls identify the source and application of Federal funds.
B. Outline procurement procedures; accounting controls allow an organization to maintain oversight and control of assets.
C. Verify that the organization is functioning properly; accounting controls track Federal funds.
D. Allow oversight and control of cash, property, and assets; accounting controls identify the source and application of Federal funds.

*'D' is correct.*

**6. Tony, an Accounts Payable Clerk with a State Housing Authority, received an invoice from a sub-recipient organization working on the State's rental housing program. Tony looked up the sub-recipient in the chart of accounts and confirmed that they had indeed been asked to do the work reflected on the invoice. He proceeded to cut and sign a check and mail to the sub-recipient organization. Tony followed good internal control practices.**

- ❑ True
- ❑ False

*The correct answer is 'False.' Good internal controls require that all financial transactions include more than one staff person and that records be duplicated and stored securely.*

**7. Procedures for storing source documentation, such as financial records of rental assistance, in locked file cabinets with limited access are part of internal controls that implement client confidentiality requirements.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Internal control policies and procedures would typically include guidelines for maintaining the confidentiality of clients' personal information.*

## 3. Guiding Statutes, Federal Regulations and OMB Circulars

### What Governs the Financial Management of All Federal Grant Programs?

Financial management of all Federal grant programs, including HUD's Multifamily Housing Programs, is governed by multiple sets of requirements that are contained in the following:

- Provisions in law, as set out in statutes
- Regulations, which interpret and amplify the statutes and are set out in the Code of Federal Regulations (CFR)
- Office of Management and Budget (OMB) Circulars, most of which were consolidated, streamlined and reissued in 2014 as part of 2 CFR Part 200 (the so-called 'omnibus' circular)
- HUD program guidance, grant awards and Notices of Funding Availability (NOFAs)

## 3a. Implementation of the Omnibus Circular – 2 CFR Part 200

The issuance of the omnibus OMB circular (2 CFR Part 200), 'Overview of 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,' streamlined government guidance on administrative requirements, cost principles and audit requirements for all Federal awardees. This streamlining and reform is intended to "reduce the administrative burden for non-Federal entities receiving Federal awards while reducing the risk of waste, fraud and abuse."

The new omnibus guidance is located in Title 2 of the Code of Federal Regulations (specifically pages 78589-78691), see: https://federalregister.gov/a/2013-30465.

### Which OMB Circulars Does the Omnibus Circular Supersede?

Prior to the publication by Office of Management and Budget (OMB) in December 2014 of the omnibus circular, units of state and local government were accountable to different federal financial management guidelines from those that guided nonprofits. The omnibus circular supersedes a number of OMB's earlier circulars, specifically:

- A-21: Cost Principles for Educational Institutions
- A-87: Cost Principles for State, Local and Indian Tribal Governments
- A-89: Catalog of Federal Domestic Assistance
- A-102: Grants and Cooperative Agreements With State and Local Governments
- A-110: Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
- A-122: Cost Principles for Non-Profit Organizations
- A-133: Audits of States, Local Governments, and Non-Profit Organizations
- The guidance in OMB Circular A-50, Audit Follow-up, on Single Audit Act follow-up

### What Else Does the Omnibus Circular Change Relative to Nonprofit Grantees and Sub-recipients?

In addition to the consolidation of OMB circulars, major audit changes include the following:

- The Single Audit threshold is raised from $500,000 to $750,000
- The questioned cost limit in Single Audits is raised from $10,000 to $25,000

The uniform guidance also removed: 2 CFR Parts 215, 220, 225, and 230. HUD adopted this guidance at a new part, 2 CFR Part 2400.

For additional information and copies of the older federal grants management guides, please visit the Office of Management and Budget's (OMB) website at: www.whitehouse.gov/omb/circulars_default.

### How Did the Issuance of the Omnibus Circular Impact Other Circulars, Such As Parts 84 and 85?

HUD amended 24 CFR parts 84 and 85, which had codified OMB Circulars superseded by 2 CFR Part 200, by removing all substantive provisions and including a saving provision that

provides that Federal awards made prior to December 26, 2014, will continue to be governed by Parts 84 or 85 as codified in the 2013 edition of the Code of Federal Regulations (CFR) or as provided under the terms of a grantee's Federal award.

### How Do These Changes Impact FY 2012 PRA Grantees?

Please note that all Section 811 PRA grants awarded under the FY 2012 Notice of Funding Availability (NOFA) – and ONLY these grants – must follow the federal grant guidance presented in these older circulars, 24 CFR Parts 84 and 85

| FY 2012 811 Grantees ONLY | Government Agencies | Nonprofit Organizations |
|---|---|---|
| Regarding Grants and Cooperative Agreements | **24 CFR Part 85** (Implements OMB Circular A-102) | **24 CFR Part 84** (Implements OMB Circular A-110) |
| Regarding Cost Principles | **2 CFR Part 225** (supersedes OMB Circular A-87) | **2 CFR Part 230** (supersedes OMB Circular A-122) |
| Single Audit Requirements | OMB Circular A-133 | |

## 3b. Overview of 2 CFR Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards

All grants made with 2013 funds (and later) are expected to comply with Title 2, Part 200 (of the Code of Federal Regulations), the new 'Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.' The following table identifies its key elements:

| 2 CFR Part 200 | |
|---|---|
| **2 CFR Part 200: Uniform Administrative Requirements, Cost Principles & Audit Requirements for Federal Awards** | SUBPART A — Acronyms and Definitions<br>SUBPART B — General Provisions<br>SUBPART C — Pre-Federal Award Requirements & Contents of Federal Awards<br>SUBPART D — Post Federal Award Requirements<br>SUBPART E — Cost Principles<br>SUBPART F — Audit Requirements |

# 4. Accounting and Record Keeping

## 4a. Introduction

What Operating Policies and Procedures Need To Be in Place as a Federal Awardee?

In order to properly maintain accountability at all levels of operation and assure that funds are used for the purposes intended, a HUD grantee must have in place operating policies and procedures that will address the following federal financial management standards:

- Budget controls
- Internal controls
- Accounting controls

Because we assume that Multifamily Housing Program grantees are already functioning in a secure fiduciary environment, we assume that proper budget controls and internal controls are already in place. The focus of this section of the Toolkit is on accounting controls – management of day-to-day accounting and operational functions that will assure accurate record keeping, resource utilization and financial reporting.

### What Is the Focus of This Toolkit Regarding Accountability Practices?

Accounting is the process of keeping track of what money is taken in and what money is spent. Having accurate and comprehensive documentation of revenue and expenses is a regulatory requirement, and it is also a necessary part of an agency's organizational responsibilities.

All accounting activities must be undertaken in accordance with Generally Accepted Accounting Principles (GAAP). These uniform accounting standards exist in order to help ensure consistency and transparency, and can be understood readily by any trained accountant. Most basic accounting software will meet these minimum standards. Most important of all, accounting records must be supported by original source documentation.

### How Would You Describe Accounting's Primary Activities and Priorities?

Fund accounting (See Section 5.a.), the type of accounting required for HUD grantees, is a method of recording financial data based on the sources and uses of funds. Funds must be spent on eligible items and expended from the appropriate grant source. All inflows and outflows of funds must be recorded in detail, including the category of expenditure and the specific funding source. In addition to promoting compliance with HUD regulations, fund accounting can provide useful information regarding individual projects' and programs' performance.

Accounting functions, and their associated documentation and records, help ensure that program costs incurred are applied to the proper period and are paid in a timely manner. Accounting controls consist of procedures that enable grantees and sub-recipients of federal funds to maintain accounting records that sufficiently identify the source and application of funds that flow through the agency and, thereby, meet applicable standards.

## 4b. Regulatory Standards Relating to Accounting Records and Documentation

### What Does HUD Require Vis-à-Vis Source Documentation?

HUD standards for accounting records require that all grantees and sub-recipients:

- Maintain records that adequately identify the source and application of funds provided for financially assisted activities.
- Assure that these records contain complete and accurate information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- Per HUD standards for source documentation:
- Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

## 4c. Basic Elements of Accounting Records

### What Should Grantees Have in Place to Meet Regulatory Requirements?

To meet these regulatory requirements, a grantee/sub-recipient organization's accounting system should include at least the following elements:

- Chart of accounts: A list of account names and the numbers assigned to them
- Cash receipts journal: A chronological listing of when funds were received, in what amounts, and from what sources
- Cash disbursements journal: A chronological listing of how much was paid, when, and to whom payment was made
- Payroll journal: A chronological listing of payroll amounts, benefits and payroll taxes
- General journal: A record of all non-cash transactions
- General ledger: A comprehensive depiction, with details by account, of the activities recorded in each account of an organization. Entries transferred to the general ledger are cross-referenced to the applicable subsidiary journal or supporting documentation to permit the tracing of any financial transaction, thereby creating what is called an 'audit trail.'

## 4d. Basic Elements of Source Documentation

### What Is Needed to Meet Minimum Standards for Source Documentation?

Accounting records must be supported by source documentation that shows that all costs charged against the relevant HUD program were:

- Incurred during the effective period of the agreement between the grantee and HUD
- Incurred for eligible items, as outlined in the grant/contract agreement
- Approved by the appropriate official(s) within the organization
- Expended (i.e., have proof of actual payment)
- Not reimbursed by another funding source

### Source Documentation Requirements Vary by Program

While all reimbursable expenses should have appropriate source documents that identify such things as the amount of expense, method of payment, purpose, date of transaction, authorization and other pertinent details, specific documentation requirements will vary

by program. Program specific requirements are detailed in the relevant NOFA and cooperative agreement/grant award documents.

**Knowledge Check – Accounting Records and Source Documentation**

Select the appropriate response to complete the statement and then, select the Submit button.

**1. Accounting records should include information on grants and authorizations, income, assets, liabilities, sub-recipient contracts and unobligated balances.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Accounting records include all aspects of an agency's flow of funds, assets and liabilities.*

**2. Source documentation would include all of the following EXCEPT:**

A. Bank records for an assisted household
B. Agency vehicle use logs
C. Apartment complex rent schedule
D. An organizational chart

*The correct answer is 'D.' An organizational chart would be used to help justify the pay rate or salary of an individual employee, or to demonstrate a person's role in the agency's internal control system, but not as a source document for cash expenditures or billing.*

**3. One recommendation to improve recordkeeping and internal documentation is to maintain a comprehensive timekeeping and activity tracking system to track staff's time and activities completed under the HUD grant or contract.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Maintenance of supporting documentation, including staff timesheets or logs, is a mandatory activity for all Federal grantees and sub-recipients.*

## 5. Fund Accounting and Cost Accounting Defined

### 5a. Fund accounting

Fund Accounting is a method of recording financial information that groups resources into funds based on the source and use of those resources. In fund accounting, each grant and source of income is unique, has its own fund, own chart of accounts, and own specific list of eligible activities. Incurred costs are only eligible for federal reimbursement when those costs are allocated to the specific fund source, based on proper supporting documentation. Some sub-recipients concurrently receive funds through multiple federal, state and local grants, as well as funds from private philanthropy and other sources of cash. The costs incurred by such an organization must be properly allocated to each fund/grant source. Any organization that operates programs that receive multiple grants or relies on a single federal grant along with other distinct funding sources will need to use fund accounting

practices in order to meet the financial management requirements associated with the federal award.

More information on fund accounting can be found in the Fund Accounting Clinic Manual, at the HUD Exchange website. Though written for use by grantees of HUD's homeless programs, the general principles and descriptions are equally applicable to HUD's Multifamily Housing programs.

**Knowledge Check – Fund Accounting**

Select the appropriate response to complete the statement and then, select the Submit button.

**1. The key objective of fund accounting is to match the uses of funds according to the funds that contributed to a project or activity.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Fund accounting is used to track funds according to their source and use.*

**2. Fund accounting must account for all funds, 100% of all project activities, even if not fully funded by HUD or other federal sources.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Fund accounting must account for all funds, including non-federal funds.*

**3. Both 2 CFR 200 §200.302 and 24 CFR Part 85.20 require control and accounting for all funds, property and other assets funded by HUD g**

- ❑ True
- ❑ False

*The correct answer is 'True.' These circulars state the federally required standards for control and accounting for all HUD-funded assets.*

**4. Stacey, a caseworker with a range of client households. Stacey's agency receives HUD assistance for serving some households while the services for the others are funded from other sources. Stacey should maintain records that separate time spent on HUD-funded vs. non-HUD-funded clients.**

- ❑ True
- ❑ False

*The correct answer is 'True.' All direct costs, including personnel hours, require specific documentation. Stacey must make sure she is not charging HUD for hours spent on behalf of non-HUD-funded clients.*

## 5b. Cost Accounting

Cost Accounting is the process of tracking, recording and analyzing individual costs associated with an organization's activities. Cost accounting is a critical tool that allows an organization to determine the full cost of each of its activities by identifying each element of cost contributing to the activity. Cost accounting allows organizations to turn financial data into knowledge that is useful for the following:

- Understanding and reporting what it actually costs to deliver an activity
- Tracking the adherence of the activity to its budgeted cost projection
- Setting clear revenue goals to ensure continuation of the activity
- Evaluating the cost effectiveness of specific activities
- Evaluating the cost of expanding a program or savings that come with reducing an activity

# 6. Procurement

## 6a. Introduction

### How Is Procurement Defined and Implemented?

Procurement – an entity's purchasing procedures – is a critical component of federal cost principle requirements. All procurement procedures must be fair, open, and well documented; they may require NOFAs, RFQs, proposals or formal sealed bids; and they must assure market price or better. All purchases must follow specific written procedures and require the use of an appropriate federal procurement method. In addition, all program expenditures should be approved by an appropriate responsible party. Following proper procurement protocols is important not only to promote cost reasonableness, but also to ensure that goods and services are purchased in a way that is fair and transparent. We encourage you to learn about and follow federal requirements, as well as state and local requirements. Remember, the strictest rule that applies to your situation is the one you must follow.

## 6b. Uniform Guidance on Procurement Standards

### Where Can the Uniform Standards for Procurement for All HUD Awardees Be Found?

2 CFR §200.317-326 (Procurement Standards):

- 200.317: Procurement by States
- 200.318: General procurement standards
- 200.319: Competition
- 200.320: Methods of procurement to be followed
- 200.321: Contracting with small and minority business, women's business enterprises, and labor surplus area firms
- 200.322: Procurement of recovered materials
- 200.323: Contract cost and price
- 200.324: Federal awarding agency or pass through entity review

- 200 325: Bonding requirements
- 200.326: Contract provisions

## 6c. General Procurement Standards (200.318)

### What Are the Key Expectations for All Procurement Processes?

The general procurement standards articulated in section 200.318 include the following key expectations:

- Full and open competition is mandatory
- The purchaser must have conflict of interest and procurement policies in place
- Must avoid purchase of unnecessary or duplicative items
- Must award contracts only to responsible contractors
- Contractors that develop draft specifications, requirements, statements of work and invitations for bids or proposals must be excluded from bidding
- Must maintain proper documentation and records regarding procurements
- Emphasis added regarding the use of Inter-local cooperative agreements for the procurement of common shared goods and services
- Further defines time and material contracts

## 6d. Categories of Procurement (200.320)

### How Are Procurement Categories Differentiated?

Procurement requirements now fall essentially into two categories: 'small purchases' and 'substantial goods, services and property.'

- Most grantees and sub-recipients use grant funds to procure such 'small purchases' as office equipment or janitorial services, which do not exceed the small purchase acquisition threshold of $150,000 (41 U.S.C. 403(11)). These purchases require fairly simple procurement procedures and documentation. The organization needs to obtain and compare price or rate quotations from more than one qualified source, such as a service provider or supply catalog. It is important to refer to 200.318 and 200.319 to discern when a sealed bid competition is required and when non-competitive procurement is acceptable.
- For more substantial contracts for services or goods, procurement procedures must follow more rigorous standards. For example, grantees and sub-recipients need to adhere to requirements for such procurement methods as competitive, sealed bids and non-competitive (sole-source) bids. They need to include various contract provisions such as compliance with equal employment opportunity requirements, termination for cause, reporting requirements, etc. They also need to determine whether bidders are on the Federal list of parties that are barred from receiving Federal funds, and they are not allowed to enter into contract agreements that are considered 'cost plus' contracts.

Grantees and sub-recipients must use the applicable procurement process to secure a contract with an entity that will provide goods or perform specific tasks. However, the

entity itself is not further subject to the federal procurement rules as it carries out its work to provide the contracted goods or services.

Appropriate contract management, nevertheless, is necessary to ensure that the work is performed as contracted at a reasonable cost and that the contractor follows any and all stipulations that are part of the contract.

### A Procurement Example

A Section 811 PRA program decides to secure a subcontractor to assist with vouchering and other TRACS-related tasks. The grantee anticipates the cost to be $10,000 annually. The grantee contacts peer agencies that have similar subcontracts and identifies a number of agencies that can perform this service. The grantee develops a scope of work and sends it to three of these firms for quotes.

It is worth noting that in addition to the baseline procurement requirement articulated in §200.317-326, some of the grantees will have additional procurement requirements – state guidelines for PRA grantees or their internal agency requirements for providing Service Coordinator functions – with which they will also have to comply. The strictest guidelines/requirements will need to be followed.

## 6e. Grantee and Sub-recipient Organizations' Policies and Procedures

For both small purchases and more substantial procurements, grantees and sub-recipients must have written policies and procedures that describe how their organizations will procure goods and services, what information they will require when receiving a price or rate quote, and who will have approval authority.

Additionally, grantees and sub-recipients of HUD funds must have regular in-house trainings and a written code of standards for employees who award and administer contracts. An employee, officer or agent of a HUD grantee or sub-recipient organization should not participate in awarding a contract if any of the following people have an interest – financial or otherwise – in a firm that might be selected:

- The employee, officer, or agent
- Any member of their immediate family or a partner
- An organization that employs, or is about to employ, any of the above

The board of directors and program staff should identify potential conflicts of interest. The board should review these situations, using the organization's own procedures for addressing conflicts of interest. The independent auditors of a grantee or sub-recipient organization's finances will typically also review the organization's policies and activities for potential conflicts of interest and include recommendations for strengthening these policies if need be.

## 6f. Permitted Approaches to Procurement by Grantees and Sub-recipients

Grantees and sub-recipients must ensure that all of their procurement activities are completed using permitted approaches. These methods are required for state and local governments and their sub-recipients, but not for private owners and developers, except as mandated by governing state/local policies.

- Micro purchases < $3,000
- Small purchases <$150,000
- More than $150,000 (primarily construction): Competitive sealed bids with formal advertising
- More than $150,000 (general procurement): Competitive proposals
- More than $150,000: Non-competitive proposals or sole source

### Guidelines for Procurements by States – Section 200.317

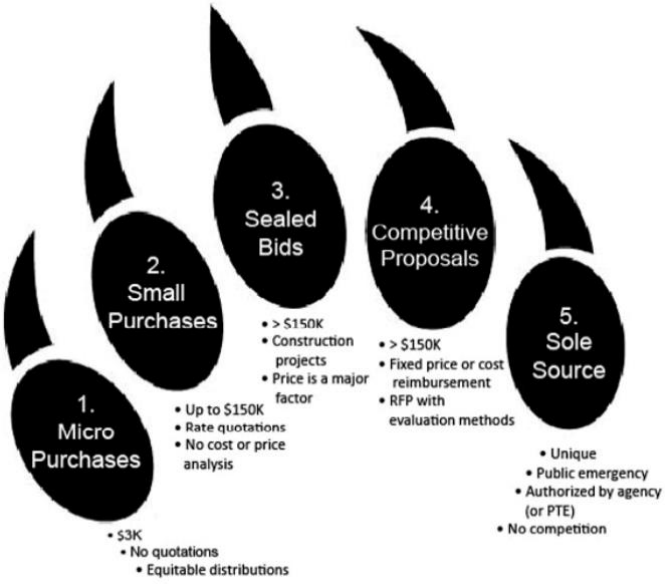
When procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds. In addition:

- States must comply with §200.322 'Procurement of Recovered Materials' and ensure that every purchase order or other contract includes any clauses required by section §200.326 'Contract Provisions.'
- All other non-Federal entities, including sub-recipients of a State, are expected to follow 'General Procurement Standards' (§200.318) through 'Contract Provisions' (§200.326), as outlined below in Section 6g.

## 6g. Graphic Depictions of the Five Types of Procurement

### Procurement Diagram re: General Standards (§200.317-326)

## Procurement Diagram re: Types of Purchases (§200.320)




## Description of Types of Purchases

Throughout all stages of the procurement process, HUD grantees and sub-recipients must ensure that only allowable, allocable and reasonable costs are incurred; that funds are expended appropriately, in accordance with good financial practices; and that all relevant information regarding purchases is documented, in accordance with written organizational policies and all applicable regulations, including those outlined in the OMB omnibus circular (2 CFR Part 200.317-326).

## What Is Included in Micro Purchase (< $3,000) Procedures?

Micro-purchases do not require competitive bidding or documentation of multiple bids. Micro-purchases may be awarded without soliciting competitive quotations. However, you are expected to shop around and negotiate for competitive prices, and to spread your micro-purchases amongst different vendors as much as possible. Federal regulations define micro-purchases as those under $3,000.

- If state or local government policies require lower maximums, then grantees and sub-recipients are required to follow the strictest applicable rules.
- To the extent practicable, micro-purchases should be distributed equitably among qualified suppliers.

## What Is Included in Small Purchase (<$150,000) Procedures?

For small purchases, like cars, closing costs or furniture for a new small program office, you are required to seek and document multiple price quotes from qualified sources. This method should only be used for construction work when it is not cost-effective to carry out sealed bids. Note that construction work procured by a private owner is not subject to these method requirements.

- Competition is sought through oral or written price quotations.

- Grantees must document an adequate number of price or rate quotations from qualified sources.

### What is Required for Procurements of More Than $150,000?

Procurements of more than $150,000 must be carried out using one of three procedures:

- Competitive sealed bid with formal advertisement
- Competitive proposals
- Non-competitive proposals or sole source

Note: Large projects may not be broken up into smaller components solely to qualify for the "small purchases" approach.

### Knowledge Check – Procurement

Select the appropriate response to complete the statement and then, select the Submit button.

**1. The reason for Federal competitive procurement requirements is:**

A. Ensure that supplies, equipment and services are acquired efficiently.
B. Help guarantee a 'fair' price for items or services bought with Federal funds.
C. Give the public confidence in the procurement practices of Federal assistance programs.
D. Allow more firms, particularly local firms, small businesses and minority- or women-owned businesses to have an opportunity to compete for work under Federal programs.
E. All of the above.

*The correct answer is 'E.' Federal procurement requirements are intended to ensure efficiency and fairness in the purchasing process, to promote public confidence and to increase competition for Federally funded work, particularly by advancing opportunities for local, small and minority- or women-owned businesses.*

**2. Procurement procedures are determined based on how expensive a purchase is expected to be.**

❑ True
❑ False

*The correct answer is 'True.' A Federal grantee or sub-recipient must first determine what the total cost will be for a purchase or procurement, then follow the guidelines specific to that cost category.*

**3. A cost or price analysis and documentation of the procurement process is only required for major purchases.**

❑ **True**
❑ **False**

*The correct answer is 'False.' A grantee or sub-recipient must do a cost or price analysis and maintain documentation of the procurement process for every procurement.*

**4. A governmental grantee or sub-recipient is justified in breaking up a procurement into components of $150,000 or less to utilize the 'small purchase' procedures if the procurement process for each purchase is still competitive.**

- ❑ True
- ❑ False

*The correct answer is 'False.' The standard for 'small purchases' is that the procurement is for services, supplies or property that does not exceed $150,000 in the aggregate. Therefore, for example, it is not allowable to break up arbitrarily a $150,000 procurement of materials into three $50,000 purchases just to be able to use the less complicated 'small purchase' procedures.*

**5. Conflict of interests occur when a staff member of a HUD grantee or sub-recipient participates in the award of a contract with all of the following individuals EXCEPT:**

A. An immediate family member
B. Someone who is about to begin employment with the organization
C. A former employee who has no financial interest in the firm
D. The employee's partner

*The correct answer is 'C.' None of the other relationships could be considered 'arms length,' which is a criterion for determining whether there is a real or perceived conflict.*

# 7. Reporting

## 7a. Overview

Reporting is the mechanism that program and finance staff uses to verify and document that funds have been used in accordance with the established budget and other requirements. Ideally, records from both program staff and finance staff are crosschecked for accuracy, providing another level of oversight. Reports from accountants, partners, TRACS and other reporting systems should all be compared and reconciled to ensure accuracy. Written agreements require comprehensive financial and programmatic reports to ensure compliance with all applicable OMB and HUD requirements. The best grantee reports go above and beyond what is required by law to improve organizational management and accountability.

## 7b. Steps to Follow for Reporting Compliance

The process of reporting can be thought of as comprising five basic steps that together will lead to successful compliance with HUD requirements. Don't get overwhelmed. Once you complete the initial process, you'll want to continue the process with a re-evaluation of your reporting plan and processes to ensure you have the most current updates from HUD and have documented any changes to your program that could affect reporting. Remember, good budgeting, accounting and procurement practices facilitate reporting and reduce the likelihood of audit findings.

### What Are the Five Basic Steps in Reporting?

The five basic steps in reporting include:

1. Develop a reporting plan for your internal team
2. Collect and consolidate all data
3. Reconcile data internally
4. Report in HUD's system of choice
5. Revisit your plan and apply quality controls, as needed

### Knowledge Check – Reporting

Select the appropriate response to complete the statement and then, select the Submit button.

**1. An effective reporting plan includes the following components:**

A. Identification of data elements for each grant and funding source
B. Specific plans regarding which departments or individuals will be responsible for tracking and reporting each data element
C. Strategies to improve performance if programmatic goals are not met
D. A and B
E. All of the Above

*'D' is correct answer. An effective reporting plan identifies data elements for each funding source and specific plans regarding tracking and reporting on each of these elements, including who will be responsible for these tasks.*

**2. Reconciliation (making sure that all accounts are consistent with one another and with past reporting) is ideal, but not as important as other aspects of the reporting process.**

- ❑ True
- ❑ False

*The correct answer is 'False.' Reconciliation is the only way to make sure that you are reporting accurately.*

## 7c. Other Reporting Requirements

### FFATA Sub-award Reporting

Applicants selected for funding will be required to report first tier sub-awards and executive compensation information, where their initial award is $25,000 or greater or the cumulative award is $25,000 or more, as required by the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282). The prime grant awardees will have until the end of the month plus one additional month after an award or sub-grant is obligated to fulfill the reporting requirement. The Federal Funding Accountability and Transparency Act (FFATA) of 2006 calls for the establishment of a publicly available web site to disclose the use of Federal finance assistance. FFATA also requires the reporting of the Total Compensation and Names of the top five executives if:

- More than 80 percent of annual gross revenues are from the Federal government, and those revenues are greater than $25M annually; and

- Compensation information is not already available through reporting to the SEC.
- OMB has published Interim Final Guidance to agencies regarding the FFATA sub-recipient reporting requirements in the Federal Register on September 14, 2010 (75FR55663.)

### Compliance with Section 872

Compliance with Section 872 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110-417), commonly referred to as 'Section 872,' requires the establishment of a government-wide data system to contain information related to the integrity and performance of entities awarded federal financial assistance and making use of the information by federal officials in making awards. It is anticipated that the federal data system will be known as the Federal Awardee Performance and Integrity Information System (FAPIIS). Only federal officials and the entity will be able to view the information in the FAPIIS system.

Further, each recipient of federal funds with a cumulative value greater than $10 million and their direct (i.e., first-tier) sub-recipients would be required to report to the FAPIIS system. The data collection requirements include information about certain civil judgments, criminal convictions, and outcomes of administrative proceedings that reached final disposition within the most recent 5-year period and were connected with the award or performance of a federal or state award. Recipients and first-tier sub-recipients must report information at least semi-annually to maintain the currency of the information. Section 872 also requires that an entity be allowed to submit comments to the data system about any information that system contains about the entity. Use of the FAPIIS system requires a DUNS number and current valid registration in SAM for HUD awardees and first-tier sub recipients.

Prior to making a funding decision, the federal official authorized to make the award is required to determine whether the entity is qualified to receive an award, taking into consideration any information about the entity that is in the data system. OMB is in the process of issuing regulations regarding federal agency implementation of Section 872 requirements. HUD's terms and conditions to its FY2015 awards contain requirements related to meeting Section FFATA and Section 872 requirements.

## 8. Financial Audits

### 8a. Audit Overview

Audits are reviews of an organization's financial accounts and financial accounting systems by such independent third-party experts as certified public accountants. An audit usually consists of a series of tests conducted by the auditor that assess the effectiveness of the organization's financial management policies and procedures. Audits ensure compliance with applicable regulations and that proper accounting and disbursing of funds is occurring.

### What Do Financial Audits Tell the Reader?

Audits answer basic questions about how well an organization is managing its financial resources. They include opinions on whether the organization's financial statements are presented fairly in all material aspects and in conformity with the Generally Accepted Accounting Principles (GAAP). Audits also include an assessment of an entity's:

- Schedule of expenditures — Is it accurate?
- Contracts or grant agreements provisions — Do they comply with laws and regulations?
- Financial records — Do they accurately reflect the entity's financial position?
- Controls and systems — Are they adequate?

### How Should Grantees Treat the Costs of a Financial Audit?

The costs of audits made in accordance with the applicable regulations are allowable charges to Federal assistance programs. Grantees should treat these as either a direct cost or an allocated indirect cost.

## 8b. Threshold Amount for a Federal 'Single' Audit (§200.501)

To be incompliance with 2 CFR Part 200.501, financial audits must follow both Federal rules and Generally Accepted Auditing Standards (GAAS). Under the new consolidated circular, grantees and sub-recipients who expend $750,000 or more in Federal funds during their fiscal year must complete and submit what's called a single audit.
Since this part does not apply to for-profit sub-recipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by any for-profit sub-recipients. The agreement with the for-profit sub-recipient must describe applicable compliance requirements and the for-profit sub-recipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit sub-recipients may include pre-award audits, monitoring during the agreement, and post-award audits. [See also §200.331 Requirements for pass-through entities.]
8c. Frequency of Audits (§200.504)

Except for the provisions for biennial audits bulleted below, audits required by this part must be performed annually. Any biennial audit must cover both years within the biennial period.

- A state, local government, or Indian tribe that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this part biennially. This requirement must still be in effect for the biennial period.
- Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this part biennially.

## 8d. Submittal of Audits to the Federal Clearinghouse

### How Does a Grantee Submit Its Completed Financial Audit to HUD, as Required?

It is important to note that the audit must be completed and the report submitted by the grantee to the Federal clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's reports or 13 months after the end of the audit period. After completing an audit, auditors can directly upload the complete audit package to the Clearinghouse on behalf of the grantee, if desired.

### What Does the Federal Audit Clearinghouse Do?

The Federal Audit Clearinghouse operates on behalf of OMB. Its primary purposes are to:

- Distribute single audit reporting packages to Federal agencies
- Support OMB oversight and assessment of Federal award audit requirements
- Maintain a public database of completed audits
- Help auditors and audited entities minimize the reporting burden of complying with Federal audit requirements

### Knowledge Check – Audits

Select the appropriate response to complete the statement and then, select the Submit button.

**1. Which type of review applies to an organization that has expended $750,000 or more of Federal funds in a single accounting year?**

A. Reviewed Financials
B. Single Audit
C. Compiled Financials
D. Program Audit
E. B and D

*'B' is the correct answer. Grantees and sub-recipients that expend $750,000 or more in a year in federal awards must have an audit conducted in accordance with 2 CFR Part 200, Subpart F—Audit Requirements. A single audit includes both an entity's overall financial statements and its federal awards (from all applicable federal programs). If a grantee or sub-recipient expends less than $750,000 a year in federal awards, it is exempt from the audit requirements for that year; however, records must be available for review or audit by appropriate officials of the federal agency, pass-through entity and the Government Accountability Office.*

**2. The Federal Audit Clearinghouse is the entity that conducts audits for organizations.**

❑ True
❑ False

*The correct answer is 'False.' The Federal Audit Clearinghouse, which operates on behalf of OMB, distributes single audit reporting packages to Federal agencies, supports OMB oversight and assessment of Federal award audit requirements, maintains a database of completed audits, and helps auditors and auditees minimize their reporting burden.*

**3. Audits can benefit your agency by doing all of the following EXCEPT:**

A. Verifying that you are complying with laws, regulations, and agreements.
B. Providing additional Federal funding if no findings are reported.
C. Providing information on whether financial records are reliable.
D. Assessing whether there is proper accounting and disbursing of funds.

*'B' is the correct answer. The purpose of an independent audit is, first, to affirm that the systems and records maintained by the auditee are in compliance with GAAP and all additional requirements for Federal grantees laid out in 2 CFR 200 and then to publish those financial records in a standardized format that is easily understood.*

**4. According to 2 CFR 200 (and 24 CFR Part 85 and 84), grantees and sub-recipients must hire an independent auditor who:**

A. Has a special government-issued license for conducting single audits of HUD programs as a means of in protecting participants' confidentiality
B. Has past experience working with HUD programs, per the requirements outlined in the Government Auditing Standards.
C. Has experience conducting audits dealing with funds in excess of $750,000.
D. Is a certified public accountant (CPA) with a current license issued by the State in which the CPA practices.

*'D' is the correct answer. An auditor's judgment is primary attribute that sought in securing his/her services. Judgment is necessary to determine which audit procedures are sufficient to achieve the audit objectives, and whether additional or alternative audit procedures are needed to achieve such objectives. The auditor is responsible for determining the nature, timing, and extent of the audit procedures necessary to meet the audit objectives (i.e., it is the auditor who determines the necessary amount of his/her audit work needed to form an opinion on whether the recipient complied with laws and regulations). For this reason, 2 CFR 200 insists that the auditor hired is a certified public accountant (CPA) with a current license issued by the State in which the CPA practices.*

**5. An FY 2014 grantee wants to refer back to the Federal regulations governing compliance requirements and suggested audit procedures specific to its program. This grantee should reference the:**

A. Generally Accepted Auditing Standards (GAAS).
B. Accounting Standards and Processes (ASP).
C. 2 CFR 200 – Subpart F – Audit Requirements
D. OMB Circular A-133 Compliance Supplement.

*'C' is the correct answer. The Omnibus Circular took effect in December 2014 and is the one-source reference for all Federal auditing questions for all HUD grantees accessing funds beginning with Fiscal Year 2014 allocations. (Section 811 PRA grantees funded through prior years' allocations will continue to follow the guidance provided in the OMB Circular A-133 Compliance Supplement, which is substantially the same.)*

## 8e. Requirements for Grantee Monitoring of Sub-recipients' Audit Compliance

Grantees are required to monitor the Federal audit requirements compliance of pass-through entities, including sub-recipients. Other responsibilities for monitoring sub-recipients include:

- Inform sub-recipients of Catalog of Federal Domestic Assistance (CDFA) number
- Advise sub-recipients of applicable Federal laws and regulations
- Monitor activities of sub-recipients
- Ensure receipt of audit reports in accordance with the appropriate standard(s)
- Issue management decisions on audit findings
- Consider adjustments of pass-through entity's records
- Require access to accounting records
- Keep report submissions on the file for three years from the date of receipt

# PART TWO: COST ALLOCATION

## 9. Basics of Cost Allocation

Cost principles are those common principles that help organizations determine the costs for specific activities and the costs that are chargeable to grants, awards and other agreements. Although the cost principles for the federal government, local governments and for nonprofit organizations are similar, they are not identical. Recipients and sub-recipients should ensure they are using the appropriate Office of Management and Budget (OMB) guidance and are in compliance with all applicable state and local requirements.

As part of its management function, the OMB has established cost principles for federal grant programs, detailed in **2 CFR §200.400 (Subpart E–Cost Principles).** The information that follows describes how costs are classified, what is required to receive reimbursement and how both direct and indirect costs are allocated. OMB identifies three specific attributes related to costs:

### Allowability

## 9a. Allowable Costs (§200.403)

To be allowable, a cost must meet all of the following requirements:

- Included within the description of eligible activities in the applicable HUD regulations
- Incurred directly or indirectly for the benefit of an eligible HUD client
- Comply with any limitations or exclusions set forth in these principles or as specified in the HUD grant award process (and codified in the grant agreement)
- Be treated consistently, determined in accordance with generally accepted accounting principles (GAAP) and documented adequately
- Determined to be necessary, reasonable, allocable to the HUD grant, and otherwise in conformance with the general criteria for allowable costs set forth in 2 CFR 200 Subpart E.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in the current year or prior periods.

### Knowledge Check – Allowable Costs

Select the appropriate response to complete the statement and then, select the Submit button.

**1. To be classified as allowable, the cost must be determined to be ordinary and necessary to sustain the organization's operation, deliver activities, and maintain performance.**

- ❑ True
- ❑ False

*The correct answer is 'True.'*

**2. To be allowably charged to a HUD grant, a cost must meet all of the following requirements EXCEPT:**

A. Undertaken in a period covered by an audit compliant with 2 CFR Subpart F - Audit Requirements (§200.500-§200.521).
B. Determined to be reasonable, allocable, and in conformance with the provisions in 2 CFR 230 for nonprofit organizations and 2 CFR 225 for governmental organizations.
C. Documented adequately.
D. Included within the description of eligible activities in the relevant program regulations.

*The correct answer is 'A'. Coverage in an audit is not a criterion outlined for an allocable cost. An audit is an essential element of overall financial management but not a criterion for cost allowability.*

*To be considered allowable charges to a HUD grant or contract, costs must be determined to be reasonable, allocable, and in conformance with the provisions in 2 CFR 225 and 2 CFR 230, documented adequately, and included within the description of eligible activities in the relevant program regulations.*

### Reasonableness

## 9b. Reasonable Costs (§200.404)

Costs are considered 'reasonable' if they do not exceed what a prudent person would incur under similar circumstances. All costs must pass the 'rational person' test by meeting all of the following criteria:

- The cost is would be recognized as ordinary and necessary for the operation of the organization and/or project.
- The cost is in accordance with market prices for comparable goods or services as evidenced by cost estimates and documentation.
- The individuals responsible for incurring the cost acted with prudence and for the benefit of the organization and its activities.
- The cost has been incurred after following the established practices of the organization, in accordance with the terms and conditions of the award. (See Procurement requirements detailed in Section 6 of this Toolkit).

**Knowledge Check – Reasonable Costs**
Select the appropriate response to complete the statement and then, select the Submit button.

**1. For a cost to be considered "reasonable," it must meet all of the following requirements EXCEPT:**

A. Determined to be ordinary and necessary to sustain the operation of the organization, deliver activities, and maintain strong performance.
B. Incurred after following the established practices of the organization in accordance with the terms and conditions of the award.
C. Incurred for an activity that benefits an eligible household.
**D.** Incurred by individuals who acted **with prudence to provide the most benefit to the organization.**

*'C' is correct. To be considered 'reasonable,' the cost does not have to be shown that it was incurred directly for the benefit of an eligible household.*

### Allocability

## 9c. Allocable Costs (2 CFR §200.405)

Costs must meet federal guidelines for allocability in order to be reimbursed through a federal grant or contract. To be allocable, a cost must meet the following requirements:

- Benefits both the Federal award and other activities and can be distributed in proportions that may be approximated using reasonable methods
- Is incurred specifically for the funded program (i.e., direct costs)
- Proves necessary to the overall operation of the organization, even though a direct relationship to any particular program activity cannot be readily shown (i.e., indirect costs)
- The cost may benefit both the funded program activities and other activities, in which case it must be assigned to the respective activities in reasonable proportion to the benefits received.

**Knowledge Check – Allocable Costs**
Select the appropriate response to complete the statement and then, select the Submit button.

**1. To be classified as allocable, costs must be incurred for the funded program, proven necessary to the organization's operation, or have benefit for the funded program.**

❑ True
❑ False

*The correct answer is 'True.'*

## 9d. The RADAR Test

A simple aid in determining what is eligible for reimbursement and why it is eligible, as well as how to document compliance with financial management standards so that costs charged are limited only to those that are allowable and reimbursable is the so-called 'RADAR Test.'

When costs are: Reasonable, Allowable, Documented and Allocable, then they are Reimbursable.

**Knowledge Check – RADAR Test**
Select the appropriate response to complete the statement and then, select the Submit button.

**1. According to the RADAR test, if a personnel cost is Reasonable, Allowable, Documented, and Allocable, it is:**

A. Restricted
B. Reimbursable
C. Recommended
D. Regulated

*The correct answer is 'B.'*

## 10. The Cost Allocation Process

The purpose of cost allocation is to divide shared costs in such a way that the appropriate amount, based on the relative proportion of total resources used, is charged to each applicable program and funding source. One important outcome of the process is the assurance that the same cost is never charged to more than one funding source. Of course, costs defined as ineligible by OMB – or explicitly excluded by HUD or a local funder – can never be reimbursed by a federal grant.

## 10a. Defining Direct and Indirect Costs (§200.412)

"There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards."

All costs can be classified as either 'direct' or 'indirect,' and the cost type governs how they are allocated. Some examples of direct and indirect costs follow:

- Direct costs are those that can be specifically identified with a particular award or activity relatively easily with a high degree of accuracy. Identification with the

Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards.

- Examples of direct costs are the salary and benefits paid to a case manager, a rental assistance check paid directly to a landlord and mileage reimbursement for staff making home visits.
- Indirect costs are those that have been incurred for 'shared' or 'joint' objectives and cannot be readily identified with any particular activity. Typical examples of these costs include:
- Rent, utility, insurance, maintenance and other expenditures related to shared space
- Administrative and executive team functions that support multiple program areas
- Purchases, transportation and staff expenses that benefit multiple program areas

Due to the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost that may be classified as indirect cost in all situations. However, a cost may not be allocated as an indirect cost if any similar costs have been assigned as a direct cost.

## 10b. Documenting Personnel Costs

One of the most important aspects of allocating direct costs that benefit more than one grant or program area is the documentation of the cost, regardless of whether it is a personnel or non-personnel cost. Correct allocation of personnel costs, however, often requires more extensive protocols than non-personnel costs. Staff time supporting HUD-funded activities and non-HUD-funded activities must be prorated according to the degree to which the activities benefit the HUD grant.

Some best practice examples follow:

- Cost reasonableness as it applies to personnel costs is typically established in an organization's Human Resource records that establish pay ranges and job descriptions.
- These documents need to demonstrate that the pay scales and benefits for each position are within the range of similar positions in the labor market area and therefore are reasonable.
- For nonprofit organizations, assistance in establishing and evaluating pay ranges can be obtained from other local nonprofits or from associations of nonprofit organizations that exist in many areas of the country.
- Personnel costs (i.e., staff salaries and benefits) are reimbursable under a HUD grant when staff time is spent conducting HUD-funded and approved activities and providing services to grant-eligible clients (and only to that portion of total clients served).
    - This requires an effective time recording system that not only supports the personnel costs charged to HUD but also divides the time among the separate program categories required for reporting.
    - Please note that just because staff works exclusively within a HUD-funded program area, 100% of their time may not be reimbursable under an associated HUD grant. This is because staff members typically also spend some time in

internal agency meetings, conducting staff reviews and other non-HUD-related activities. The time and costs incurred for these functions are not part of an allowable direct HUD cost, however they may be allowable as a component of the indirect cost basis – depending on what specific activities are being included, e.g. fundraising or lobbying would never qualify for HUD reimbursement.

## 10c. After-the-Fact Time and Activity Reporting

Accurate documentation of personnel costs is a key requirement that can be challenging. In order to comply with financial management requirements, grantees and sub-recipients should be able to document all staff time that is paid from the HUD grant. To document the division of costs between funding sources, staff is expected to record actual time spent on each HUD grant or non-HUD activity to provide the basis for how much of his or her salary (and related fringe benefit costs) will be allocated to the various funding sources. According to OMB, time and activity records must be prepared at least monthly; but keeping records on a daily or weekly basis is much more practical and efficient. The recording may take place after the fact. Because it is difficult to reconstruct the time spent on activities with any degree of accuracy many days after the fact, it should occur as soon as possible, preferably the same day or first thing the next.

Optimally, the timekeeping procedures an organization implements require effective supervision by managers to ensure on a regular basis that employees are keeping records accurately. The most important tool in adequately documenting time is an adequate time and activity reporting system. This system must allow employees to log the time spent on different clients, activities, and grants, and provide a mechanism for employees to report all the time they spent working throughout that day. Grantees should assure that sub-recipients have such systems in place prior to subcontracting.

## 10d. Supplemental Documentation of Staff Activities

For financial monitoring purposes, documentation of the time spent and the activity performed is essential. If there is no record to support the staff time spent and its relationship to the approved grant activities, it is as though it did not happen and those staff costs cannot be paid with HUD funds.

All staff time charged to HUD must meet basic HUD program requirements and carry out a specific activity approved in the HUD contract. For instance, for costs to be 'allowable' expenditures, the time that staff spends delivering services to those clients – and only those clients – can be charged to the grant. This demonstrates that the costs are "allocable" costs. Recording hours, however, is not sufficient in and of itself. An adequate time and activity system will have additional documentation that explains how the staff person spent the time on eligible clients and activities.

Following are two examples: use of Case Notes or an Activities Log:

- Case notes: MH Service Coordinators should keep case notes about the issues and topics that were addressed in their sessions with residents and have a justification for the frequency or infrequency of meetings.

    - For instance, one client may have a steady job, be successfully managing their rent and other responsibilities, and have a stable coping strategy and family support. Such a client might require assistance only infrequently.
    - Another resident may have more significant obstacles to housing stability or be going through a crisis. This client might require daily contact during the difficult period.
- Activities log: Other on-site staff, such as maintenance personnel, might keep a time log and file by housing unit. The log would document the time and activities spent on HUD-funded units and the file would contain forms like maintenance request forms and completed work orders, with completion dates and total hours expended in solving that unit's particular issues.
- Documenting landlord outreach efforts: A key constraint in operating scattered-site housing programs, such as PRA, is identifying potential landlords, property management firms and individual units. State or sub-recipient entity staff (and/or contractors) will typically spend time researching and reaching out in developing leasing options. Similar to the MH Service Coordinators, outreach activities should be documented, including specific costs and hours, for inclusion in the Administrative Cost line item in the PRA budget.

Together these primary and supplemental documents are used to verify grantees' and sub-recipients' efforts to ensure that residents receive appropriate services as well as the work conducted on-site on behalf of eligible residents. This documentation is the foundation for the timesheet submitted and approved to charge time to HUD or other funding sources. This type of supporting documentation should also be available to respond to monitoring reviews or the test of transactions in an audit.

## 10e. Direct Charge of Personnel Costs

An accurate timekeeping and activity tracking system is essential for ensuring that personnel costs will be prorated accurately and reflect an accurate proportion of staff time spent on HUD-funded activities. The system must be able to track staff time among different HUD and non-HUD grants and contracts, as well as among the various activities performed under each agreement. In this way, the grantee or sub-recipient will be able to identify the funding sources that can be used to cover the cost of each individual's work assignments.

Just as for staff providing resident services, workers performing other types of eligible activities need to show a direct benefit to the HUD-funded program resulting from the time they are charging to the grant. Time reported must also be linked to its appropriate eligible activity.

**Knowledge Check – Direct Personnel Costs**

Select the appropriate response to complete the statement and then, select the Submit button.

**1. The allocation of personnel costs is a process by which costs can be fairly charged to all activities that benefit from those costs.**

- ❑ True
- ❑ False

*The correct answer is 'True.' Accurate time and activity tracking support the proper allocation of staff time, both direct costs and indirect costs.*

**2. The benefits of using a time and activity reporting system to document personnel time include all of the following EXCEPT:**

A. Allows employees to log time spent on different clients, activities, and grants.
B. Provides a mechanism for employees to report all the time spent working for that day.
C. Determines client eligibility.
D. Allows for reporting to be current and up to date.

*The correct answer is 'C.' Client eligibility would be determined outside of the employee time and activity reporting process.*

**3. Match each term to the correct definition:**

A. Reasonable
B. Allowable
C. Documented
D. Allocable

1. Costs conform to the HUD regulations and meet OMB standards.
2. Costs do not exceed what a prudent person would incur under similar circumstances.
3. Costs are fairly charged to all activities benefiting from the cost.
4. Costs are tracked for the time an employee spends on their activities.

*Answers: 1 = B; 2 = A; 3 = D; 4 = C.*

**4. Generally, costs are considered reasonable if they do not exceed what a prudent person would incur under similar circumstances. Compliance with this general requirement, as it applies to personnel costs, is established in:**

A. Organization human resource records that establish pay ranges and job descriptions
B. The budget submitted by the grantee
C. Organization accounting policies
D. Government accounting policies

*The correct answer is 'A.' Organizational charts and other human resource documents are essential to determining reasonable personnel costs.*

## 10f. Direct Charge of Non-Personnel Costs

Non-personnel direct costs are allocated through associating each cash outlay with a particular activity and fund source. For example, supplies and resources purchased for a specific program are recorded as direct expenses at the time of payment, based on purchase order requests or other such authorizing documentation. Costs to lease office space, vehicles or equipment are charged to the appropriate funding source, based on documented use of the resources, such as square footage analysis and utilization logs.

### Knowledge Check – Direct Non-Personnel Costs

Select the appropriate response to complete the statement and then, select the Submit button.

**1. Identify which of the following costs is NOT an example of a direct charge of non-personnel costs.**

A. Rent subsidy payment for an eligible low-income household
B. Computer hardware purchase, for organizations operating numerous types of programs
C. Operating costs of HUD-funded housing facility used exclusively by eligible residents
D. Expenses for a vehicle used exclusively for HUD-funded activities and serving eligible households

*'B' is correct. In order to be considered a direct cost, it must provide direct benefits to the Federal program that is providing the funding.*

**2. Select which of the criteria below would NOT be required for a direct charge to a federal grant of non-personnel costs:**

A. The cost must provide direct benefit to a federally funded program
B. The cost must be allowable
C. The cost must be reasonable
D. The cost must be allocable to only one funding source
E. The cost must be supported by basic documentation

*The correct answer is 'D.' The cost must provide direct benefit to the federal program, be allowable and reasonable, and supported by basic documentation, but the activity can be funded from multiple sources.*

**3. Identify the statement that is NOT true regarding the allocation of shared non-personnel costs:**

A. The cost solely benefits one federal program.
B. A portion of the cost is allocated to a funding source other than the federal program.
C. The basis for allocating the reimbursement of a particular cost may differ according to what the cost pays for.
D. The agency must determine the basis for allocation.

*'A' is correct. A cost is shared and must be allocated because it benefits more than one program.*

## 11. Allocating Indirect Costs

As noted above, indirect costs are typically accumulated in the 'Management and General' (M&G) cost pool. As most HUD grantees and sub-recipients are either government or nonprofit organizations, there are a few methods for allocating indirect costs that are acceptable under OMB regulations:

- Direct Allocation Method
- Simplified Allocation Method
- Multiple Rate Allocation Method
- Special Indirect Rate
- Federally Approved Indirect Cost Rate by cognizant agency

### Guidance for State/Local Governments Re: Indirect Cost Allocation (Appendix VII to Part 200)

Allowable indirect costs are defined in Part 200 to include:

- The indirect costs originating in each department or agency of the governmental unit carrying out Federal awards
- The costs of central governmental services distributed through the central service cost allocation plan (as described in Appendix V to Part 200 - State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans) and not otherwise treated as direct costs.

State/local governments' indirect costs are normally charged to Federal awards by the use of an approved indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards.

- Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled "A Guide for States and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government."
- A copy of this brochure may be obtained from the HHS Cost Allocation Services website.

Guidance for Nonprofit Entities Re: Indirect Cost Allocation (Appendix IV to Part 200)
Indirect costs are those that have been incurred for common or joint objectives. After direct costs have been determined and assigned directly to federal awards, or other work as appropriate, indirect costs are those that remain to be allocated.

- Please note, however, that a cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

## 11a. Direct Allocation Method

Since the Direct Allocation method is the method most commonly used by HUD's nonprofit grantees and sub-recipients for handling indirect costs, it is the one we focus on in this

Toolkit. The Direct Allocation method treats almost all indirect costs as direct costs. The basis for prorating indirect costs as direct costs is supported by documentation that demonstrates the relative benefit of the particular cost to the grant's activities. Using this method, all costs are limited to three basic categories:

- Program activities, including those performed under federal grants
- Management functions and general expenses (M&G)
- Fundraising, which, under the OMB regulations, is never eligible for HUD-reimbursement

Shared (or indirect) costs, such as insurance, depreciation, facilities, copier, other equipment and phone/Internet expenses are prorated as though they are direct costs and are assigned to one of the three categories above using a base appropriate to each particular cost type.

- To accurately reflect each program area's share of the organization's total operational expenses, management and general expenses may be further allocated.
- Detailed instructions for implementing an item-by-item methodology are contained in each sub-recipient's Cost Allocation Plan.

## 11b. Defining Administrative Costs for HUD Purposes

Because HUD programs have specific limits on the amount of funds spent on grant administration, separating program costs from administrative costs is essential for financial management compliance. In general, administrative costs include the costs of overall program management, budgeting, coordination, monitoring, reporting and evaluation. This includes salaries and benefits for personnel engaged in these activities, as well as the costs of administrative services performed under third-party contracts or agreements, including general legal services, accounting services, and audit services. It can also include the costs of goods and services required for program administration, including the rental or purchase of equipment, insurance, utilities, office supplies, and the rental and maintenance (but not purchase) of office space.

## 11c. Allocating Shared Personnel Costs

Personnel costs are related either to program, fundraising or management and general functions. They comprise a significant portion of the costs covered with Service Coordination funds. Effective financial management requires that grantees and sub-recipients have in place systems that ensure that personnel costs meet all financial standards and criteria required for reimbursement by HUD. Such systems help establish an unbroken thread from the work performed by an individual staff person to the eligible HUD activity in an approved grant, contract or agreement.

## 11d. Allocating Shared Non-Personnel Costs

The allocation of 'shared' direct non-personnel costs can be more complex because specific methods of documentation and allocation are required for each different cost type.

- Non-personnel 'shared' direct costs can include the purchase of supplies, food and other materials used or consumed directly by residents. In this case, grantees and

sub-recipients would employ standardized procedures for documenting the proportion of each purchase to be associated with appropriate grant sources and program activities, such as purchase order requests or supply requisition forms.
- Other non-personnel 'shared' direct costs can include a portion of office space, utilities or transportation costs, for which the costs of rent (or vehicle maintenance) may be prorated according to the percentage of HUD clients served, building square footage used by associated program staff or miles driven.

Examples of Allocating Shared Non-Personnel Costs:

- Agency A utilizes 1,000 square feet of space for its program activities (plus an additional 400 for administration and fundraising) at total monthly cost in rent of $3,500. Within the program space, it operates a Service Coordinator in Multifamily Housing program, as well as several non-HUD programs, all of which are staffed by five full-time workers.
    - Each month all staff members complete time sheets that document how they spent their time during that month.
    - The portion of total rent and utility costs associated with the 1,000 square feet for program staff – and to be charged to each applicable funding source – is calculated for each funding source and activity. The example above allocates costs for the 5.0 FTE staff as follows:
        - First, applying the proportion of 'program' to total space (1,000/1,400 sq. ft.); e.g. 1,000/1,400 = 5/7 of the total cost of $3,500 per month = $2,500.
        - Then applying the ratio of program-related personnel costs calculated for each of the 2 Service Coordinators, 2 non-HUD case managers, and 1 shared supervisor who spends 20% of her time on Service Coordination-related activities and 80% on non-HUD activities.
        - This ratio is determined based on the proportion of hours charged by staff to each fund source and activity in the monthly staff time and activity reports, e.g. –
          2.2 FTE staff for SC activities = 2.2/5 x $2,500 = $1,100 in SCMF rent cost
          2.8 FTE staff for non-HUD activities = 2.8/5 x $2,500 = $1,400 in non-HUD rent
- Agency B utilizes a 9-passenger van to assist clients to get to medical appointments. Only the Section 202 operating contract recognizes this as a reimbursable activity. Thus, for every trip, the van operator keeps track of each client, which program s/he is associated with, and the miles driven on behalf of that client. The amount eligible for HUD reimbursement is determined by calculating the Section 202-eligible portion of total person-miles driven and applying that ratio to the total costs for that trip.

For more information on federal cost allocation principles and practice, please refer to **2 CFR §200.400 (Subpart E–Cost Principles),** which can be found on the US Government Publishing Office website.

**Knowledge Check – Indirect Costs**

Select the appropriate response to complete the statement and then, select the Submit button.

**1. HUD programs set specific limits on the amount of funds spent on administrative costs so it is important to separate program costs from administrative costs.**

- ❑ True
- ❑ False

*The correct answer is 'True.' All staff should be knowledgeable as to which aspects of their job responsibilities are program eligible, administrative and ineligible for HUD reimbursement.*

**2. One difference between direct costs and indirect costs is that direct costs:**

A. Are incurred for common/joint objectives and cannot be identified with one particular activity; indirect costs only partially pertain to the activity.
B. Are identified expressly with a given activity; indirect costs are incurred for common/joint objectives and cannot be readily identified with only one certain activity.
C. Pertain to the grant's budget; indirect costs are incurred for activities that do not relate to the HOPWA grant.
D. Are shared in an organization; indirect costs relate to other parts of the organization.

*The correct answer is 'B.'*

**3. One difference between personnel costs and non-personnel costs is that personnel costs:**

A. Are generally documented by time and activity reports; non-personnel costs are documented by other types of sources.
B. Are partially reimbursable through a HUD grant or contract; non-personnel costs are completely reimbursable through a HUD grant or contract.
C. Include office space and transportation costs; non-personnel costs include other costs that could be prorated according to the percentage of eligible households served.
D. Must have supporting documentation, while non-personnel costs do not need supporting documentation.

*The correct answer is 'A.'*

**4. Managing non-personnel costs can be challenging due to all of the following reasons, EXCEPT:**

A. Non-personnel costs often benefit more than one program or fund.
B. Financial management principles require these costs to be allocated (or divided) among the various programs or funds.
C. Managing non-personnel costs is so similar to personnel costs.
D. Both the allocation process and the documentation required to support the allocations are common areas where mistakes occur.

*The correct answer is 'C.'*

**5. Match the acceptable method for allocating indirect costs with its definition.**

1. Direct Allocation Method
2. Simplified Allocation Method
3. Multiple Allocation Method
4. Special Indirect Cost Rate

A. Distributes indirect costs according to their relative benefits. May vary significantly among activities or departments.
B. Used under special circumstances when a single indirect cost rate for all activities is not appropriate.
C. Used by organizations which have only a single function covering few awards and yields one percentage that is applied to a particular grant or project's indirect costs.
D. Prorates each cost to the grant based on its relative benefit to the grant. Most common method used by sub-recipient nonprofit agencies for handling indirect costs.

*Correct Answers: A = 3; B = 4; C = 2; D = 1*

# PART THREE: PROGRAM DESCRIPTIONS

## 12. Assisted Living Conversion Program

### 12a. Program Overview

The Assisted Living Conversion Program (ALCP) is authorized under Section 202b of the Housing Act of 1959, as amended by the Section 202 Supportive Housing for the Elderly Act of 2010. HUD's Office of Multifamily Housing is responsible for administering the ALCP. The purpose of HUD's Assisted Living Conversion Program (ALCP) is to provide private, nonprofit owners of eligible developments with a grant to convert some or all of the dwelling units in the project into an Assisted Living Facility (ALF) or Service-Enriched Housing (SEH) for elderly residents aging in place. All ALFs and SEH must have sufficient community space to accommodate provisions of meals and supportive services.

- For more information, visit the ALCP Program page on HUD's website.

#### How Does HUD Define Assisted Living Facilities?

Assisted Living Facilities (ALFs) are designed to accommodate frail elderly and people with disabilities who can live independently but need assistance with activities of daily living (e.g., assistance with bathing, grooming, dressing, eating and home management activities). ALFs must provide support services such as personal care, transportation, meals, housekeeping and laundry. An ALF must be licensed and regulated by the State (or if there is no State law providing such licensing and regulation, by the municipality or other subdivision in which the facility is located).

#### How Does HUD Define Service-Enriched Housing?

Service-Enriched Housing (SEH) is housing that accommodates the provision of services to elderly residents who need assistance with activities of daily living in order to live independently.

#### What Costs Does ALCP Funding Cover?

ALCP funding provides for the physical costs of converting some or all of the units of an eligible development into an ALF or SEH, including the unit configuration, common and services space, as well as meeting other requirements described in the NOFA and any necessary remodeling, consistent with HUD or the State's statute/regulations (whichever is more stringent). Funding for support services, which cannot come from HUD, must be coordinated by the owners or residents – either directly or through a third party.

### 12b. Summary of Closeout Procedures

The Multifamily Housing grant closeout process is a series of procedures to verify that: (1) the grant funds were properly spent and (2) the grantee is in full compliance with the terms and conditions of the governing agreement and regulations. If the terms and conditions have been satisfied, the grant may be closed out. If it is determined that the terms and conditions of the awards have not been satisfied, the Field Office must coordinate with Headquarters to determine next steps.

### When Can Owners Close Out ALCP Grants?

ALCP grants may be closed out when all of the following criteria have been met:

- The grantee has not applied for an extension of the subject award
- Programmatic requirements have been satisfied and required performance reports submitted
- Financial reports and other related information have been submitted and any payments to the recipient for allowable reimbursable costs under the award have been made
- Unexpended funds, if any, have been recaptured or de-obligated

### What Criteria Does HUD Apply When Considering Terminating an Award?

HUD may terminate an award if a grant has been inactive for more than 180 days and the grantee fails to provide a justification and has not complied with HUD's request to satisfy the terms of the agreement.

- If a property type has changed and the property no longer meets the eligible property requirements, as determined by governing statute, the grant must be terminated.

Upon the determination that the grant is to be terminated or closed out, the closeout process must commence.

## 12c. Recommended Closeout Actions

### How Can a Grantee Assure Compliance with the ALCP Closeout Requirements?

To comply with the closeout requirements as established in 24 CFR Part 84 and 85 or 2 CFR Part 200, within 90 days after the date of completion of the award (end date), the grantee must submit a copy of the final Performance Report and the Federal Financial Report, SF-425. If the grantee has already submitted its final performance report, no additional report is required to be submitted. HUD has 45 days from the date of receipt to review the documents to determine whether the criteria for closeout were met.

### What Happens Once It Has Been Determined that the Criteria for Closeout Were Met?

HUD will prepare and execute the appropriate closeout letter. The letter must identify the grant being closed out and inform the grantee that any equipment and/or supplies purchased with grant funds must continue to benefit the property.

If the grantee does not wish to keep the equipment/supply, the grantee must comply with 2 CFR Part 200.313 or 24 CFR Part 84 and 85.

HUD must recapture any unused portion of the grant. If the grantee has not incurred expenses against the full amount of funds that have been drawn down from LOCCS, the unspent portion must be returned to HUD.

### When Is a Grant Considered Closed Out?

Grants are considered closed out on the date that the appropriate HUD official executes the closeout notification.

If after exhaustive attempts by HUD staff to encourage grantee compliance with the closeout requirements, a grantee fails to comply with the established deadlines, HUD staff must contact the Office of Inspector General to determine next steps.

## 12d. Recordkeeping Requirements

Grantees are required to retain records for 3 years from the time of closeout of HUD's grant. Records that are the subject of investigation, audit or review should be retained until the reviews are completed in order to allow HUD to complete it oversight functions.

## 12e. Additional Resources that Grantees Might Consider

HUD's ALCP relies on other sources of funding for supportive services. There are numerous sources of federal, state and local funds available to pay for services, including Medicaid, Older Americans Act funds, state-only programs and so on. It is important for applicants to understand that not all residents of HUD-assisted housing will be eligible for all sources of services funding. Also, funding often is not specific to assisted living facilities, but can be used for that purpose.

- Visit the ALCP program page for more information about potential funding sources.
- Argentum (fka Assisted Living Federation of America) has information about states' ALF regulations and licensing: http://www.argentum.org/alfa/Organization.asp

# 13. Congregate Housing Services Program

## 13a. Program Overview

The Congregate Housing Services Program (CHSP) offers grant funding to States, units of general local government, public housing authorities (PHAs), tribally designated housing entities (TDHES) and local nonprofit housing sponsors to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. Although HUD has neither solicited nor funded applications for new CHSP grants in recent years, Congress has continued to provide funds to extend expiring grants on an annual basis.

Authorization was first under the CHSA of 1978; the Housing and Community Development Amendments of 1978, Title IV, as amended, Public Law 95-557, 42 U.S.C. 8001. The revised Congregate Housing Services Program is authorized by Section 802 of the Cranston-Gonzalez National Affordable Housing Act, 42 U.S.C. 8011, with regulations at 24 CFR 700 for HUD and 7 CFR 1944 for RHS.

- For more information, visit the CHSP Program page on HUD's website.

### What Types of Assistance Are Available?

Assistance is in the form of grants to provide at least one hot meal per day in a group setting, seven days per week, plus other supportive services necessary for independent living. Projects may not duplicate services that are already available at affordable rates. HUD administers this program in coordination with the Rural Housing Service of the U.S. Department of Agriculture.

### Which Residents of Federally Assisted Housing Are Eligible?

Services may be used by frail elderly (62 years or older), disabled and temporarily disabled persons who are residents of federally subsidized housing and are unable to perform at least three activities of daily living. An independent professional assessment committee works with a Service Coordinator appointed by the grantee to determine individual eligibility for services and to recommend a service package to the housing management.

### How Are Federal Funds Utilized?

Under CHSP:

- HUD provides funds of up to 40 percent of the cost of supportive services,
- Grantees pay at least 50 percent of the costs and
- Program participants pay fees amounting to at least 10 percent of the program costs. Fees may be up to 20 percent of a participant's adjusted income.

## 14. Section 811 Project Rent Assistance (PRA) Program

## 14.a Program Overview

### Authorization

The Section 811 Project Rent Assistance (Supportive Housing for Persons with Disabilities) Program is authorized by Section 811 of the National Affordable Housing Act of 1990 (P.L. 101-625) as amended by the Housing and Community Development Act of 1992 (P.L. 102-550), the Rescission Act (P.L. 104-19) the American Homeownership and Opportunity Act of 2000 (P.L. 106-569) and the Frank Melville Supportive Housing Act of 2010(P.L. 111–374).

- Program regulations can be found in 24 CFR Part 891.
- For more information, visit the PRA Program page on HUD's website.

### Definitions

Please refer to Exhibit 1 of the Cooperative Agreement template (form HUD-92305-PRA) for the definition of terms used in all Section 811 documents. (See Section 17 – Appendix.)

### Types of Assistance Authorized

The Frank Melville Supportive Housing Investment Act of 2010 authorized the Section 811 program to operate in three ways:

1. Traditional capital advance/PRA program that provides interest-free capital advances and operating subsidies to nonprofit developers of affordable housing for persons with disabilities.
2. Modernized capital advance/PRAC that provides interest-free capital advances and operating subsidies for no more than 25% of units in a multi-family property set-aside as housing for persons with disabilities.
3. Project rental assistance (PRA) program that provides project rental assistance to multifamily properties selected by state housing agencies. The PRA program does not provide any capital funds.

Since the FY12 appropriation, the only new funds Congress has provided under the Section 811 program have been for the PRA option. Thus, the remainder of this section focuses specifically on the PRA option.

### Purpose and Goals of the Project Rental Assistance (PRA) Program

The primary purpose of HUD's Section 811 Supportive Housing for Persons with Disabilities Project Rental Assistance (PRA) Program is to identify, stimulate and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities, while also making appropriate support and services available to them.

By subsidizing rental housing with the availability of supportive services for eligible tenants, the PRA Program enables persons with disabilities to live as independently as possible in the community. By providing rent assistance, HUD seeks to increase eligible tenants' access to affordable permanent supportive housing units – both new and existing – that are linked to appropriate services.

### Project Rental Assistance Overview

Under the PRA, states are the only eligible applicants and may apply through a partnership between the health care/Medicaid authority and the state housing finance agency. In forging this partnership, the health care authority must develop a policy for referrals, tenant selection and service delivery to ensure that supportive housing available for the targeted population.

Supportive services may vary with the target population and could include tenancy supports, case management, training in independent living skills and assistance in obtaining employment, as well as other services. However, tenants cannot be required to accept any supportive service as a condition of occupancy.

Currently, Section 811 funding comes only in the form of project rental assistance. No Section 811 funds are available for construction, rehabilitation or supportive services. The program provides, project rental assistance only for new or existing affordable housing developments funded by such sources as federal or state Low-Income Housing Tax Credits, HUD's CDBG and HOME funds, and other federal, state, and local financing mechanisms.

In accepting PRA funding, grantees assume responsibility for administering the PRA Program, managing Rental Assistance Contracts (RAC) with property owners and satisfying all applicable HUD and other federal requirements.

### Tenant Eligibility

For all PRA-funded projects, eligible tenants will meet the Cooperative Agreement definition:

Extremely Low-Income Person with Disabilities between the ages of 18 and 62, and Extremely Low Income Families, which includes at least one Person with a Disability, who is between the ages of 18 and 62 at the time of admission. The Person with a Disability must be eligible for community-based, long-term care services as provided through Medicaid waivers, Medicaid state plan options, comparable state funded services or other appropriate services related to the type of disabilities targeted under the Inter-Agency Partnership Agreement. The Inter-Agency Partnership Agreement describes the specific target population eligible for the grantee's program.

## 14.b Responsibilities of PRA Grantees

Primarily as result of receiving Federal funds, PRA grantees and sub-recipients/subcontractors are required to adhere to a range of accounting principles, practices and standards. From an accounting standpoint, there are four primary sources of guidance for a grantee:

1. Generally Accepted Accounting Principles (GAAP)
2. OMB's 'Omnibus Circular' (Part 200) or (for FY 2012 grantees only) Parts 84 & 85
3. PRA program guidance and contract documents
4. State and agency-specific accounting guidelines and requirements

### What Is the Focus of This Toolkit Regarding Accounting Guidelines?

As existing state-sponsored agencies, PRA grantees are very likely already be operating in compliance with both GAAP and state-mandated accounting guidelines. This Toolkit focuses primarily on the federally mandated guidance included within items 2 & 3 in the list above. Our goal is to communicate these responsibilities clearly and concisely, with links to online documents where source materials and additional guidance may be found and studied.

### How Is the Information in This Section Targeted?

As the overarching accounting guidelines contained in OMB circulars is covered in Parts I and II of this Toolkit, here in Section 14 we focus on guidance specific to the Section 811 PRA program:

- The document that primarily guides accounting and grants management activities is the Cooperative Agreement (CA) between HUD and PRA grantees.
- In addition, HUD's Rental Assistance Contract (RAC) template, which is executed between PRA grantees and their housing ownership/management entities, also details some duties and responsibilities held by the grantee.

- The final source document is the Notice of Funding Availability (NOFA) under which the grant funding is awarded. There can be slight differences from year to year, so it is imperative that grantees refer back to the NOFA that governs their specific PRA activities. For example, it is the NOFA that articulates which OMB circulars grantees should reference (Part 200 for FY 2013 and later vs. Parts 84 and 85 for FY 2012).

The following table outlines the applicable OMB circulars based on year of NOFA.

| **For PRA Activities Funded Through the FY 2013 NOFA and All Subsequent NOFAs** | | |
|---|---|---|
| **Uniform Financial Management Requirements** | **2 CFR Part 200** (OMB 'Omnibus Circular') | |
| For PRA Activities Funded Through the FY 2012 NOFA Only | | |
| | **Governmental Agencies** | **Nonprofit Sub-recipients** |
| **Uniform Financial Management Requirements** | **24 CFR Part 85** (Implements OMB Circular A-102) | **24 CFR Part 84** (Implements OMB Circular A-110) |
| **Cost Principles** | **2 CFR Part 225** (supersedes OMB Circular A-87) | **2 CFR Part 230** (supersedes OMB Circular A-122) |
| **Single Audit Requirements** | **OMB Circular A-133** | |

## 14c. Grantee Operations and Cooperative Agreement

Each grantee executes a Cooperative Agreement (CA) with HUD, the terms of which include the work to be performed and any special conditions or requirements. In signing the CA, grantees take full responsibility to administer, manage, and perform oversight of the PRA Program in accordance with its terms and conditions, as well as all other applicable HUD requirements [CA-3].

The following requirements, as set forth in the Cooperative Agreement, may impact grantees' general operating policies and procedures. Please note that these topics are organized in alphabetical order:

## 14d. Key Financial/Accounting Requirements for PRA Grantees

### Administrative Costs for Grantees

Total Administrative Costs, including both direct and indirect costs, may not exceed eight (8) percent of the rental assistance grant amount awarded, unless approved by HUD. (HUD-92305-PRA) These funds may be used for planning and other costs associated with developing and operating the Section 811 PRA Demonstration program, including infrastructure and technology needed to operate the program. [CA-Exhibit 5: §206]

### Amendments to Cooperative Agreements (CA) and Rental Assistance Contracts (RAC)

Changes to a grantee's PRA program can be made. Changes in the key program characteristics described in Exhibit 4 of the Cooperative Agreement must be reported in writing to HUD. Grantees may notify HUD of changes except those that involve any change to their leveraging (of rents or of other units); these require HUD approval prior to making any change. If you are unsure whether or not a change requires HUD approval, it is best to check with the PRA staff. Additionally, the Agreements shall be construed, and the rights and obligations of the parties determined, in accordance with all statutory requirements, and with all HUD requirements, including regulatory and administrative requirements, as may be amended from time to time. [CA-25]

To amend a RAC, submit the following to the HUD PRA mailbox [FAQ-2706]:

- RAC page 1
- RAC page 4, with revisions and signatures
- A new Rent Schedule using HUD Form 92458
- A cover letter or e-mail justification for the amendment

### Audit Requirements for grantees

All non-federal entities that expend $750,000 or more of federal awards in a year are required to obtain an annual audit in accordance with 2 CFR Part 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal Awards (or A-133 for FY 2012 grantees). HUD expects grantees to include PRA activities in their annual financial audit but does not require a separate audit. HUD understands that in states with multiple federal programs, the PRA program may not be selected for review each year. [FAQ-2594]

Pursuant to their Cooperative Agreement, grantees must submit audited annual financial statements that comply with the requirements of the appropriate OMB circular by the earlier of: thirty (30) days after receipt of the auditor's report or nine (9) months after the grantee's fiscal year end. Grantees are not required to submit an audited financial statement specific to this grant award. [CA-13.G.1]

- The audit must be performed by an independent auditor and procured using the standards set forth in the OMB Omnibus Circular and other documents referenced in the Omnibus Circular (or A-133 for FY 2012 grantees). [CA-13.G.2]
- If there are audit findings that require corrective actions that relate to the PRA Program, the grantee must complete corrective actions described in the audit submission package. [CA-13.G.3]

### Audit Requirements for Owners

Owners are not required to conduct an A-133/Part 200 audit due to their PRA contract obligations alone. If an Owner is a nonprofit organization with federal funds expenditures of $750,000 or more per year, the entity would be subject to an A-133/Part 200 audit. This would be as a result of Office of Management and Budget Requirements, not HUD PRA Program requirements. [FAQ-2363]

The PRA Program does, however, include certain requirements regarding financial oversight of Owners:

- Fraud Monitoring: The Cooperative Agreement, Section XVI b, states that grantees are solely responsible for the administration, management and oversight of the Grant and all program activities, including monitoring Owners of Eligible Multifamily Properties. Grantees must monitor Owners to ensure that all program and audit requirements are met.
- Financial Statement Submittal: Grantees are required to submit to HUD audited annual financial statements that comply with the requirements of OMB's Ominibus Circular (or 24 CFR part 85, as applicable). Towards that end, grantees are expected to establish control measures with Owners to meet the grantee's financial reporting requirements. In signing a RAC, Owners agree to comply with the grantee's control measures.

### Budget Reports for HUD

Grantees are expected to provide HUD with quarterly budgets until the very last RAC is executed, which results in the grantee's fully encumbering funds provided under their Cooperative Agreement.

Thereafter, grantees must provide an updated annual budget, including the amount the grantee anticipates spending in the following year and, based on that amount, evidence that the grantee will not expend funds in excess of the total grant amount. Each budget must include a running total of Administrative Costs the grantee has requested/received thus far and how much is remaining for the Period of Performance. [CA-10]

### Closeout of Cooperative Agreements

Grantees must provide HUD with closeout documentation within ninety (90) days after the end of the Performance Period, or within ninety (90) days of termination of their Cooperative Agreement, which should include, without limitation, the following: (1) A Final Narrative Report summarizing activities conducted under the grant, including significant outcomes resulting from the grant activities and problems encountered during the Performance Period; and/or (2) A final Federal Financial Report. [CA-28.A]

### Compliance Reporting Requirements, Including Related to Tenants, Rent Increases & Special Claims

Grantees can contract any or all of these requirements to another entity. As defined under the "Automation Rule" (24 CFR part 208), grantees must monitor the compliance of PRA Program multifamily developments. Grantees are responsible for conducting monthly voucher reviews, adjusting rent and utility allowances when needed, paying monthly rental assistance subsidies directly to Owners, and responding to health and safety issues when required by HUD. These responsibilities include:

- General HUD Compliance Requirements [CA-15.A]
- Monthly Tenant Reporting Requirements [CA-15.B]
- Monthly Voucher Reporting Requirements [CA-15.C]
- Subsidy Payment for Occupied Unit [CA-15.D]

- Tenant Certification [CA-15.E]
- TRACS - Tenant Rental Assistance Certification System [CA-15.F]
- Rent Increase Request Requirements [CA-15.G]
- Special Claims [CA-15.H]

### Communication Requirements

- Grantees must have the capability to receive Eligible Tenants' certification and recertification data (form HUD 50059) and voucher data (form HUD 52670) electronically from Owners of Eligible Multifamily Properties in a form consistent with HUD reporting requirements for the HUD Tenant Rental Assistance Certification System (TRACS). Grantees must also have the capability, in a form acceptable to HUD, for communicating to Owners regarding errors in submissions of forms 50059 and 52670. [CA-14.A]
- Grantees must provide HUD with data (via the internet) on RACs, rent adjustments and payments to Owners, contract renewal processing, and other documents and information relevant to grantee responsibilities articulated in their Cooperative Agreement. [CA-14.B]
- Grantees must have a depository account with a financial institution whose deposits or accounts are insured either by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Funds and must be capable of receiving and sending electronic fund transfer (EFT) transactions. Grantees must have facilities acceptable to HUD for making timely and accurate rental assistance payments to Owners. [CA-14.C] (See also Depository Accounts.)
- Grantees may subcontract any or all of the grantee Communications requirements included in Section XIV. However, if a grantee chooses to subcontract any or all of these requirements, the grantee remains responsible for ensuring all of the requirements in Section XIV are met. [CA-14.D]

### Conflicts of Interest

- Grantees, where applicable, must comply with the conflict of interest requirements in the Omnibus Circular (or 24 CFR parts 84 and 85, as applicable). [CA-17.A]
- Grantees must comply with the disclosure requirements of section 102(b) of the HUD Reform Act of 1989 (42 U.S.C. §3545(b)) and its implementing regulations, 24 CFR part 4. To initially satisfy this requirement, grantees must complete the form HUD-2880, Applicant/Recipient Disclosure Update Report. The completed form is incorporated into grantees' Cooperative Agreements. Further, grantees are expected to update form HUD-2880, as required by the HUD Reform Act of 1989 and 24 CFR §4.11. [CA-17.B]

### Depository Agreement

Grantees must enter an agreement with a depository institution whose deposits are accounts insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund and all Grant amounts should be promptly deposited with a financial institution. [CA-20.A-B]

- Grantees may only withdraw deposited Grant amounts pursuant to the CA. [CA-20.C]
- Grantees may not deposit under the depository agreement monies received or held by the grantee in connection with any non-Section 811 PRA Program (or any successor program activity), nor may the grantee comingle these funds with any other non-Section 811 PRA funds. [CA-20. D]
- If HUD determines that a grantee has committed any default under the CA, and has given the grantee notice of such determination and a reasonable opportunity to cure, and HUD, at its sole discretion, determines that the grantee fails to cure the default, then HUD may issue a letter of default and collect any amounts due in accordance with 24 CFR §85.52.
- To expedite repayment to HUD, the grantee must permit HUD to withdraw Section 811 PRA funds from the grantee's account upon notice from HUD and receipt of the Automated Clearing House (ACH) identification number and amount due.

### eLOCCS Requirement for Receiving Payment from HUD

Unless otherwise determined by HUD, grantees must request and receive payment of administrative costs through HUD's Electronic Line of Credit. [CA-13.A]

- Detailed instructions on the use of eLOCCS are included at: [CA-13.A.1-5]
- In addition to the required eLOCCS payment voucher, grantees must submit documentation to support payment requests for costs to be incurred in the performance of their CA and in accordance with terms and conditions of any program issued guidance. The supporting documentation may include invoices, receipts, cancelled checks, or salary reports. Vouchers will not be approved for payment, if a grantee has any outstanding reports as it relates to the grant requirements of this agreement. [CA-13.A.6]

### Equal Opportunity

- Compliance with listed Acts and Executive Orders. [CA-23.A.1-4]
- Grantees, where applicable, must submit to HUD a signed certification of compliance with the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Executive Order 11063, Section 504 of the Rehabilitation Act of 1973, and Title II of the Americans with Disabilities Act. [CA-23.B]
- Grantees must cooperate with HUD in the conducting of compliance reviews and complaint investigations pursuant to applicable civil rights statutes, Executive Orders, and related rules and regulations. [CA-23.C]

### Expense Documentation

Grantees must maintain source documentation of direct costs, such as invoices, receipts, cancelled checks, and salary reports, to support all eLOCCS draw requests for payment. This information must be made available to HUD upon request and maintained for a period of at least three (3) years after the initial funding cycle, or the date of the last payment in the initial funding cycle, whichever occurs last. For example, documentation of expenses from year one (1) to year five (5) can be purged at year eight (8). Documentation of expenses from year six (6) can be purged at year nine (9). [CA-13.F]

## Fidelity Bond Coverage

Grantees must carry adequate fidelity bond coverage to compensate the grantee and HUD for any theft, fraud or other loss of program property resulting from action or non-action by grantee officers or employees or other individuals with administrative functions or responsibility for contract administration under their Cooperative Agreement.

> HUD allows a grantee to utilize the grantee's state self-insurance/fidelity bond program upon evidence that under the state program the grantee and HUD shall also be compensated for any theft, fraud, or other loss of program property resulting from the misconduct of grantee employees. [CA-21]

PRA requirements mimic the Performance-Based Contract Administration (PBCA) program, so the following coverage is required:

- The amount of the Fidelity Bond should be sufficient to cover the maximum possible monthly Rental Assistance Payments (RAPs) that can be received by a grantee once the grantee starts making RAPs to Owners.
- Debt service offsets are not received by the grantee and, therefore, need not be covered by the Fidelity Bond.
- RAPs for a given month may significantly exceed the normally vouchered amounts. This can be caused by factors such as retroactive vouchers for several months resulting from owners' failure to submit past vouchers or delayed contract increases or other processing delays.
- Grantees should increase the "normal" coverage of one month's "net" payments by an amount that gives them comfort in discharging their fiduciary responsibilities.
- As additional Rental Assistance Contracts (RACs) are assigned, the Fidelity Bond must be increased before the grantee begins making RAPs for the added contracts. [FAQ-2709]

HUD will allow grantees to utilize their state's self-insurance/fidelity bond program upon evidence that under the state program the grantee and HUD shall also be compensated for any theft, fraud, or other loss of program property resulting from the misconduct of grantee employees. [CA-21]

## Fraud Monitoring

Grantees assume solely responsible for the administration, management and oversight of the Grant and the program as described in their Cooperative Agreements, including monitoring Owners of Eligible Multifamily Properties. Grantees must monitor Owners to ensure that program and audit requirements are met as delineated in the Omnibus Circular (or 24 CFR part 85, as applicable).

Grantees are expected to fully and promptly cooperate with HUD's or its designees' inquiries about any alleged, perceived or actual fraud and comply with any anti-fraud and legal compliance procedures that HUD may require. [CA-16.B]

### Grant Amount and Total Assisted Units

- Grantees must provide Rental Assistance Payments to Owners of Eligible Multifamily Properties consistent with their Cooperative Agreement. After the initial five (5) year period, HUD will continue the grant, as may be amended, annually, or in any other frequency as determined by HUD, subject to appropriations. [CA-6.A]
- The funding authorized under a Cooperative Agreement must be disbursed by DATE CERTAIN. If all funds have not been disbursed by HUD/grantee to the Owner by the aforementioned time, the funds, even though obligated, will be cancelled and no further disbursements will be made. [CA-6.A.1]
- Within 30 days of the execution of the last RAC – the one that results in a grantee's fully encumbering funds provided under their Agreement – the grantee must provide HUD with confirmation of the final number of Assisted Units. The final number of Assisted Units will be compared with the number of units listed on Exhibit 4 of their Agreement. [CA-6.C]

### Grantee Audit Requirements

- Grantees must submit audited annual financial statements that comply with the requirements of the applicable OMB Circular by the earlier of: (1) 30 days after receipt of the auditor's report or (2) 9 months after the grantee's fiscal year end (FYE). Grantees are not required to submit an audited financial statement specific to a grant award. [CA-13.G.1]
- The audit must be performed by an independent auditor, procured using the standards in the applicable OMB Circular and other documents referenced in the applicable Circular. [CA-13.G.2]
- If there are audit findings that require corrective actions that relate to the PRA Program, the grantee must complete corrective actions described in the audit submission package. [CA-13.G.3]

### Grantees' Operational Responsibilities

Grantees must ensure that the PRA Program will be executed in accordance with their CA, including but not limited to ensuring that each Owner of an Eligible Multifamily Property records the HUD required Section 811 Project Rental Assistance Use Agreement (CA Exhibit 10) and utilizes the Section 811 Project Rental Assistance Model Lease (CA Exhibit 11) for all Assisted Units. Additionally, grantees assume responsibility for all activities relative to implementing the PRA Program under their CA and must be in compliance with Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA) and all other applicable federal laws and requirements. [CA-12.A]

- Grantee mergers, acquisitions or other changes in the legal structure must be reported to HUD as soon as a grantee is aware such change is likely. [CA-12.B]
- Grantees must develop and maintain adequate system functionality that allows for the flow of documentation and information between the grantee and HUD. Grantees must ensure their systems have adequate security measures and staff is appropriately trained to protect the confidentiality of certain records, including but not limited to income and tenancy information of the families assisted under the RAC. [CA-12.C]

## HUD Oversight

HUD will have ongoing involvement in the review, development, approval and targeting of the work to be carried out under Cooperative Agreements. HUD's involvement may include, but is not limited to: (1) conducting evaluation and research, (2) reviewing grantees' administrative processes as they relate to implementing the PRA, including reviews of grantees' forms, verifications, and other documentation; (3) reviewing outreach and training materials belonging to grantees. Grantees are expected to be timely and cooperate fully. HUD will provide instructions and guidance on the requirements for data and program materials for any and all HUD reviews and evaluations in a timely manner. [CA-16.A]

Internal Control Reviews

Grantees must provide HUD or its designee with access to all internal control reviews and reports that relate to the PRA, including those proposed by independent auditing firms, including state auditors, to enable HUD to examine grantees for compliance with applicable provisions of the PRA Program, their Cooperative Agreement and applicable laws. A copy of the reviews and reports must be provided to HUD upon request. [CA-16.C]

## Miscellaneous Requirements

- Assignment: Cooperative Agreements may not be assigned by grantees without the prior written consent of HUD. [CA-29.F]
- Defaults and Remedies: Details can be found at [CA-19]
- Equal Opportunity: Details can be found at [CA-23]
- Exclusion of Third Party Rights: Details can be found at [CA-24]
- Limitations on Use of Funds to Influence: Details restricting Certain Federal Contracting and Financial Transactions can be found at [CA-18]

## Period of Performance

- Grantees must also provide official notification of the expiration date of the very last RAC – the one that results in the grantee's fully encumbering funds provided under their Agreement – within 30 days of execution of that RAC. Based on this date, HUD will establish a closeout date for the Agreement. If funds are not fully encumbered by that DATE CERTAIN, HUD may request a plan for remediation and reserves the right to reprogram the funds. [CA-7.A]
- At the time the Agreement expires, and subject to future appropriations, it may be renewed upon written approval by HUD. Should a grantee desire to renew the Agreement, the grantee must make a written request for renewal and provide the request to HUD at least 120 days prior to the expiration of the Agreement. The grantee's request must: (1) state the specific time frame of the proposed renewal, and (2) outline how grant funds will be effectively spent within the proposed renewal period.
- Upon receipt of the written request, HUD may, by and through the PRA or successor program, approve a renewal depending on the PRA Program or successor program

funding levels and Program Requirements that may be imposed at that time. [CA-7.C]

- If Congress fails to appropriate funds adequate to meet the funding needs of the CA after the initial five-year funding period, HUD may terminate the Agreement. In the event the Agreement is terminated, HUD will not require the grantee to enforce the RAC or PRA use agreement and the grantee may, at its discretion, continue to enforce or terminate such RACs and use agreements. [CA-7.D]

### Program Income

Grantees must have sufficient knowledge and experience to identify and account for program income as defined in the OMB Omnibus Circular (2 CFR §200.80) or 24 CFR Part 85, as applicable. All program income including interest earned on any award-supported activity (if it generates program income it has to be accounted for whether it is paid to a grantee or is used for a program purpose without passing back to the grantee) is subject to the terms and conditions of the Cooperative Agreement and such U.S. Treasury rules as may apply. More specifically, grantees must document receipt of program income and how the funds were used. [CA-Exhibit 5: §218]

### Rental Assistance Contract Initiation and Termination

Grantees must execute a HUD-required Rental Assistance Contracts (RAC) with each Owner of an Eligible Multifamily Property that agrees to provide Eligible Tenants with rental assistance in accordance with their Cooperative Agreement.

- Grantees may not disburse Rental Assistance Payments to the Owners of Eligible Multifamily Properties until the RAC is executed.
- All RACs executed should, to the extent applicable, incorporate and impose all terms and conditions found in their Cooperative Agreement.
  Grantees may not waive any terms of their CA for the benefit of any Owner of an Eligible Multifamily Property.
- With HUD approval, grantees may include an addendum to the RAC, provided that the provisions of the addendum do not conflict with the CA. [CA-11]
- In cases where grantees award contracts to non-profit organizations, such contracts must contain the appropriate provisions set forth in the "Contract Provisions" sections of the Omnibus Circular (Appendix II) or CFR part 85 (Appendix A), as appropriate. [CA-27]

HUD acknowledges that a grantee may need to terminate a RAC due to lack of interest from a PRA eligible applicant in a particular location, insufficient unit sizes, or persistent lack of Owner compliance with Uniform Physical Condition Standards (UPCS)/occupancy related issues.

- Therefore, a grantee may initiate the request to terminate the RAC and "zero out" an active RAC. If the termination of a RAC is due to unforeseen circumstances, other than lack of Owner compliance, then the grantee and the Owner must mutually agree to end the RAC.
- The grantee may then move the units to a new development and issue a new RAC to the owner of this new development. [FAQ-2631]

Please note that the RAC is a 20-year commitment on the owner's behalf. Although a grantee has discretion to terminate a RAC due to unique circumstances, an Owner cannot be approved to opt-out of a RAC in the middle of their 20-year term. [FAQ-2633]

### Rental Assistance Payments

Rental Assistance Payments are made monthly by grantees upon proper requisition by Owners. Rental assistance payments made under the RAC are either:

- Payments to Owners to assist Eligible Tenant residing in Eligible Multifamily Properties
- Payments to Owners for vacant Assisted Units ("vacancy payments") if the conditions specified in HUD administrative guidance are satisfied.

The amount of the Rental Assistance Payment made to the Owner of an Assisted Unit being leased by an Eligible Tenant is the difference between the contract rent for the unit and the tenant rent owed by the Eligible Tenant as determined in accordance with applicable administrative and regulatory requirements.

- If a grantee's program includes vacancy payments, a Rental Assistance Payment may be made to the Owner for a vacant Assisted Unit that may not exceed 80 percent of the contract rent for up to 60 days of vacancy, subject to the conditions as may be imposed by HUD administrative guidance. If the Owner collects any tenant rent or other amount for this period which, when added to this vacancy payment, exceeds the contract rent, the excess must be repaid as HUD directs.
- Where applicable, the Owner will pay a utility reimbursement in accordance with 24 CFR § 5.632 (Utility Reimbursements). [CA-Exhibit 5: §301]

### Retention Requirements for Records

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a sub-recipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. [2 CFR §200.333]

- Additional details related to record keeping and the retention of records related to program activities can be found at [CA-22.A-G]

### Systems Confidentiality Protocols

Grantees must undertake customary and industry standard efforts to ensure that the systems developed and utilized under their Cooperative Agreement protect the confidentiality of every Eligible Applicants' and Eligible Tenants' personal and financial information, both electronic and paper, including credit reports, whether the information is received from the Eligible Applicants', Tenants' or from another source. Grantees must undertake customary and industry standard efforts so that neither they nor their systems vendors disclose any Eligible Applicants' or Tenants' personal or financial information to

any third party, except for authorized personnel in accordance with their Cooperative Agreement, without their consent. [CA-26]

### Subsequent Adjustments and Continuing Responsibilities

At the end of the Performance Period, or upon the earlier termination of their Cooperative Agreement, grantees remain subject to the closeout procedures, subsequent adjustments and continuing responsibilities. All records must be kept in a safe place and be accessible to auditors and other government officials. [CA-28.B]

## 15. Service Coordinators in Multifamily Housing (SCMF) Program

## 15a. Program Overview

What Prompted HUD to Implement a Service Coordinator in Multifamily Housing Program? Congress created HUD's Service Coordinator Program through the National Affordable Housing Act, Section 808 (Public Law 101-625). This law gave HUD the authority to use Section 8 funds to employ Service Coordinators in Section 202 housing.

The Service Coordinator Program received additional authority through the 1992 Housing and Community Development Act (HCDA) (Public Law 102-550). HCDA expanded the program by broadening authority for funding of Service Coordinators in most HUD assisted and conventional public housing developments designated for the elderly and people with disabilities. HCDA also described key functions of a Service Coordinator's job, stipulated mandatory training requirements and gave examples of types of supportive services needed by residents. Costs associated with providing supportive services is an eligible cost under Project Rental Assistance Contract (PRAC). This cost can include the costs associated with employing a service coordinator.

- For more information, visit the SCMF Program page on HUD's website.

### Which Multifamily Housing Programs Are Eligible to Apply for Service Coordinator Funding?

The Service Coordinator Program provides funding for the employment of Service Coordinators in insured and assisted multifamily housing. A Service Coordinator is a social service staff person hired or contracted by the development's owner or property manager. This authority was added in Section 851 of the American Homeownership and Economic Opportunity Act of 2000 (Public Law 106-569). There is no specific statutory authority for Service Coordinators within projects other than in projects with units designated for the elderly or families with members with disabilities. [MAH.8.3]

Eligible properties must be designed or designated for the elderly or persons with disabilities and continue to operate as such. This includes any building within a mixed-use development that was designed for occupancy by elderly persons or persons with disabilities at its inception and continues to operate as such, or consistent with title VI, subtitle D of the Housing and Community Development Act of 1992 (Public Law 102-550). If not so designed, a property in which the owner gives preferences in tenant selection

(with HUD approval) to eligible elderly persons or nonelderly persons with disabilities for all units in that property.

The table below lists the Multifamily Housing programs that are eligible for SCMF funding:

| Multifamily Housing Programs Eligible for SCMF funding: |
|---|
| **Project-based Section 8:**<br>• **New construction**<br>• **Substantial Rehabilitation**<br>• **Section 236**<br>• **Section 221(d)(3)**<br>• **Section 221(d)(4)**<br>• **Section 515, Rural Housing Service**<br>• **State Housing Finance Agency (HFA)**<br>• **Non-insured**<br><br>**Section 202:**<br>• **Section 202 without rental subsidy**<br>• **Section 202 projects with a Project Assistance Contract (PAC)**<br>• **Section 202 projects with a Project Rental Assistance Contract (PRAC) (budget-based SC funding only)**<br><br>**Section 236 insured or assisted**<br>**Section 221(d)(3) below-market interest rate (BMIR) insured or assisted** |

Service Coordinators play a critical key role in helping to foster a housing plus supportive service environment that allows vulnerable persons to live independently and remain in their communities. HUD expects that the Service Coordinator will:

- Shift away from the "refer and link" approach and towards a proactive and collaborative approach
- Assess residents' needs; help identify, access and coordinate services and monitor receipt and follow through of services
- Seek to establish and sustain strong coordination that help residents to identify and effectively manage their preventative health and social service needs
- Create and sustain partnerships with community based supportive service providers, hospitals, health agencies service providers and other community stakeholders.

## 15b. Requirements Related to the Financial Management of HUD Grants and Awards

SCMF program grantees should be operating in compliance with Generally Accepted Accounting Principles and state-mandated accounting guidelines. This Toolkit focuses primarily on Federally mandated guidance. Our goal is to communicate grantee

responsibilities clearly and concisely, with links to online documents where source materials and additional guidance may be found and studied.

### What Are the Primary Sources of Guidance for Grantees Related to Accounting Practices?

Primarily as result of receiving Federal funds, SCMF grantees and sub-recipients/ contractors are required to adhere to a range of accounting principles, practices and standards. From an accounting standpoint, there are four primary sources of guidance for a grantee:

- Generally Accepted Accounting Principles (GAAP)
- OMB's 'Omnibus Circular' (2 CFR Part 200)
- SCMF program guidance and contract documents
- State and agency-specific accounting guidelines and requirements

### Underlying Statues Related to the SCMF Program

SCMF activities are authorized under the following statutes, and thus the finance-related requirements in these laws apply:

- National Affordable Housing Act, Section 808 (Public Law 101-625),
- 1992 Housing & Community Development Act (Public Law 102-550), American Homeownership & Economic Opportunity Act of 2000, Section 851 (Public Law 106-569)

### What Is the Management Agent Handbook and How Does It Apply to SCMF Grantees?

HUD's Management Agent Handbook (Number 4381.5) is the primary guide for operating an SCMF Program. Chapter 8 of the Handbook provides the procedures for both requesting Service Coordinator funding and operating a program in HUD assisted housing. It also provides the requirements and recommended course work for statutorily mandated Service Coordinator training and continuing education.

### What Are the Primary Areas of Focus in this Section?

Since the overarching accounting guidelines contained in OMB circulars are covered in Parts I and II of this Toolkit, in Section 15 we focus on guidance specific to the Service Coordinator Program. SCMF is a program that has evolved over time. Additional key documents are cited as references in the subsections that follow.

From a financial management perspective, there are four primary areas of concern to HUD related to the Service Coordinator Program:

- Sources of revenue to cover SCMF operating costs (15c)
- Allowability and Documentation of expenses (15d)
- Internal Controls (15e)
- Timeliness and accuracy of drawdowns and reporting (15f-h)

## 15c. The Primary Means of Funding SCMF Programs

HUD considers two primary mechanisms through which Owners can fund their Service Coordinator programs:

- SCMF grant award (See Section 15c.1)
- Operating funding, which can include: Section 8 operating funds, Project Rental Assistance Contract (PRAC) funds, Section 236 Excess Income, Residual Receipts, and Debt Service Savings

### SCMF Grant Funds

Each year HUD offers grant monies to owners of eligible HUD assisted housing, enabling them to hire a Service Coordinator to serve their residents. Awards are made for an initial three-year term and provide funding for the salary, fringe benefits and related administrative costs associated with employing a Service Coordinator.

Subject to the availability of funds, HUD provides one-year grant extension funding to currently operating grants. Applicants need to complete a form HUD-91186-A, Multifamily Housing Service Coordinator One-Year Budget, as part of an extension request. For current information on annual extensions, visit HUD's Service Coordinator webpage.

### HUD's Preference for Project-related Funding Sources

The majority of HUD's multifamily housing properties designed for the elderly and persons with disabilities operate with rental subsidy. Most properties receive either project-based Section 8 or Section 202 Project Rental Assistance Contract (PRAC) funds; both sources pay share of the property's annual operating expenses.

Where the position is supported by budget-based Section 8 or PRAC funds, housing owners may include the Service Coordinator position in the development's operating budget, subject to HUD approval. Owners of eligible projects may also use residual receipts, debt service savings or excess income to pay for a Service Coordinator program, with HUD approval. [MAH.8.1]

HUD urges housing owners and managing agents to use these budget-based funding sources to fund a Service Coordinator program, whenever possible. These funding streams are more stable and consistent over time. Grants, by their nature, are temporary sources of assistance and the future availability of such funds is never certain. Requests will be evaluated under the criteria stated in the Management Agent Handbook, Chapter 8 [MAH.8], which is downloadable from HUD's website; and they must also be consistent with the availability of HUD funding in a "changing regulatory environment."

### Owners and Managing Agents Wanting to Use Section 8 or PRAC Funds, Residual Receipts or Excess Income Should Reference the Following Resources for Guidance

- Multifamily Asset Management and Project Servicing Handbook (No. 4350.1), Chap. 4, 7, 25 & 34.
- Notice H 12-14 "Use of "New Regulation" Section 8 Housing Assistance Payments (HAP) Contracts Residual Receipts to Offset Project-Based Section 8 Housing Assistance Payments"
- Service Coordinator frequently asked questions (FAQs) for Housing Notice 2012-14.

### Frequently Asked Questions (FAQs) Related to the SCMF Program

Following are 3 FAQs related to the use of residual receipts for SCMFs in Housing Notice 2012-14:

- Q1. Paragraph V, B, states that Owners may use Residual Receipts to fund a Service Coordinator program. Are we correct in assuming that this applies to properties without Service Coordinator Grants? Or does it mean that properties with Service Coordinator Grants should use residual receipts in lieu of grant money?
  - Answer: Service Coordinator programs that are now funded from Residual Receipts may continue to use Residual Receipts to fund those programs. Service Coordinator programs that are funded with Grants also continue under that funding stream and Residual Receipts are used to offset assistance payments according to the requirements of the Notice.
- Q2. Re: Service Coordinators, there is concern that projects can't properly plan, perhaps some funds for Service Coordinators can be set aside or a year's worth of such funding reserved?
  - Answer: In order to facilitate owners' ability to plan for Service Coordinator funding, one year of required Service Coordinator funding may be allocated for this purpose. The funding required for one year of Service Coordinator activities should be subtracted from the residual receipts balance prior to determining whether the retained balance level of $250 per unit has been reached.
- Q3. If we have approval to fund SC through residual receipts, are we at risk of losing this approval after the current one-year agreement? How do we keep the funds that are needed for future years' SC from being used for other purposes? Will HUD continue to be supportive of building SCs into project budgets if they have previously been grant funded?
  - Answer: Residual Receipts may continue to be used to fund Service Coordinators for one-year terms after expiration of any existing one-year agreements. HUD will continue to permit Service Coordinators to be funded through project budgets in accordance with outstanding instructions.

## 15d. Annual Budget Review

### SCMF Burn Rate Tool

This resource was designed to help grantees to better manage their funds and determine available dollars that will be used to offset the next renewal. Grants that are projected to have an unexpended balance as of the grant's annual expiration date must use those funds to offset the next 12-month grant renewal. This tool may be used to estimate the amount of unexpended funds at grant expiration. The use of this tool is highly encouraged but not required. Click on excel or pdf to download your preferred version of the tool.

### Reasonableness

Each year HUD will review the HUD-91186-A for reasonableness and reserves the right to reduce the requested amount. In accordance with 2 CFR §200.404, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent

person under the circumstances prevailing at the time the decision was made to incur the cost.

- HUD Field staff will review extension requests, in tandem with the vouchers and semi-annual financial reports submitted by the grantee.
- HUD staff must ensure that the budget amounts are in line with actual expenses and activities. If field staff find errors, or need additional clarification of proposed activities and costs, the grantees must make the relevant changes and resubmit a revised HUD-91186-A, if deemed necessary by the Grant Specialist.
- Annual Approved Amount: The CY 2018 funding will be the approved 12-months' need, minus any CY 2017 offsets and/or available project funds. These extension funds are to be used only to meet a critical need and in cases where no other funding source is available. Grantees must first use available project funds in whole or in part before requesting an annual extension.

### Annual COLA Increase

Subject to the availability of funds, the Department may apply an increase based on the most recent COLA or other percentage as determined by the Department. Such determination will not be made until a full-year budget is authorized. The annual increase must be applied to the salary, fringe benefits, quality assurance and/or indirect cost, if applicable, budget line items.

- An organization may provide a salary and fringe increase over the percentage amount as provided by HUD, such funding however must come from sources other than these grant funds.

### Budget Line Items Thresholds

For each full-time equivalent (FTE) HUD has established funding thresholds for training, travel and supplies/materials. For each grant award, a threshold amount has been established.

- Supplies and Materials: When the size of a property exceeds a total unit count of 100, HUD will increase the threshold amount from $600 for general supplies/ materials to a reasonable amount, not to exceed $1,000. Such increases will be on a case-by-case basis and must be supported by a written justification. Such justification must be submitted as a statement or attachment via Grant Notes/ Application Notes.
- Bases on the availability of funds, HUD may establish a threshold to ensure cost containment. Any changes to budget line items must be communicated to the grantee during the review process.

### Budget Revisions

To the fullest extent possible, grantees must comply with the approved HUD-91186-A. A revised HUD-91186-A may be resubmitted when any of the following conditions are satisfied:

- Training: SCs must have met a minimum of 36 training hours of classroom/ seminar time before hiring, or must complete this minimum training requirement within 12

months of initial hiring. If a new hire, the annual budget amount may be revised to cover the cost of training.

- Supplies and Materials: Grantees may revise annual budget amounts to cover the cost of equipment replacement above the amount established in D.1 (above) on an as needed basis.
- BLI Redistribution: Redistribution of funds amongst the budget line items (BLI) is permitted at the time of renewal, not to exceed established thresholds and the previously approved total amount.
    - *The Department recognizes annual increases associated with fringe benefits and will allow for the redistribution of funds to meet such needs, not to exceed the total approved amount. For each previously approved budget line item that is reduced, grantees must evidence how such needs will be satisfied with sources other than these grant funds.*
- Post-Award Revisions: Any budget revisions after awards must be in accordance with 2 CFR Part §200.308. Outside of circumstances beyond the grantees control, the practice of redistributing funds throughout the performance period must be avoided. A request for budget line item redistribution must be made by the authorized entity (or designee) and uploaded to GrantSolutions. HUD will not accept any request for budget revisions from a third-party provider unless such entity is the management agent and authorized to execute the NOA on behalf of the Owner as a designee.

## 15e. Drawdown Requests

HUD requires that SCMF grantees use the eLOCCS system to draw down funds on a monthly (preferred) or quarterly (mandatory) basis. Grantees must drawdown funds based on the requirements established. Timely drawdowns help ensure program compliance. In addition, grantees must complete form HUD-50080-SCMF (Revised 4-27-16) on a monthly basis for semi-annual submittal.

### How Do SCMF Grantees Use eLOCCS?

Owners use HUD's electronic Line of Credit Control System (eLOCCS) to draw down their grant funds on a periodic basis. HUD's Chief Financial Officer provides guidance in LOCCS Access Guidelines for Grantees. Please reference Section 1d of this Toolkit regarding the updated eLOCCS security requirements that took effect on April 17, 2017.

Grantees must complete an individual worksheet for each draw down from eLOCCS. Grantees are required to submit to HUD one Excel file with data for the first six months of their 12-month grant term and a second Excel file with data for the second six-month period. These expense reports are due 30 calendar days following the end of each six-month reporting period. Detailed instructions for completing HUD-50080-SCMF are included in the form itself.

Each draw down from eLOCCS must be used to cover expenses through the end of the previous month. Failure to do this may affect future extension funding amounts. For

example, if a draw down is for the month of June, the payment received must be used to reimburse all previous expenses incurred through May 31.

Each worksheet and each draw down from eLOCCS must include all costs incurred during each month or quarter. The total amount of expenses incurred for that month or quarter must be the same amount requested from and paid out by eLOCCS.

## 15f. Changes to NOA

**Changes to Ownership Entity or Tax Identification Number (TIN/EIN)**
HUD must approve ownership changes prior to the transfer of any grant funds.

- The new Ownership Entity must complete form HUD-1044-C, Assignment/Assumption Agreement, and email executed form to the local Grant Specialist.
    a. The current grantee information detail must be identical to information that is currently in eLOCCS.
    b. If there is new banking, please attach SF-1199A and voided check. Otherwise state "no banking change" in description box.
    c. Be certain to document the reason for this form in the "description" box. If changes are isolated to TIN/EIN, please note accordingly. Also in description box, provide new DUNS if applicable.
    d. Upon receipt, the Grant Specialist must check for completeness. If information is not complete, the form must be returned.
    e. Once completed, the form must be emailed to FWAC for processing.
- To update eLOCCS and link the user and/or coordinator to the new organizational information, the Ownership Entity must complete and mail a new HUD form 27054E to the Grant Specialist. The Secure Systems Coordinator (Approving Official) and Users must comply with eLOCCS guidance.
    a. MANDATORY REQUIREMENT: New User, Reinstate User and Change Secure Systems ID must be NOTARIZED.
    b. Select "**Revise Authorization**" to add, change, or delete the eLOCCS authorizations for an existing user. Use Reason in block 9 or 10 to describe the purpose of the revision. For example, "new user, "updating authorization," "changing Tax ID" or as directed by HUD.
    c. Upon receipt, Grant Specialist must review the form for completeness and accuracy.
        i. If the form is incomplete, Grant Specialist must return incomplete or inaccurate form to the Owner via US Postal Service.
        ii. Grant Specialist must validate that the grantee is the correct official accessing the grant, and all data as it appears on the form for accuracy.
        iii. The Grant Specialist must include his/her name, office telephone number, title, email address, signature, and date (mm/dd/yyyy).
    d. Once validated, the Grant Specialist must mail the completed and certified form to: OCFO, User Support Branch (FYMU) 451 7th Street SW, Room 3114, Washington, DC 20410.

- If an ownership change occurs after an award has been issued, the new entity will be required to submit a new application at time of annual renewal. The GrantSolutions record associated with the old Ownership Entity will be closed out.

### Address Changes

Ownership Entity must complete HUD 27056, Change of Address Request for Recipients of HUD Grants or Contracts Form and email executed form to the local Grant Specialist. This address change will change the information in the grant but not on the individuals record. The grant will also need to submit HUD form 27054e to have their address changed within the security profile

- Upon receipt the Grant Specialist must check for completeness. If the form is incomplete, please return to grantee.
- Grant Specialist must email a complete HUD 27056 form to FWAC for processing.

### Bank Account Changes

The Ownership Entity must complete and submit the SF-119A, Direct Deposit Sign Up Form.

- Attach a voided check or letter from bank stating account and routing numbers
- Email information to your local Grant Specialist
- Upon receipt voided check and SF-119A form, Grant Specialist must email information to FWAC for processing

### Changes to eLOCCS Role

An official letter requesting an upgrade or downgrade to your Secure Systems ID is required. Ownership Entity must submit an official letter on company letterhead containing the following information:: Approving official must be registered as coordinator and user as users only*******

- WASS Secure System ID number
- Name on the ID
- Tax ID or PHA Code
- FHA number or contract number or project number (if applicable)
- Mother's maiden name
- Last 4 of SSN
- Name of the entity
- Signature and title of the Owner, Executive Director, President, CEO, or Board member or management company (as listed in iREMS)
- Contact information (i.e., name, company address, phone, email address)

NOTE: User IDs can only be upgraded under the Tax ID or PHA Code that the ID was originally registered against.

### Corrections to eLOCCS

If a correction to the TIN/EIN and/or DUNS number is necessary and where such changes is not tied to a recently submitted form HUD1044C, the Grant Specialist must:

- Send an email to FWAC detailing the grant number and the requested change.
- Provide FWAC with a copy of the first page of the Notice of Award or a printscreen from SAMS.gov. The evidence must clearly document the correct DUNS and/or TIN/EIN.
- If a grant already has a disbursement, TIN/EIN correction has to be made by submitting a HUD-1044C.

NOTE: If existing a User and/or Coordinator is not associated with the TIN/EIN and/or DUNS, the User and Coordinator must complete and submit the HUD-27054E form.

## 15g. Useful and Required Forms for Quarterly, Semi-Annual and Annual Reporting

To be considered for future year's funding, (CHSP & SCMF) grantees must satisfy their current year reporting requirements. Applicants must be current with all reporting requirements before a renewal.

The Service Coordinator in Multifamily Housing program requires semi-annual reporting on both financial and programmatic activities. All Service Coordinators in HUD assisted multifamily housing whose positions are paid for by grant funds, Section 8 or PRAC operating funds, residual receipts, or excess income must submit these reports. Reports are due to Field Office representatives no later than 30 days following the end of each reporting period.

### Financial Reporting

Since the revised Form HUD-50080-SCMF and eLOCCS collect identical information to the SF-425, HUD will satisfy this Federal requirement through the use of the revised form HUD-50080-SCMF. It will now be submitted Semi-Annually. Form SF-425 is no longer required.

### Form HUD-50080-SCMF

Form HUD-50080-SCMF, the LOCCS Payment Voucher/Expense Report, is used by HUD to protect disbursement data from fraudulent actions, and to safeguard the Line of Credit Control System (LOCCS) from unauthorized access. The data reported will allow the Field staff to track expenses and drawdown of funds for eligible activities at intervals within the grant term. The HUD-50080-SCMF, provides the most essential information HUD needs to determine whether federal funds have been used appropriately.

- Grantees must have satisfied the requirement to submit one Excel file with data for the first six months of your 12-month of the CY 2017 grant term.
- Beginning with CY 2017 reporting requirements, Grantees must upload ALL reports to GrantSolutions as an attachment in Application Notes (new accounts) or Grant Notes (existing accounts).
- The expense report is due no later than 30 days after the end of each reporting period. The two reporting periods are: January 1 through June 30 and July 1 through December 31.

### Performance Reporting

To ensure they are working as effectively as possible and meeting the needs of the residents they serve, Service Coordinators must closely track their program's performance. SCMF grant recipients must submit a Semi-Annual Performance Report, form HUD-92456. For additional information see Multifamily Housing's Tracking Performance page.

### Annual Performance Report (Form HUD-92456)

Form HUD-92456, the Annual Performance Report, gathers data on the number of residents served, their ages, frailty levels, and the range of services provided. It also demonstrates the Service Coordinator's efficiency in providing coordination by reporting the number of hours worked, the amount of time spent doing administrative tasks, the types of professional training attended, and examples of problems encountered throughout the course of their work.

- The HUD-92456, Semi-Annual Performance Report is due no later than 30 days after the end of each reporting period. The two reporting periods are: January 1 through June 30 and July 1 through December 31.
- Participant in the Standard for Success Pilot: If you are participating in this pilot, please DO NOT submit a HUD-92456 form to the local office or upload to GrantSolutions. HUD will query the database to determine compliance. Participating grantees must satisfy the requirements under this Pilot to be eligible for a renewal.
- If you are NOT participating in the Standard for Success Pilot, you are required to submit the HUD-92456 Semi-Annual Performance Report and must upload the report to GrantSolutions, as an attachment in Application Note (or Grant Note for existing accounts). CY 2017 reports previously submitted to the applicable local HUD office in-box, must be uploaded to GantSolutions at time of renewal request.

### Quality Assurance Reporting

**Quality Assurance Report**

The Quality Assurance Report is applicable ONLY to grants that have a quality assurance component. The third-party QA professional must report their activities and the results of their QA reviews to HUD on an annual basis. QA reports should be submitted via Grant Notes/Application Notes with the last Semi-Annual Performance Report. Standard for Success Pilot participants must submit in accordance with the requirements of the Pilot.

## 15h. Management of Grant Funds

### Award Acceptance

Upon receipt of GrantSolutions notification, the authorized user must access the system and accept the award no later than 30 days after receipt of notification.
The authorized user must be the individual that has the authority to execute a legal document on behalf of the Owner. If the management agent has such authority and provides evidence to HUD, then that individual may serve as the authorized user and may accept the award on behalf of the Owner.

*IMPORTANT: Each Grant has a unique User ID and Password for the authorized user. Please be sure that when you access the system to accept the award that the correct User ID and Password are being entered. If a recipient fails to accept the award within the desire timeframe, HUD may withdraw the offer.*

### Availability of Funds

No grant funds will be made available until the authorized user has accepted and submitted the Notice of Award (NOA) via GrantSolutions. Funding should be available for drawdown within 2-3 weeks from date of acceptance.

### Reimbursement

Reimbursement is the preferred method under this program. Grantee shall enter reimbursement requests on a monthly or quarterly basis through the eLOCCS system. In accordance with the Prompt Payment Act, HUD must make payment within (30) calendar days after receipt of the reimbursement request through eLOCCS, unless HUD reasonably believes the request to be improper. For the latest guidance regarding payment methods, please see 2 CFR 200.305.

Grantee shall minimize the time elapsing between the transfer of funds from HUD and the disbursement of funds for program purposes. The maximum time between HUD transfer of funds and grantee disbursement of funds shall not exceed seven (7) calendar days after receipt of funds.

Additional information regarding the Prompt Payment Act can be found at https://www.fiscal.treasury.gov/fsservices/gov/pmt/promptPayment/payments.htm

### Vouchering

- Timely Vouchering: HUD requires that grantees use the eLOCCS system to draw down funds on a monthly (preferred) or quarterly (mandatory) basis. Each draw down from eLOCCS must be used to cover expenses through the end of the previous month. Failure to do this may impact future extension funding amounts. Grantees must drawdown funds based on the requirements established. Timely drawdowns help ensure program compliance.
- Supporting Documentation Requirements: Grantees are required to maintain detailed expense documentation in their files. All vouchers must be supported by basic payment documents, either hard copy or soft copy source records, which include purchase orders, contracts, receiving reports, invoices, bills, statements of accounts, etc., showing sufficient information to adequately account for the disbursements. *HUD will randomly review monthly/quarterly voucher to ensure compliance and reserve the right to request documentation as deemed necessary. Please do not submit supporting documents to HUD unless requested.*
- Voucher review: The examination of the voucher shall be done to ensure:
  - The payment is permitted by law and complies with the terms of the applicable obligating document (NOA);
  - The required administrative authorizations and approvals are obtained;

- The payment is supported by basic payment request documents and/or other acceptable forms of support;
- The amount of the payment and the name of the payee are correct;
- The goods received or the service performed complies with the agreement;
- The quantities, prices, and calculations are accurate;
- All cash, trade, quantity, or other discounts are taken;
- All applicable deductions are made and credited to the proper account in the correct amount;
- Appropriated funds are available for the time period, purpose, and amount of the proposed payment;
- Controls are in place to prevent duplicate payments

- End of Fiscal Year Closeout: HUD's accounting systems are typically closed the first two to three week of October. During this time, no funds may be disbursed. To avoid any reimbursement delays, grantees are encouraged to submit vouchers no later than the end of the first week of September. This will allow for sufficient time for the Grant Specialists to process any manual vouchers or for the system to approve any automatic payments. If vouchers are not paid prior to the annual cut-off date, grantees must wait until the systems reopen before any payments can be made. In August, your Grant Specialist will inform you of the exact cut-off date for CY 2018.

### Improper Payments Elimination and Recovery Improvement Act of 2012(IPERIA).

The Improper Payments Elimination and Recovery Improvement Act of 2012 requires that each agency review prepayment and pre-award procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility and prevent improper payments before the release of any Federal funds. This Act also establishes a *Do Not Pay Initiative* that requires all awards of Federal funds to be prescreened prior to award, as well as during the pre-payment and post-payment processes in order to prevent improper payments.

### Termination of Award

HUD may terminate an award if a grant has been inactive for more than 180 days and the grantee fails to provide a justification and has not complied with HUD's request to satisfy the terms of the agreement.

If an owner's eligibility status changes during the course of a funding period, making the owner ineligible to receive SC funding, HUD has the right to terminate this award. A change in eligibility status may be due to prepayment of the mortgage, sale of the property or opting out of an assistance contract.

HUD staff must notify the grantee of HUD's intention to terminate the grant.

### Closeout of Award

HUD staff must conduct the necessary reviews to ascertain that the statutory, regulatory and programmatic requirements have been met prior to closing out a grant. Closeout is subject to any of the following criteria:

- The grantee did not initiate a request for an extension in the prior performance period
- Grantee no longer satisfies the eligibility requirements
- Grantee fails to comply with reporting requirements
- Non-responsiveness; and/or
- Service Coordinator position has been absorbed into budget

### Allowable Expenses and Expense Documentation

Allowable costs are as follows:

| Cost Type | Instructions for Completing the One Year Budget Form — HUD-91186-A |
|---|---|
| **Personnel (Direct Labor)** | This section should show the labor costs for the Service Coordinators and/or aides. Use the hourly labor cost for salaried employees (use 2080 hours per year or the value your organization uses to perform this calculation). Do not show fringe or other indirect costs in this section. |
| **Fringe Benefits** | Use the same standard fringe rate used by your organization. You may use a single fringe rate (a percentage of the total direct labor) or list each of the individual fringe charges. Use the Total Direct Labor Cost as the base for the fringe calculation. If your organization calculates fringe benefits differently, use a different base and discuss how you calculate fringe as a comment. |
| **Quality Assurance** | Give the title of the professional (e.g. MSW) who will be performing QA, the number of hours over the year you expect to use them, and their hourly rate. Quality Assurance is limited to program evaluation activities and cannot exceed 10% of line a, Personnel. If QA costs are budgeted, the grantee must also provide an annual report from the QA provider using form HUD-92456 Semi-Annual Performance Report. The report is due once per year on October 30th. |
| **Training** | Give fees and rates for appropriate training programs, to the extent known. Otherwise estimate and provide bases for the anticipated cost. Please note: first-time SC must complete 36 hours of training in their first year; all SC must complete 12 hours of eligible training each year. (See MAH.8.9 for detailed training expectations and guidelines.) |
| **Travel** | Provide mileage and cost estimates for use of private vehicles or public transportation; show the estimated cost of airfare required to attend training programs, and list necessary per diem rates in accordance with your organization's policies. Give travel destinations if known. |
| **Supplies and Materials** | List the supplies you propose to purchase. You can use an anticipated consumption rate to estimate the cost of office or other common supplies, (e. g. 1 box paper clips every 3 months). Include replacement of office |

| Cost Type | Instructions for Completing the One Year Budget Form — HUD-91186-A |
|---|---|
| | equipment. List items individually along with the quantity and their anticipated cost. |
| **Start-up Costs** | Reasonable costs associated with setting up a confidential office space for the Service Coordinator are allowable. Such expenses must be one-time only start-up costs. Such costs may involve acquisition, leasing, rehabilitation, or conversion of space, as well as the purchase of office furniture, computer hardware & software.<br>Please note that HUD field office staff must approve both the proposed costs and activity and must perform an environmental review on such proposed work prior to grant award. In addition, the office space must be accessible to individuals with disabilities and meet the Uniform Federal Accessibility Standards (UFAS) requirements of accessibility or the 2010 ADA Standards for Accessible Design, except for certain specific identified provisions, as detailed in HUD's Notice on "Instructions for use of alternative accessibility standard," published in the Federal Register on May 23, 2014, https://www.gpo.gov/fdsys/pkg/FR-2014-05-23/pdf/2014-11844.pdf . |
| **Other Direct Costs** | Include costs such as telephone and internet service, printing, postage, and maintenance of office equipment, when such costs are attributable to the SC program only. |
| **Indirect Costs** | OMB circulars define indirect costs as those that have been incurred by multiple programs for common or joint purposes. Indirect costs are associated with the centralized services distributed throughout your agency and cannot be readily identified with one particular program. Additionally, the costs should not be otherwise treated as direct costs. If your organization already has an established indirect cost rate, use this rate and explain how it is calculated. Otherwise, HUD recommends using the 'de minimus' indirect cost rate of 10% specified in 2 CFR 200.414(f) |

In addition to reporting costs as described above, below is a listing of three additional reporting categories:

| Budget Item | Instructions for completing the One Year Budget, form HUD-91186-A |
|---|---|
| **Contracts/ Sub-Grantees** | If you will contract with a public or private agency to provide the Service Coordinator or Quality Assurance, list the activities and costs included in the contract in this section. |
| **Quality Assurance %** | Quality Assurance costs cannot exceed ten percent (10%) of your total Personnel/Direct labor cost. Calculate your percentage and include on this line, to ensure you are within the 10% cap. |
| **Funding Sources** | Housing owners can use any of the four funding sources (SCMF grant funds, Section 8 operating funds, Residual Receipts or Excess Income) to pay the costs of a Service Coordinator program. You may use these |

| Budget Item | Instructions for completing the One Year Budget, form HUD-91186-A |
|---|---|
| and Time Periods | resources individually or in combination with each other. Indicate which funding sources you propose to use, by giving the dollar amount, the number of years and months during which you will use the funds, and the exact time period anticipated. |

HUD further stipulates that Service Coordinator grant funds may not be used for any of the following types of expenses:

- Any costs associated with parties or meals (even for residents)
- Application preparation and submission
- Computer hardware/software or other equipment not used/required by the Service Coordinator
- Cost overruns associated with creating a private office space for SC use
- Entertainment/classes for residents
- Food, beverage, eating utensils, plates, cups or condiments
- Gifts to residents/or staff
- Increasing management fees
- Paying PAC members for their services
- Restaurant meals
- Service Coordinator-related training courses for property management staff who do not directly provide Service Coordination. (Owners must use their management fees to pay this expense.)
- Supervision performed by property management staff
- Travel not associated with an approved training and/or not included in the approved budget
- Usual audit and legal fees
- Or any other cost as defined by 2 CFR Part 200

It is of the utmost importance that owners are able to accurately comply with the cost principles stipulated in the 'omnibus circular' (2 CFR Part 200.400) and have in place accounting resources to properly allocate and account for expenses within GAAP and fund accounting practices, as described in Part II of this Toolkit.

### What Are HUD's Requirements Related to Document Retention?

Per 2 CFR Part 200.333, financial records, supporting documents, statistical records and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, like the Service Coordinator program, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency. (This means from the date of the drawdown request.)

If however, a management company's policies or other funding source requires a longer records retention period, then the owner should follow the more stringent policy.

## 15j. Internal Controls

Internal controls are a combination of tools designed to minimize the misuse of funds and poor record keeping, and to maximize the likelihood of detecting problems if they occur. Internal controls require that multiple people with different roles review each and every financial transaction. In addition to maintaining secure records and up-to-date accounting policies and procedures, effective internal controls mandate the separation of duties so that no one person handles all aspects of financial transactions. (See Section 2.d.)

We encourage all SCMF Programs to consult with their independent financial auditor (a Certified Public Accounting firm) regarding the best method of guaranteeing a clear separation of responsibilities vis-à-vis the SCMF program and its requirements. At a minimum, HUD Form 1044D, the grant award "obligating" document, should be signed by a director or manager and then routine day-to-day transactions can be handled by the SCMF staff. Each situation will be slightly different, so it is essential to request CPA guidance if your agency does not have adequate separation of duties. For example, it is not acceptable for one person to sign the application for funding, execute the grant agreement, approve third-party subcontracting agreements and submit vouchers for reimbursement. These duties need to be separated clearly in job descriptions, organizational charts, time sheets, and policies and procedures.

## 15k. Overview of Service Coordinator Activities, Quality Assurance & Training Requirements

### What Are the Primary Activities that HUD Anticipates for SCMF Program Operations?

HUD suggests that Service Coordinators are primarily involved with the following types of activities [MAH.8.4.a(3)]:

- Provide general case management and information and referral services
- Establish provider directories and linkages with community agencies
- Educate residents on available services and benefits and on tenancy issues
- Monitor provision of service
- Advocate for residents
- Educate housing management staff
- Work with resident organizations
- Help residents set up informal support networks
- Educate housing management staff
- Set up volunteer programs

### What Activities Does HUD Stipulate that SCMF Staff Cannot Perform Using HUD Funding?

HUD stipulates that Service Coordinators cannot: act as recreational or activities directors, provide supportive services directly (except in emergency situations), or assist with other administrative work that is normally associated with housing operations. The Service Coordinator would normally report to "the project administrator, executive director or director of management in a management company. The coordinator will also consult with

tenant organizations and resident management corporations, where appropriate." [MAH.8.4]

In addition, "Management must assure that the Service Coordinator function is effectively implemented. Therefore, quality assurance (QA) is an allowable expense. A project may propose a cost of 8-10 percent of the Service Coordinator's salary to provide limited monitoring oversight of the Service Coordinator by a qualified third party. The project must provide a written justification along with the budget." [MAH.5] A qualified third party must perform the program evaluation work and must have experience and education in social or healthcare services. QA activities must identify short- and long-term program outcomes and performance indicators that will help measure the SC program's performance. On-site housing management cannot perform QA and owners may not augment current salaries of in-house staff for this purpose.

### What Courses or Training Programs Does HUD Recommend for SCMF Staff?

HUD neither approves nor recommends training courses for Service Coordinators. The Department believes that trade associations, academic institutions, and local non-profit and public agencies can provide the best training to Service Coordinators working in HUD-assisted housing. Service Coordinators should choose training courses that best provide them with the information discussed in the Training Guidelines.

The American Association of Service Coordinators (AASC) website lists education and training opportunities offered throughout the country. The search engine of your browser can help you find education and training opportunities for 'Housing Service Coordinators.' All Service Coordinators working in HUD-assisted multifamily housing designated for the elderly and people with disabilities must conform to the Office of Multifamily Housing's Training Guidelines.

## 15l. Additional Resources

### SCMF Program Reference Documents

- OMB Approved Changes for Multifamily Housing Coordinators Program: [http://portal.hud.gov/hudportal/documents/huddoc?id=ombchangesprsnt.pdf]
- HUD's Management Agent Handbook number 4381.5, Chapter 8, provides the procedures for requesting Service Coordinator funding, and for operating a program in HUD assisted housing. It also provides the requirements and recommended course work for statutorily mandated Service Coordinator training and continuing education.
- Please visit the SCMF website for the most up-to-date program information and administrative guidance.

### Questions and Technical Assistance

- If a grantee has technical difficulties or questions about using GrantSolutions, please contact help@grantsolutions.gov or call 1-866-577-0771 to speak to a GrantSolutions Help Desk agent.
- Post award changes to established role(s). To add or change a user role, grantees must:
  - Complete the User Request Form
  - Email the completed form to help@grantsolutions.gov. Be certain to copy your local Grant Specialist and Dorthera.Yorkshire@hud.gov. GrantSolutions will respond to your request within 48 hours.
- ALL programmatic questions related to this submission should be directed to your local HUD Grant Specialist.

### Web Resources

- Important Program Links:
  - HUD Service Coordinator Webpage
  - Multifamily Housing Service Coordinator Budget Tool (see "What's New" on homepage)
  - HUD's Client Information Policy Systems (HUDCLIPS)
  - 4381.5, Chapter 8
  - HUD Notice 2012-14, Use of "New Regulation" Section 8 Housing Assistance Payments (HAP) Contracts Residual Receipts to Offset Project-Based Section 8 Housing Assistance Payments

- Important grant Management Links
  - 2 CFR 200
  - Online DUNS Request Portal
  - The System for Ward Management (SAM)
  - Helpful SAM Videos
  - USASpending
  - HUD's Grant Management Webpage
  - GrantSolutions

## 16. Support Services for Elderly Households Demonstration in HUD-Assisted Multifamily Housing

## 16a. Program Overview

### Background and Goals

The Consolidated Appropriations Act for federal fiscal year 2014 provides the authority to develop a housing-with-services demonstration for low-income elderly to test models that demonstrate the potential to delay or avoid the need for nursing home care. The

Demonstration is expected to produce evidence about the impact of a housing with services model on:

- Aging in place
- Transitions to institutional care
- Housing stability, wellbeing, health outcomes and health care utilization associated with nursing home placement and high health care costs of HUD-assisted elderly residents

HUD and the U.S. Department of Health and Human Services (HHS) collaborated on several research initiatives to inform the design of this demonstration. Lessons from each have informed the resulting experimental research design that has three significant features: 1) the creation of separate groups of enrolled properties: treatment and control; 2) the use of a lottery, or a random assignment, to place eligible properties in these two groups; and 3) the requirement to uniformly implement the demonstration's core components and ensure adherence to the study design.

- For more information, go to the Support Services Demonstration Program page on HUD's website.

### Period of Performance

Support Services for Elderly Households Demonstration awards are for an initial three years of funding with two annual extensions, subject to the availability of funds.

### Funding Authority

The Consolidated Appropriations Act, 2014 (Public Law 113-76), approved January 17, 2014, provides authority for HUD to use residual receipts and other available funds for a demonstration program to test housing with services models for the elderly that demonstrate the potential to allow elderly persons to successfully age in place.

## 16b. Programmatic Description of the Support Services for Elderly Households Demonstration Project

### Eligible Activities

Eligible program costs vary by whether the property is assigned to the Treatment or Control Group. Please refer to the following sections for details regarding each group:

- All developments selected for the Treatment Group are expected to implement the core components of the supportive services model that include an onsite fulltime Enhanced Service Coordinator and/or a part-time Wellness Nurse within 120 days after the date of the cooperative agreement letter and collaborative with the evaluation of the Demonstration. The services and activities related to the purpose of the Enhanced Service Coordinator and/or the Wellness Nurse positions are considered the program's eligible activities.
- All developments selected for the Control Group are expected to collaborate with the evaluation of the Support Services for Elderly Households Demonstration.

### What Costs May Properties Assigned to the Treatment Group Use HUD Funds to Cover?

1. **One-time only start-up costs**:
   - Acquisition, leasing, rehabilitation or conversion of an existing space to a confidential on-site office space(s) for the Enhanced Service Coordinator and Wellness Nurse. Costs should not exceed $10,000. Expected completion time to acquire, rehabilitate or convert the space must not impact the start of the Demonstration. Selected applicants will be required to submit three bids to support the requested amount. HUD will review the request for reasonableness and reserves the right to reduce the requested amount. The office space must be accessible to people with disabilities and meet all applicable federal accessibility requirements. HUD staff must approve both the proposed costs and activity and must perform an environmental review under 24 CFR part 50 on such proposed work prior to grant award. Please refer to the United States Access Board website for more information.
   - Additional staff time to enroll all interested residents and complete initial assessments of their needs. This staff time must not exceed 20 hours per month for the initial four months of the Demonstration and the hourly rate must be reasonable.
   - Other start-up costs deemed necessary for the implementation and sustainment of this program may include, but are not limited to, costs for office furniture, computer tablet, computer hardware/software, etc.
2. **Program Cost**: Equipment, office supplies, direct and indirect program expenses, travel, training, stipends to representatives of the partnership between housing, health care, and service provider agencies to attend monthly meeting with the Enhanced Service Coordinator and Wellness Nurse, and/or other cost as determined necessary by HUD.
3. **Provision of Supportive Service Cost**: No more than $27 per unit per month for supportive service costs. (Note: Services must be appropriate to the needs of residents.)
4. **Staffing Costs**:
   - Funds may be used to cover an Enhanced Service Coordinator's salary, fringe benefits, and/or, Salary cost for a part-time Wellness Nurse.
     Note: Owners must contract out to a third-party provider the selection and employment of a Wellness Nurse. The third-party agencies should be a Medicare Certified Home Health Provider or similar agency or organization.
   - Costs related to the Enhanced Service Coordinator and Wellness Nurse must be supported by evidence of comparable salaries in your area.
5. **Augment Existing Program**: Funds may be used to augment a current Service Coordinator program, by increasing the salary and hours of a currently employed Service Coordinator, as long as he or she meets the qualifications for this position and agrees to the job responsibilities, functions, and administrative requirements of this demonstration.

*(Note: Grantees may not use funds available through this NOFA to replace currently available funding from other sources. All proposed costs must be considered*

*reasonable. "Reasonable costs" mean that costs are consistent with salaries and administrative costs of similar programs in your local Field Office's jurisdiction.)*

### What Costs May Properties Assigned to the Control Group Use HUD Funds to Cover?

Properties that are assigned to the Control Group will sign a cooperative agreement and will be offered an incentive fee to participate in the study. The incentive fee will cover the cost of staff time to support researchers' data collection efforts. The incentive fee will be set at an amount not to exceed $5,000 per property enrolled in the Control Group.

## 16c. Funding Restrictions and Renewal

### Ineligible Uses of Funds

Funding under this program may not be used for costs related to:

- Expenses related to the provision and operation of housing.
- Employment of Service Coordinator in Section 202 properties with a Project Rental Assistance Contract (PRAC). Owners of Section 202 PRAC properties may obtain funding for a Service Coordinator by requesting an increase in their PRAC payment consistent with Handbook 4381.5 REVISION-2, CHANGE-2, Chapter 8. Section 202 properties with a Project Rental Assistance Contract (PRAC).
- Full cost of the Service Coordinator position when the project has available funds (i.e., Section 8 operating funds, residual receipts, excess income and/or grant funds) that may be used to pay for a Service Coordinator. "Available funds" are those that require HUD approval for their use and are not needed to meet critical property needs.
- Renewal or extension of Service Coordinator grants provided under the Service Coordinators in Multifamily Housing Program CFDA 14.191.
- Salary or any other expenses for Service Coordinator aides.
- Reimbursement of expenses associated with the following items:
  1) Supervision performed by property management staff
  2) Cost overruns associated with creating private office space
  3) Usual audit and legal fees
  4) Increasing management fees
  5) Service Coordinator-related training courses for property management staff who do not directly provide Service Coordination. Owners must use their management fees to pay this expense
  6) Paying PAC members for their services

## 16d. Other Statutory and Regulatory Requirements

In addition to the statutory, regulatory, threshold and public policy requirements listed in the General Section and in the NOFA, grantees must comply with all other statutory and regulatory requirements that govern their property type.

- **Conducting Business in Accordance with HUD Core Values and Ethical Standards:** Refer to Section III. C.4.f. of the General Section for additional guidance.

- **OMB Administrative Requirements and Cost Principles:** The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, set forth in 2 CFR Part 200, shall apply to Federal Awards made by the Department of Housing and Urban Development to non-Federal entities.
- **Code of Conduct:** After selection, but prior to award, applicants selected for funding will be required to provide HUD with their written Code of Conduct if they have not previously done so and it is not recorded on the HUD website at www.hud.gov/offices/adm/grants/codeofconduct/cconduct.cfm
- **Ensuring the Participation of Small Businesses, Small Disadvantaged Businesses, and Women-Owned Businesses:** Although the program is not subject to the provisions of 24 CFR 85.36(e), grantees are required to comply with Executive Order 12432, Minority Business Enterprise Development and Executive Order 11625, Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise as they relate to the encouragement of HUD grantees to utilize minority business enterprises.

## 16e. Reporting

Please refer to Section VI of the General Section of the NOFA for a description of the applicable general reporting requirements. Following are specific reporting requirements articulated for this program:

### Performance Reporting

After award, HUD will finalize a full set of measurement tools in order to evaluate your program's impact and effectiveness. HUD anticipates that this will involve development of standard procedures for (1) measurement of service provisions and outcomes related to general well-being and health (2) implementation Demonstration in the same way in all sites; and (3) enrollment of eligible applicants into the study.

### Recordkeeping and Data Collection

Applicants will be required to keep records to document how the Demonstration is being implemented, cooperate with resident's enrollment in the evaluation, and cooperate in the formal independent evaluation of the Demonstration, including submission of costs and other program data and approximately two site visits.

### Work Plan

HUD will work with grantees and/or the Service Coordinator to develop and finalize a supportive service work plan. Work plans will be careful, well-thought-out tools that to support successful implementation, management and evaluation of the proposed service program.