Speaker 0 00:00:00 Welcome and thank you for joining today's community project funding grants webinar. Please note that all audio connections are muted at this time. If you would like to use closed captions, please click on the closed caption icon in the bottom left corner of WebEx. With that, I'll turn the conference over to Holly Kelly, director of the Congressional Grants Division. Please go ahead.

Speaker 1 00:00:24 Thank you, and good afternoon everyone. Uh, again, my name is Holly Kelly. I'm the Director of the Congressional Grants Division with HUD's Office of Economic Development. Welcome to this training that will cover the application of two CFR Part 200, the Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards. We are very happy to bring this training to you, and very glad that you've taken time out of your very busy day to attend this important training. Next slide, please. As background, several years ago, the Federal Government's Office of Management and Budget brought several separate administrative regulations and circulars together into one set of guidance that is now the Uniform Guidance for Federal Awards. This sweeping regulation replaced combined and streamlined approximately eight previous sets of federal awards of regulations, and so it brought together materials into this comprehensive document and resource for our grantees.

Speaker 1 00:01:32 As a part of our Congressional Grants Division's comprehensive technical assistance service delivery to our community project funding grantees, the Congressional Grants Division wants to provide you with the tools necessary to comply with the uniform guidance and be successful in administering this federal award. This training will discuss how the regulations impact the community project funding grants, and will provide guidance on key parts of the regulations that our grantees should be aware of. The grant guide that accompanied your grant award letter listed several key provisions of two C FFR part 200. Those key provisions included guidance on program income, procurement requirements, property disposition, financial management, and internal controls, and close out of federal grants to name a few. During this training event, you'll learn about the basics of two C FFR part 200, and be able to find and cite the relevant parts of the regulation that apply to your entity.

Speaker 1 00:02:32 We realize it's a lot of material that's going to be covered during this training, and we want you to know that the PowerPoint slide deck and other materials will be available on the Congressional Grants Division's website very soon and will be made available to you through your grand officer upon request. Also, if you have questions after the session concludes, please feel free to use and contact the HUD. Ask a question desk or contact the HUD grant officer assigned to your state Contact information for the ask of question desk, and the grant officers will be provided later on in the presentation. Again, the presentation will cover community project funding, grant guides, federal award management, direct cost rates versus indirect cost rates, audit requirements, and will provide information about upcoming webinar SE series and key links and resources. We've also provided an action item checklist for your, um, for your, uh, convenience. Next slide, please. Our training presenter today is a professional, uh, and very knowledgeable about this subject matter. Mr. Eric Chatham is a principal owner and Lee consultant with CITAs LLC, and he will be walking us through the materials regarding two C FFR part 200. Again, thank you for joining us today. We hope you find this information helpful and informative. And now I'll turn the training over to Mr. Eric Chatham. Thank you.

Speaker 2 00:04:03 Thank you, Ms. Kelly for that introduction and good day, ladies and gentlemen. Um, on your next slide here, we are showing screenshots of the recent grant guides for on the left-hand side, the fiscal year 2022, and on the right hand side, the updated for fiscal year 2023. You all should have received a link to the grant guide, and as Ms. Kelly mentioned, throughout the guide are repeated references to various sections of two CFR part 200, and we're going to go through some of those key sections today. Uh, next slide please. Within your grant guide, uh, in sections two and three, we covered those uniform administrative requirements, cost principles, audit requirements, uh, again, as Ms. Kelly mentioned, procurement and direct indirect cost rates, et cetera. And so we're pointing out on the right hand side in the screenshot from that grant guide the specific citations that your, uh, will be referencing throughout the presentation today. Next slide, please.

Speaker 2 00:05:18 We also want to point out a, an additional two, uh, two CFR 200 overview for grantees. That is also on the HUD dot gov guide, uh, website. This new guide provides key definitions and worth pointing out on. Those key definitions are some updated, and you can sort of see on the screenshot there identified with new, um, towards the right hand side of the term. Specifically, we will discuss today updated definitions for the term contractor and sub-recipient. The term contractor is often referenced as vendor In the, uh, notice regarding these grants, we want to make some clarification, and we know there's many questions submitted through the registration p uh, platform regarding procurement and definitions there of, of subrecipient and contractor. So that will be covered today as well as, uh, updated definitions and, um, guidance related to the various methods of procurement. So we'll be covering all of those during our session today. Next slide, please.

Speaker 2 00:06:32 So, two CFR 200 is of course, a, a live or living regulation that is constantly updated by the federal government. The last update was just last month on the 3rd of March, or sorry, the 1st of March. Um, we've provided a link, um, to the code of Federal regulations. And, um, simple Google search will help you find all of the various sections of two CFR 200. Uh, it's best to always use the electronic cfr.gov here where we're showing a screenshot to make sure you have the most updated and accurate information. There are other websites that provide citations to Park 200. They may or may not be updated. So always best to make sure you're going direct to the, to federal resources here. Um, make sure you're looking@ecfr.gov for the latest in updated version of, of the regulations. Next slide, please.

Speaker 2 00:07:37 So now we'll dive into the particulars of the Federal Awards Management from your grant execution or your grant agreement execution, um, through your closeout process. Next slide. As Ms. Kelly mentioned, uh, due to the short duration of our presentation today, we would encourage you if you have follow up questions to go to the HUD Exchange website, um, and you could see the link there. Again, this will be provided to you following the session, but HUD exchange info, and then there's a link to ask a question in the top right, you could see highlighted in the screenshot program support, and we'll go through the process for submitting questions, uh, at the conclusion of our presentation. But just want to bring this to your attention. There's a, um, great deal of resources on all things part two CFR part 200, and this is where you can submit questions for additional support as well.

Speaker 2 00:08:45 Next slide, please. So, the full title of this regulation is the Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards. As Ms. Kelly mentioned, this combines several previous, uh, regulations and OMB circulars into one uniform practice and or guide. Um, two CFR 200 applies to all ccp, uh, C P F awards. Um, and you want to, again, review with particular focus on the provisions referenced in your grant guide that were highlighted in the previous screen. Um, and below on the HUD exchanges is a link to specific training session, uh, that is self-taught or self-paced, if you will, uh, on two CFR 200. We'll show more details of that towards the conclusion of the presentation.

Speaker 2 00:09:44 Next slide, please. So, let's dive into some of the particular citations. First and foremost, the suspension in Debarment citation at 200 214. This is a particularly important, uh, citation for new organizations or organizations that have not received federal funds before, or organizations that are receiving this for the first time and maybe also contracting out or providing sub-awards to, uh, other nonprofits or other local governments. This section requires you as the awarding, uh, or, or awarded entity to confirm that everybody you provide sub-awards or contracts to is, um, illegally allowed to participate in federally funded projects. So you'll be required before executing contracts with any third party to confirm that they are not suspended nor debarred from participation. The way you'll do that is looking@websitesam.gov saam.gov on sam.gov. You'll be able to research or search for the organization or business which you, uh, are, um, intending to contract with, and you will search for any active exclusions.

Speaker 2 00:11:16 And if there are active exclusions that would indicate, and you can click the link there, um, to identify particular suspensions or debarment. We'll discuss throughout the presentation today the need to have policies and procedures in place for internal controls and compliance with all things Part 200. But this is critical from the onset that make sure everybody you are partnering with and working with is, uh, legally allowed and to continue to participate. So again, sam.gov search for active exclusions, and everybody you contract or sub, uh, or provide sub-awards to will need to be registered on sam.gov. And when they register with sam.gov, they'll be provided a unique entity identifier or A U E I and that will be part one of the items required to be listed in all of your contracts. Again, that is the unique Entity identifier or u e i. Some of you may be familiar with the Dunn's number. Um, federal government is going away from using Dunn's numbers for tracking suspension and debarment, and specifically using the unique Entity Identifier. Additional citations that we're going to look at throughout this presentation. Uh, uh, 202 16, the prohibition on certain telecommunications, video surveillance, and other prohibited activities and uses of these funds.

Speaker 2 00:12:54 Key financial management and internal controls and checks and balances is at section 203 0 2 and 3 0 3. We'll be looking at those momentarily Payment requirements at 3 0 5 program income requirements, budget revisions and program plans, both during the operational phase and post completion of your project, disposition of any property acquired with these funds. And, uh, all long term reporting requirements will, of course dive into procurement requirements, and I know there are a lot of questions around procurement. Next slide, please. Part 3 34 through 3 38, review record retention and access to those records. Uh, we'll be looking at that, uh, this and during this session as well, of course, you'll have reporting requirements D again, during the operational phase of your grant and throughout the records retention and reporting period. We'll discuss sub-recipient monitoring, and first, we'll, we'll define what a sub-recipient is compared to what a contractor is. This is a particular importance for those of you that are partnering with other agencies or other, uh, local governments. And so you want to review at 203 31 through 3 33, we'll discuss the REMI remedies for non-compliance that you'll need to take, uh, if you have, uh, subrecipients that are non-compliant, but also we'll discuss remedies that HUD may take, uh, for non-compliance on behalf of the awardee. Uh, you can find those remedies at two CFR 200 dot 3 39 through 3 43.

Speaker 2 00:14:51 Close out of the federal grants can be found at two CFR 203 4 4 3 3 46. Cost principles is a subpart e, and audit requirements is Subpart F. And in addition, we will also reference Subpart D, which is additional details about procurement requirements. Next slide, please. So let's discuss w internal controls and, and in each of these sections that the header of the slide will provide the reference to the particular section of the regulations being discussed. So, internal controls at 203 0 3 requires all recipients of federal awards, um, as referred to as the non-federal entity, you must establish policies and procedures that establish these internal controls. And what does that mean? Well, that means that you've got to have checks and balances, division of labor, uh, or responsibilities within your staff on how you will manage these funds, how payments will be managed, how procurement will be managed, how accounting will be managed, how construction contractors and sub-recipients will be managed, and how those roles and responsibilities are divided amongst your team, um, uh, as well as perhaps, uh, third party consultants, architects, engineers, accountants, et cetera. But you need to establish these controls prior to beginning, uh, the operation or the, the, the project that you are receiving the C P F funding for, uh, so that you can maintain these controls and maintain compliance with the re uh, relevant regulations.

Speaker 2 00:16:57 So you have to establish the policies and procedures, uh, citing the federal statutes, the various regulations, terms and conditions that we're referencing throughout the presentation today. You must also have policies and procedures to evaluate and monitor that compliance. And this is especially important for those of you that may be passing funds through to a, a sub-recipient or another, uh, nonprofit or local government agency that might be actually undertaking the project, and even with contractors. So you have to establish how you will monitor their progress. Again, during the a, um, active phase, and many of you I know, have construction related activities here, but during the active phase of the grant, as well as throughout record keeping and any long-term compliance, uh, that may be applicable, your policies and procedures need to identify your remedies in how you will take prompt action if you identify findings in your own audit, or if you identify fi uh, issues of non-compliance or findings in your sub-recipients audits or in your monitoring of their processes. And so you have to have effectively your own remedies for what you will, uh, how you will correct these issues both internally and with your partners.

Speaker 2 00:18:28 This last bullet on this slide, I want to really highlight to everyone. This is of a particular interest of late, you must have policies and procedures in place to protect personally identifiable information or pi i as it's often uh, referenced. This is personally identifiable information for any program participants that might need to apply or provide to you, uh, personal or confidential information to participate in programs that you might be funding. So this could be individuals or businesses applying for assistance or participation in your program throughout your record keeping and your intake processes. You need to be able to make sure that this information is, is held securely, um, both in internally and in your record keeping and reporting requirements. And we'll discuss that in a little bit more detail.

Speaker 2 00:19:28 There were additional questions on internal controls about your, uh, where you will deposit these, uh, funds as you receive your grant and draw down your grants from your line of credit with treasury, where do these funds deposit? And in your internal controls policies and procedures, you will also have, um, your, your own checks and balances for who has access to the funds, how these funds are, are drawn down, where they are deposited physically, and, and then how they are dispersed. Two CFR 200 does not require you to have literally a separate bank account for these depo deposits of these funds, but what it does require is that your financial management software is able to bifurcate, or I specifically identify these funds within your deposit accounts. So at all times, you should be able to run a report identifying the amount of funding received to date, purchase orders, uh, uh, issued contracts issued, disbursements made, et cetera. So again, you're not required to have literally a separate deposit account, but your internal chart of accounts or financial software must be able to identify and track this grant individually.

Speaker 2 00:21:05 Next slide, please. So, as I mentioned, you will be drawing down your funds throughout the active phase of your, uh, performance period, and you'll be drawing those down through the line of credit control system or locks. And this is simply a way that you will create a wire transfer ACH deposit from your line of credit with the, with the federal government into your entity's local bank account. Again, your internal controls need to have, uh, your policies and procedures detailing how that process will be managed and who will have authorization to do that, as well as who has access, uh, to your actual bank accounts. Within that, uh, further internal controls in part 203 0 5, there's reference to how payments are made from your deposit accounts. So in most cases, you will have these funds being deposited in a method where you're advancing funds to your organization or to other organizations so that they have funds available to make payments for contractors, uh, for completion of various, uh, phases of your project.

Speaker 2 00:22:36 Your internal controls need to establish a timely method for dispersing those funds to make those payments. And so, for example, if you have a payment due an invoice due to a contractor, you would draw down funds from your line of credit, they would de overnight deposit into your local checking account or deposit account. And your internal controls need to identify how quickly you will release those funds to make that payment that is due. You want to minimize the time elapsing between your, uh, receiving the funds and releasing or dispersing those funds to make payments because these funds will be deposited into an interest bearing account. If there is, uh, extended time, uh, between the time you draw down and release the funds, you may actually earn interest on the funds that are drawn down. If the, if that is the case at the end of year, your organization is able to retain up to $500 a year for administrative expenses related to your banking accounts. Any additional interest above $500 must be returned annually to the Department of Health and Human Services. Uh, and so you need to, again, in your internal controls, make sure that you have a process for timely disbursement of the funds, but also in the event that interest is earned in excess of $500, that you have a method for promptly identifying that amount and returning it properly to h h s.

Speaker 2 00:24:26 Next slide please. So, the methods of procurement, and I know we have a lot of questions here in the registration around the various methods of procurement. Um, the initial methods of procurement are identified at part 200, part three 20, and then there's more details as well in sub part d. Couple things to note, your local entity should have in your internal controls, your policies and procedures, your own procurement requirements for these federal funds, you then must use the most restrictive policy. So today in this presentation, we're going to go over the federal guidelines. Your guidelines internally must be at least as restrictive as these guidelines, but in many cases, you might have smaller thresholds for these various methods. For procurement, you must use the one that is most restrictive. So if your threshold amounts are lower than the federal government's threshold amounts, then you would need to use your own, and that applies then as well to your subrecipients.

Speaker 2 00:25:45 So we will define, uh, later in this presentation definitions of subrecipients versus contractors, but what we need to be clear is all contractors, all goods and services must be procured in one format or another. You need to further document that the com that the proper procurement methodology was utilized. And so we have, uh, on the first screen here, we have four typical methods of procurement. The first two are commonly referred to as informal, and then three and four are typically referred to as formal procurement methods. So the first informal is micro purchases, and this can be done for acquisition of supplies and services if the aggregate amount does not exceed $3,000. And this is a relatively new method. So if you intend to use this, I encourage you to read additional guidance on when this is or is not appropriate. Um, but this micropurchase allows you to, um, go ahead and, and secure those supplies or services without soliciting competitive bids. Um, however, you must still be able to identify and confirm that the price you're paying for those goods or services as reasonable, and we'll discuss, um, what that means a little later. But necessary and reasonable is going to continue to be a common term used throughout your procurement, and we'll, we'll address that short shortly in the presentation.

Speaker 2 00:27:29 The second informal process is the small purchase procedure, um, or the Simplified Acquisition Pro, um, method. Uh, this threshold is up to $25,000, and this can be used, uh, as typically, again, um, used for, uh, smaller goods and services exceeding 3000, but up to 25,000. And here you would typically informally, um, review, uh, quotes and other bids or prices, uh, offerings online perhaps for various small, uh, items, uh, exceeding 3000. So again, that is an informal process up to 25,000. This is likely one of those areas where your local policies and procedures has a lower threshold. So just be mindful that the 25,000 is the federal guidelines currently, um, but you may have something lower.

Speaker 2 00:28:34 Then there are two types of formal, uh, bidding or procurement, uh, the sealed bids or formal advertising and the competitive proposals. So let's discuss each of those. Sealed bids requires formal advertising and is typically used for construction related activities. In fact, all construction related activities should be procured through sealed bid process. When you do a sealed bid, you will typically advertise a specific invitation to bid. You will have a specific scope of work. And so if that's a construction project, and let's say you're doing a new roof, for example, you'll want to provide the very minute details of how that, uh, what type of materials, how those materials are to be installed, uh, whether it's shingles or asphalt or tile, whatever it might be, um, on that roof as an example, you provide very detailed specifications for the full scope of work. Then the responding, uh, firms wishing the bid will provide their sealed bid in a prescribed manner, um, typically with a prescribed due date, and they will offer a firm fixed price to complete the specific specifications you provided in your invitation.

Speaker 2 00:30:08 You will review those bids and then typically will select the lowest responsive bidder. And so that lowest responsive bidder means that you not necessarily have to take the lowest price. You can also take into consideration, and you should take into consideration the respondent's capacity and compliance, and certainly their, uh, uh, registration with sam.gov. And, um, and not being debarred or suspended from participating. You may have previous experience with different firms and may have, uh, had good or bad experiences previously, and so that can be part of your consideration. With that being said, any of those things that are going to be considered other than price need to be identified in your bid invitation. So if there are other scoring criteria that are going to be included, that needs to be made clear so that the respondents can, uh, provide an appropriate, uh, response in their bid. So, again, the sealed bid is typically for construction related activities.

Speaker 2 00:31:20 The competitive proposals, often referred to as an R F P O request for proposals. Process is typically conducted in a similar manner, but is for professional services. Um, when you do this, again, you are, uh, typically advertising the request for proposals. And in this case, you might be advertising a scope of work that is a little less clear or less specific, and your respondents in this case will typically provide fees for expected services, and that might look like the, um, you know, hourly rates for architects or attorneys or engineers, for example. Um, and then you, they can also include expected costs associated with their work. So the difference here is that the scope of work for professional services may not be appropriate to receive a firm fixed price. Uh, you may need them on an as needed basis, or you may be procuring the professional services to help you design the construction, uh, the building or the facility.

Speaker 2 00:32:36 And so that scope of work is, um, not, uh, not appropriate for a firm price until, uh, you're able to work with these professionals, uh, to design this project. So, again, in the response for R F P, the respondents would provide details on their capacity, their qualifications, their fees, and then their expected or anticipated cost associated with delivering the services. And so your contracts, uh, really for the seal bids or the RFP competitive proposals might be different. Um, again, this construction is going to be a firm fixed price, and then the professional services procured through competitive proposals might be, uh, fees for services plus costs incurred.

Speaker 2 00:33:31 Next slide, please. In rare occasions, you may need to or may utilize a non-competitive process. Again, this would exceed the simplified acquisition proc, uh, purchase, uh, threshold of 25,000. Um, but if you're going to use a non-competitive process, you must meet one of the following criteria, and you, furthermore, you must be able to clearly document meeting one of these criteria. So the first option is that the item is only available from a single source. You need to be very clear in if this is what you're selecting, that this single source, that this, this product that you're purchasing from this provider is somehow unique, um, and is only their product will work for your needs. Um, many times in building construction or facility construction, you go with one provider because they're the only one that makes a particular piece of equipment. But if there are other similar pieces of equipment that will, uh, provide, uh, the same end use or the same, um, improvement, if you will to that facility, then you, that would not be appropriate.

Speaker 2 00:35:00 So, uh, recently as an example, we had a client that was looking to sole source generators for a community facility. And this one particular firm had some additional feature on these generators. Um, of course, there are many, many companies that make generators. So for the, for the client to be able to identify why this particular generator was necessary through sole source, uh, would be difficult. And so, again, I caution you, if you, uh, think that there's only one source, you really need to be able to document why this good or service is somehow unique and only available from this one provider.

Speaker 2 00:35:46 The most common, uh, threshold or criteria met for non-competitive proposals is in emergency situations where rapid response is necessary, and therefore, competitive solicitation process and timeline is not acceptable in many cases. However, um, organizations will, uh, bid out or procure these services on an on-call basis, and therefore some prior planning to, uh, to have service providers or contractors on call can avoid the need to use this too often. But, um, this could be a situation highly unlikely, I think, with these grants. Um, but there, there if you may need it. And finally, um, two, uh, two last options. If the Federal awarding agency in this case, HUD expressly authorizes this method through a written request from you, the non-federal entity, and then after solicitation of a number of sources, competition is de determined to be inadequate. So after you have attempted to do one of the other methods of procurement, if you're just not receiving responses or bids, and therefore you only continue to get one response, then you may proceed with the sole source. Again, you really need to document, if that's the option you're going to utilize, uh, you really need to document your previous efforts to solicit additional quotations, um, or proposals.

Speaker 2 00:37:28 Next slide, please. So throughout the performance period and the long-term compliance, uh, period of your grants as applicable, uh, there are monitoring and reporting performance requirements, and you can find those generally at 200 dot 3 29, um, during the program phase. So you will be required to report on your progress with your propo or your particular project twice a year in January and July of each year, and you'll use another online system called Dr R G R, uh, to make those reports. If your project includes, um, development or acquisition of real property, which is typically land buildings or other, um, facility improvements, um, you'll also be required to submit at least annually the status of that real property. So after the improvement or construction, um, where you receive these grants, you'll continue to report those, uh, for 15 years at minimum, and in some cases longer. I'd encourage you to look at your grant agreement for the reporting period. If you, if your project involves real property acquisition or improvement, you'll use a forum called the SF 4 29 to continue to make those reports. We'll provide a link later in the presentation to that report, but just make sure you're requi you are, um, have that planned for long-term reporting if you are improving a facility or doing construction with these funds.

Speaker 2 00:39:15 Next slide. So I want to really, uh, highlight slide 18 here, please, if you're taking good notes, um, make sure you're calling yourself back to slide 18, um, for further review here we talk about in identifying the two middle bullets, uh, two key terms, a sub-recipient versus a contractor. Um, this section of two CFR 203 31 explains the roles, uh, and the differences of the subrecipients and contractors. And it's important that you understand the differences here so that you can determine the appropriate relationship and then the appropriate and applicable requirements for how your entity, uh, provides funding and the type of agreement that you have and the type of relationship you have with your third parties, again, either sub-recipients or contractors typically. So those definitions are, are here, and the, um, the basic definitions are here on bullet number two and three. So if your organization is providing a sub-award to a sub-recipient, which would typically be a nonprofit or another unit of local government, this is for the purposes of carrying out a portion of the program, the federal award, which you receive funding and establishes an assistance relationship with that non-federal entity and the subrecipient.

Speaker 2 00:40:49 So your organization is working with a nonprofit to provide services or another local government to provide services or improve their facilities so that they may continue to provide their programming. So that would be a sub-recipient. If through those procurement methods we just talked about your procuring goods and services, then that creates a, uh, procurement relationship with a contractor. Um, so contractors must be procured, sub-recipients do not have to be procured. Um, however, the relationship is different. And so in one case, the creates a, uh, federal assistance relationship, and then therefore they take on these similar requirements for grant compliance and reporting. A contractor is held to the terms of your contract, uh, and you are ultimately responsible, uh, for grant compliance and reporting to HUD what your document, the legal document between you and these, uh, uh, subrecipients or contractors, kind of doesn't matter. We often use, uh, of course the terms contract professional services agreement, and with subrecipients, we often see the term subrecipient agreement. Just because it's titled that way doesn't mean it's necessarily the appropriate type of agreement or the appropriate type of relationship. So please be, uh, very diligent in determining the appropriate relationship. Again, all contractors must be procured. And one of the five methods we previously described, subrecipients do not have to be procured, but they take on the responsibilities of the grant, and you need to make sure that they're eligible and qualified to do so.

Speaker 2 00:42:52 I want to remind you that anyone that is going to be a subrecipient or a contractor needs to be registered@sam.gov, and you will have to check before executing your contract or agreement with them for suspension and debarment. Next slide, please. So if you intend to pass through funds to a subrecipient or another local government agency, your agreement in with them must include the details of the grant. But most importantly, your organization must have your policies and procedures for how you will oversee this sub-award in your agreement with them. You must identify the indirect cost and direct cost, uh, anticipated or expected with this agreement. And I want to highlight here, you must do a risk assessment to determine the appropriate subrecipient monitoring, and then you must monitor those subrecipients for compliance. So it's not appropriate for a local government simply to pass this money through to another subrecipient and a local nonprofit to improve their facility.

Speaker 2 00:44:14 You must oversee that project and determine their capacity, their skillset, et cetera, um, and continue to keep, um, checks, uh, and can compliance with the subrecipient. Um, you need to also consider if there are conditions based on their capacity and prior experience. Do you need to set conditions and, and benchmarks, uh, for compliance to continue forward with the project, you have to have policy procedures to verify that your subrecipients when applicable are having and completing audits and sub, uh, submitting those audits back to you and to the Federal Audit Clearing House. Again, that's discussed in Subpart f and we'll discuss later in the presentation. Of course, throughout your monitoring, if those organizations, um, are non-compliant, you need to have, uh, an ability to make adjustments and then consider actions to address their non-compliance.

Speaker 2 00:45:20 Next slide, please. So, in your agreements with these, uh, sub-recipients, you need to have the federal award identification or the CFA number catalog of federal assistance. You need to include the amount of funding being passed through or awarded in the providing agency. So in this case, HUD has provided you with these grants. So you would identify your grant number and the CFA award number from HUD. You need to confirm they have a u EI uniform, uh, unique entity identifier. Again, they received that through sam.gov. And then for any subrecipient that is using an indirect cost rate, uh, must include that indirect cost rate. In the agreement we'll discuss indirect cost momentarily. And finally, those subrecipients must provide access to you, uh, for records for audit. And likewise, you must provide access to your audit to HUD and federal government, and we'll discuss that again momentarily. Next slide, please.

Speaker 2 00:46:36 Part 200 dot 3 32 B establishes the criteria for your risk assessment. Some, just some, uh, common ideas here for establishing that risk assessment. This typically looks like a formal assessment that you would at least have a memo or some sort of checklist in your file with this, with this organization. But you want to review their prior experience with similar sub-awards, whether that's state or federal funds, maybe your organization has, has already passed through federal funds to this subrecipient. Um, but their experience in capacity in managing those, uh, previous awards should weigh heavily on your evaluation for how to treat them in this current award. Certainly, if they've had federal funds before and triggered an audit, you would want to review their audit and compliance from their auditor standpoint to make sure that they're managing those federal funds. And compliance here with two C FFR 200 staff turnover with, with local governments and nonprofits is a big indicator of risk.

Speaker 2 00:47:52 So you want to make sure not only does the organization have capacity, but is that, is that capacity still there with, uh, experienced staff? Uh, just because an organization has received funding before, doesn't mean that same personnel, uh, that had that experience is still with the organization. So it's important to, to assess both the organizational capacity and the staff that'll be administering these programs. Um, and then of course, the extent of results, uh, of both HUD's monitoring and your monitoring previously on this organization. And then throughout the progress, other items that you might, uh, consider, uh, for risk assessment is their financial capacity. Do they have a cfo? Um, what type of software are they using to manage funds? What, um, type of, uh, balance sheet does this organization have? Uh, do they have an ability to manage the project financially, um, and then receive funding through your organization? Other high risk activities would certainly be activities that are triggering substantial procurement efforts. Uh, for example, with big major construction projects that are also then going to have, uh, labor compliance, um, section three, Davis Bacon, um, and other environmental uh, requirements. So you want to, um, look at those, their experience for risk assessment, and those certainly high risk when it comes to, uh, heavy construction related activities.

Speaker 2 00:49:31 Next slide, please. The next section of 203 32 D describes the monitoring procedures that are required for your subrecipients. Um, and of course, throughout the progress of your grant project here, you may require them to have progress reports weekly, monthly, quarterly progress reports that they would submit to you. You would document and keep records and confirm that things like procurement and labor standards, and then again, environmental reviews have been completed properly. You would likely want to review all of their contracts with, with vendors, um, for making sure that they're, they're compliant, but then, then also that all the goods and services had been procured properly. And then you to have established policies and procedures again here in your internal controls to follow up with these subrecipients and take pro appropriate action. If there's any deficiencies pertaining to the award and the funds that you've passed through to that entity, you'll likely want to make on-site reviews to review their files in person, but also to review the progress of the project that's being awarded.

Speaker 2 00:50:54 And really important on this third bullet here, any organization, you or your subrecipients that have audit findings must resolve those issues. And so you typically have, if you have a subrecipient that had audit findings, you would typically require them to respond and clear those findings with their auditor, um, where they would risk reduction, uh, or withholding of additional federal funds until those audit findings are reviewed. So again, that's part of your internal controls for both your organization and the subrecipients. Next slide, please. So, 3 32 E identifies some tools that are available to you, uh, for assisting your subrecipients, of course, training and technical assistance on-site reviews and training, and then arranging for, uh, previously agreed upon procedures related to conducting and reviewing their audit. Um, none of these are necessarily required, but certainly providing subrecipient training and technical assistance is appropriate. Uh, for low capacity or high risk subrecipients, I would direct them to the HUD exchange for additional training on things like financial management, construction management, labor, uh, and procurement, uh, those high risk activities that they may be undertaking.

Speaker 2 00:52:31 Next slide, please. So, two CFR 203 34 identifies our records retention requirements. And so your organization must retain all records related to, uh, this, this grant award and all the sub-awards and contracts that you may have done. And that record retention period is three years from the date of the submission of the final expenditure report. So you want to look at your period of performance or your grant agreement and make sure that you're going to have that project completed prior to the end of the period of performance. But then you want to make note of that final, uh, quarterly report that you'll submit, which will trigger your grant closeout process, which will discuss momentarily, but then that, that starts the countdown for all of the files related. Um, so it's not three years from when you executed an agreement with a contractor or a subrecipient, but it's three years from essentially closeout, uh, in the final report for this grant.

Speaker 2 00:53:44 Next slide, please. So, 3 36 identifies how you can collect and transmit the storage in information and files, and it actually encourages you to maintain these files electronically. Um, and when you do receive paper copies of original files, they can be, um, retained, but of course, you're encouraged to scan those in and keep electronic versions, uh, of all of those files. Again, want to make sure that you're also maintaining compliance with, uh, protecting that p uh, personally identifiable information as well in your records retention. Next slide, please. So here we identify some remedies for non-compliance that HUD may, uh, take, or the federal entity may take for non-compliance with a non-federal entity. And this section here is 203 39, and I'll just draw your attention, uh, to the termination. Um, so you're, there are couple different options or reasons that you would be, uh, terminated. Uh, but item one there for failure of the non-federal entity to comply with the terms and conditions of the federal award.

Speaker 2 00:55:15 That's pretty straightforward for cause if there was, um, identified fraud or, uh, identified strict non-compliance. And then of course, item three identifies. In some cases you may dig into this and decide, uh, the project is not feasible or these funds, uh, you're just not in at a, in a situation to be able to manage these effectively. And so you can terminate with, uh, on, from your side, you can initiate, and you both agree, both your organization and HUD agree to terminate and return the funds. Um, and so I would just highlight that if that is the case, hopefully that's not the case. But if that does happen and it does happen from time to time, you will provide, uh, a written notification to HUD uh, identifying the reasons for your termination and how you'll close out item to point out here. Again, hopefully this doesn't occur, but the final bullet on this slide, when the federal award is terminated, of note, uh, the non-federal entity remains responsible for any closeout, post closeout, uh, reporting, uh, for any funds that were, uh, drawn down to date. Next slide, please.

Speaker 2 00:56:42 That takes us to the closeout and post closeout responsibilities. Uh, again, I'll draw your attention to your grant agreement. The period of performance is, is, is potentially different for each of you based on the type of project you're undertaking. So review that period of performance. Um, and then I just want to identify a couple, uh, items here for post closeout adjustments. So in the event that you, uh, for example, have a refund from a contractor, or you make a deposit on some on something, and after you close out the grant for some reason, uh, one of your contractors, subrecipient or others, uh, return funds back to you, um, or perhaps an auditor identifies an UNA allowable cost that needs to be, uh, returned, um, you, during that records retention period, you can make an adjustment and return those funds back to HUD and make an adjustment in your closeout of note, though, collection is something different and that identified in 203 34 if, uh, after the records retention period, HUD identifies that, uh, some use of the funds and or continued use of the facility or, or property that was improved, it becomes no longer compliant. HUD can trigger, uh, repayment or collection. And so, uh, continued compliance. And you want to make sure that throughout the period of performance, the records retention, and if you have real property or real property improvements that are have a 15 year period, you're maintaining that compliance throughout the appropriate timeframes.

Speaker 2 00:58:37 Next slide, please. So in this next section we'll discuss, uh, direct cost rates versus indirect cost rates. So there's two types of classifying here. Next slide, please. So, direct cost, I think are pretty straightforward and identifiable. Um, and so as you are incurring direct costs, these might be in the form of salary and benefits paid to your staff. Um, these, these might be mileage travel costs, these might be contractor expenses, construction expenses. These are pretty straightforward. Uh, however, indirect costs on the right hand side are not quite as straightforward, and we want to spend some time here addressing indirect cost. Uh, these are goods and services that are common or shared across multiple programs, uh, commonly referred to as cost centers. So, uh, examples of those, uh, might be a common facility or administration, uh, expenses that cover multiple programs, not just this federal award. Next slide.

Speaker 2 00:59:51 So some examples of those indirect costs or rents and utilities, insurance maintenance for common, uh, building space, uh, administrative or executive team functions, your finance department, for example, uh, other purchases, transportation or staff expenses that benefit multiple program areas, different trainings that you might take that benefit, uh, all of your federally funded programs. These are examples of indirect cost rates. So you have to be able to figure out. Next slide please. You have to figure out how can you charge those indirect costs to different grants or different, uh, funding sources. And so there are three indirect cost rates available to you, if you will, from, uh, the federal governments. Uh, for, for these funds. First, you can use the 10% de minimus rate, which, um, just effectively allows you to take 10% for indirect costs. Uh, the federally negotiated indirect cost rate agreement, which we'll review here momentarily.

Speaker 2 01:00:59 For those agencies that receive 35 million or more in federal funding, you must have, uh, an indirect cost rate, um, negotiated. And then finally, a cost allocation plan. So let's discuss, uh, some of those cost. Go ahead, next slide. So before you can charge cost to either direct or indirect, you first need to identify that they are allowable. And so here I want to call your attention on the left hand side to, uh, steps you need to take to properly document and confirm allowability of cost. And, uh, again, I mentioned previously and through procurement, you want to review the section 4 0 3 a specifically, the reasonable and necessary, uh, and, and that term reasonable continues to pop up. You want to make sure that what you're paying through procurement sure is the lowest responsive bidder, but it's also a reasonable price. And the goods and services being procured are absolutely necessary for completion of your, uh, project or program.

Speaker 2 01:02:12 On the right hand side are, uh, expressly un allowable costs. I'll highlight a couple that are commonly, uh, asked about, uh, 4 26 is bad debts, uh, 4 44 fines, penalties, damages, or other settlements that might be applicable. Uh, certainly for those of you that are doing acquisition of property or f improvement to facilities, um, common organization cost, uh, 4 55, you want to make sure that you're, uh, reviewing, uh, various indirect costs compared to organization costs. And finally, local taxes for state taxes and including value added tax four 70 are expressly un allowable. So make sure you're familiar with that and all of your allowable costs are properly documenting compliance with 4 0 3 204 0 3.

Speaker 2 01:03:09 So for the next slide, please. So for those allowable indirect cost rates, here's how, here's instructions, if you will, on how to negotiate an indirect cost allocation plan or, uh, agreement. And so, um, the bottom there, it identifies the presentation identifies that the Department of Health and Human Services or h h s actually negotiates those rates with non-federal entities on behalf of HUD. So should you like to establish and negotiate an indirect cost rate agreement, there's an email that you can, um, submit and initiate that negotiation. Next slide, please, should you wish to do that in negotiation. Here's the, uh, items that are necessary in your proposal to establish that indirect cost rate. Um, and I'll go through these briefly, but you provide an organizational pro, pro, uh, profile describing your organization's structure and why it's necessary to have indirect cost allocation, probably because you have received multiple different federal grants where state grants and you need to be able to allocate common goods and services across multiple cost centers. So then you would establish your cost policy statement. How do you intend to allocate, um, your policies and procedures? You'll provide financial reports, uh, for the year under review. And so typically you'll look a year back and establish, uh, how you would propose to allocate those costs, and then use that as a baseline for future indirect cost. You'll, of course, identify a rate for which you would like to use moving forward, and that is in your proposal, how you intend to allocate staff salaries and wages as well as employee benefits.

Speaker 2 01:05:15 Identify anything that might be unusual. Is this a one-off grant? It's a one-time program. Other funding sources have particular requirements, et cetera. You'll list all of the federal awards that were active, and then you'll provide a lobbying certificate and then a completed certificate of indirect cost. Next slide, please. In this next section as we wrap up, I will, uh, go over some of the audit requirements. Next slide. And so definitely questions in the registration submissions, uh, regarding audit requirements. You can find these full details in part 200 subpart f I want to draw your attention to the, to the paragraph sore here at the bottom. Um, the questions in, in the submission was, when do we start triggering the need for this, uh, audit? And so of course, you see at the top, and I think everyone's familiar with, if you receive 750,000 or more per year, then you trigger this single audit.

Speaker 2 01:06:27 And that single audit can be, uh, for your organization or program specific and must be performed annually. But the question is, when does the year start and the year starts in relation to this grant, uh, when expenditures, um, start being incurred. Um, so when you start having transactions on dispersing funds, that triggers. So you may execute your agreement, and it might not be another six months before you really get started and start spending and drawing down these funds that when those expenditures are incurred, start the program year are per year. And so oftentimes that might cross over your organization's fiscal year. And so you would not be required to do a single audit just because you had your grant agreement executed. It's all about when you start expending those funds.

Speaker 2 01:07:27 Next slide, please. If you do trigger an a single audit, be mindful of when they are due. They must be submitted within the earlier of 30 calendar days from when you receive your audit report or nine months after the end of the audit period. So that would be nine months after that fiscal year program year. So be mindful that they are submitted on time and they must be submitted through the Federal Audit Clearing House. Your auditor should be familiar with that process, but you need to make sure that it is done. You're ultimately responsible for confirming it has been submitted on time. Um, again, if the audit has a review of personally, uh, protected, personally identifiable information, you need to have process in place to redact that information. Um, because when you publish or submit your audit to the Federal Audit Clearinghouse, they will be published and made available, um, on the Federal Audit Clearinghouse website. So you need to have, uh, process in place to redact if necessary, personally identifiable information.

Speaker 2 01:08:43 Next slide, please. And with that, I just want to draw your attention to some additional resources before we conclude today's webinar and provide some key links. Uh, next slide, please. Um, so there's some additional and very important upcoming trainings. All of you, uh, the contact for each of your, uh, grants, uh, will receive email invites to register, but I don't want to call your attention to a series of environmental review trainings. I'm sure that's a, a hot topic and important series of, of webinars there. Um, you'll be, um, uh, sent invite links to, to that as well. All of the webinar recordings, transcripts, slide deck, et cetera, as Ms. Kelly mentioned on the onset, will be published, um, uh, to the C P F uh, website on, on HUD dot gov. And eventually, uh, there will be an additional page on the HUD Exchange. Next slide, please. If you're not familiar with the HUD Exchange, I really encourage you, uh, to, to find that website. Uh, HUD exchange.info. You see the link at the bottom here. There is a self-paced, uh, series on, uh, diving into much more detail than we've gone into today on all things financial management and two CFR 200. Next slide, please.

Speaker 2 01:10:10 And that series really dives into, you can, you can kind of see on the left hand side of this screenshot, um, some of the, uh, topics covered in, um, this, uh, guidebook, uh, but risk analysis, cost principles, indirect cost rates, et cetera, in this, uh, manual, a closer look blueprints for sound financial management to CFR 200. So I encourage you to look at, uh, this financial management document as well. Next slide, please. You can see here all of the, uh, web links to the HUD exchange and HUD dot gov for the items that were referenced or, uh, linked throughout the presentation. Again, one, uh, I'll show you momentarily how to submit and ask a question on the HUD Exchange. Um, you can identify if you're not familiar with already your particular grant officer, you can find information about who your grant, uh, HUD, uh, grant officer is on the C website. And the portfolio assignments form regular updates about the CPF funding program are also currently on the HUD dot gov site. And then you see specific links for fiscal year 22 grantees and fiscal year 23 grantees with those particular grant guide manuals linked there. Again, everyone will, will have access to these slides, so you can quick link, um, after the presentation. Next slide, please.

Speaker 2 01:11:57 On the HUD Exchange. Here is how you are able to, just a quick screenshot of how you can ask a question. So in the, when you go to the HUD Exchange, on the top, there's a link for program support and that link will go to ask a question, and once you select, ask a question, you'll see a similar screen as what looks like here on the left hand side. Um, be sure that you identify yourself as a HUD grantee, um, because, uh, you will, you will get direct response. Consultants like myself or contractors are not able to submit questions. So you want to identify yourself properly so that it gets the necessary assignment and attention. Next slide, please.

Speaker 2 01:12:47 You also want to make sure on the, on step two here, my question is related to, you want to identify that your question is related to community project fund. You may see other subtopics that is really what you want to dive into, but you want to first identify yourself as being a grantee through the community project fund. So it is re assigned, or your question is assigned to the appropriate staff to respond, and then they will get to appropriate team member that, uh, that may be able to help you with financials or procurement or labor standards, whatever your question might be. But you want to first identify yourself as a C P F grantee.

Speaker 2 01:13:32 Next slide, please. As Ms. Kelly mentioned in her introduction, the final thing we're going to show you, uh, or share with you through this presentation, is a recommendation of action items checklist. And next slide. So this slide just walks you through, um, your next steps, if you will, recommended for confirming your compliance with two CFR 200. Of course, you need to read your grant guide first and foremost. So those two are linked. Again, download and read the two CFR 200 overview for grantees that's really specifically written for these grants, um, and tailored for you. You may want to look at the HUD Exchange for financial management curriculum and dive into the modules about financial management two CFR 200. Of course, the best thing you can do is review the code of federal Regulations and reminder, make sure you're always looking@theactualecfr.gov website. If you do have follow up questions, please feel free and utilize that, ask a question desk so we can get direct response to your question for your organization's. And of course, I'll conclude by thanking you for attending and encourage you to tune in for additional webinars and funding opportunities in the future. Thank you and have a great day.

Speaker 0 01:15:04 That concludes our conference. Thank you for using event services. You may now disconnect.