



Grants Financial Management Refresher Training

April 23, 2024





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Presenters

Allmond & Company, LLC

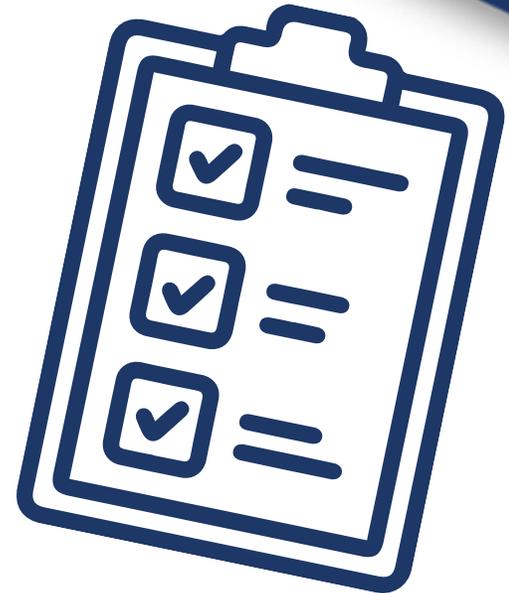
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Agenda

- Course Objective
- Internal Controls
- Principles of Reimbursement - Allowable vs. Unallowable Expenses
- Grant Expense Documentation
- Common Errors
- Useful Tips



Course Objective

To provide refresher information on grant financial management that enables grantees and sub-grantees to appropriately manage their grant funds and to be able to effectively track and document the usage of grant funds.

Internal Control Requirements

The non-Federal entity [Grantees and Sub-grantees] must:

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Internal Control System

Although, no two entities will have identical internal control systems because of differences in factors such as mission, regulatory environment, entity size, and information technology, there are basics that all entities should have.

Internal Control System - Basics

Internal Control Systems should include a combination of

- Appropriate “Tone at the Top”
- Documented policies and procedures
- IT system controls
- Accurate and timely recording of transactions
- Approval processes over transactions
- Reviews over reporting documents

Internal Control System - Basics

Control Environment - Tone at top

Management should

- Demonstrate a commitment to integrity and ethical values.
- Establish and follow Standards of conduct.
- Demonstrate a commitment to recruit, develop and retain competent staff members.
- Commit to integrity and ethical values.

Internal Control Activities

1. Written policies and procedures
2. Ensuring staff is properly trained and knowledgeable about
 - Agency's policies and procedures, including time and attendance requirements and expense approval
 - Grant agreement requirements and conditions
 - Federal regulations regarding usage of grant funding

Internal Control Activities

3. Segregation of duties - separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event

Segregation of Duties - Examples

- a) The staff member who writes checks should be different from the staff member who reconciles bank account.
- b) The staff member who orders goods should not receive and record receipt in inventory system.
- c) Grant reports should be prepared and reviewed/approved by different individuals.
- d) The staff member who records transactions should not approve the same transactions.

Internal Control System

4. Proper execution and approval of transactions
 - a. Transactions are authorized and executed only by persons acting within the scope of their authority
 - b. Assuring that only valid transactions to exchange, transfer, use or commit resources are initiated or entered into.

Internal Control System

5. Accurate and Timely Recording Transactions - Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.
6. Maintaining documentation - Documentation and records are properly managed and maintained.
7. Maintain Evidence (Documents) of Control Activities, such as purchase approval, approval of employee's timesheets and/or PARs.

Fundamental Principles of Reimbursements

Must be able to answer “yes” to all:

1. Is the expense permissible/allowable per the Uniform Guidance (2 CFR 200 Subpart E Cost Principles General Provisions)?
2. Are the expenses reasonable?
3. Are the expenses properly allocated?
4. Are the expenses connected to an Eligible Activity per the Grant Agreement?
5. Were costs incurred during the grant’s period of performance?

Allowable Under 2 CFR 200 Subpart E

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards. . . Conform to any limitations or exclusions set forth in these principles. . .”

Per 2 CFR 200.403 Factors Affecting Allowability of Costs

General Provisions

GENERAL PROVISIONS FOR SELECTED ITEMS OF COST (§§ 200.420 - 200.475)

§ 200.420 Considerations for selected items of cost.

§ 200.421 Advertising and public relations.

§ 200.422 Advisory councils.

§ 200.423 Alcoholic beverages.

§ 200.424 Alumni/ae activities.

§ 200.425 Audit services.

§ 200.426 Bad debts.

§ 200.427 Bonding costs.

§ 200.428 Collections of improper payments.

§ 200.429 Commencement and convocation costs.

§ 200.430 Compensation - personal services.

§ 200.431 Compensation - fringe benefits.

§ 200.432 Conferences.

§ 200.433 Contingency provisions.

§ 200.434 Contributions and donations.

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, app

§ 200.436 Depreciation.

§ 200.437 Employee health and welfare costs.

§ 200.438 Entertainment costs.

§ 200.439 Equipment and other capital expenditures.

Allowable Under 2 CFR 200 Subpart E

In Subpart E, costs are classified into three types:

1. Generally allowable
2. Conditionally allowable
3. Generally unallowable

Allowable Under 2 CFR 200 Subpart E

1. Generally allowable

§200.474 Transportation costs.

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are **allowable**. . .

Allowable Under 2 CFR 200 Subpart E

2. Conditionally allowable

§200.421 Advertising and public relations.

- a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspaper, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
- b. The **only allowable** advertising costs are those which are solely for...

Allowable Under 2 CFR 200 Subpart E

3. Generally unallowable

§200.438 Entertainment costs.

- Costs of entertainment, including amusement, diversion, and social activities and any associated costs are **unallowable, except** where specific costs...

Unallowable Under 2 CFR 200 Subpart E

In Subpart E, many costs are explicitly disallowed, such as:

- Alcoholic Beverages (§200.423)
- Contributions and Donations (§200.434)
- Fines and Penalties (§200.441)
- Fundraising Costs (§200.442)
- Lobbying Costs (§200.450)

Reasonable Costs

“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.”

Reasonable Costs

- a) Ordinary and necessary for the operation of the housing counseling agency
- b) Sound business practices; arm's-length bargaining
- c) Market prices for comparable goods or services for the geographic area
- d) Acted with prudence in the circumstances
- e) No deviations from its established practices and policies

Properly Allocated

“A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award... **in accordance with relative benefits** received.”

Prior Written Approval

200.407 Prior Written Approval

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs.

Allowable Under Grant Agreement

HUD's Housing Counseling Program Grant Agreement Eligible Activities

- Housing counseling and group education
- Oversight, compliance, and quality control
- Supervision of housing counseling staff
- Housing Counselor training and certification
- Marketing and outreach of the housing counseling program to potential clients

Documentation of Expenses

- Grantees must maintain source documentation of direct costs, such as invoices, receipts, cancelled checks, documentation of personnel expenses (to include personnel activity reports and certified payroll), and indirect cost rate agreements to support all draw requests.
- Grantees must also document the methodology used for charging costs to the HUD Grant, such as salaries, employee benefits, travel, training, marketing, outreach, and other expenses that are not classified as indirect costs.

Per FY2022 CHC Grant Agreement, Article XI: Payment Requests (B)

Documentation of Expenses

- All information required to document expenses charged to the Grant must be made available to HUD upon request and maintained for a period of at least three years after the expiration of the grant period or date of last payment, whichever occurs first.
- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to this Grant award.

Documentation of Personnel Expenses

Employee's time and attendance must be documented at the appropriate level of detail required by Uniform Guidance, specifically §200.430 (i).

Charges to Federal awards for salaries & wages must be based on records that accurately reflect the work performed.

- The documentation must account for 100% of employee's time during the pay period.
- And account for each program and/or activity that (s)he worked on during the pay period.

Timesheets

- Each employee should complete a timesheet that includes all the hours worked for the reporting period, including any leave or holidays.
- The timesheet may be electronic or manual.
- Timesheets should be signed and dated by both the employee and a supervisor verifying its accuracy, timely.

Personnel Activity Report

If your agency's timesheet is not kept at a sufficient level of detail, then the grantee should prepare a Personnel Action Report (PAR) for each employee at least monthly, that includes:

- All the hours each employee worked by activity code for the reporting period and include any leave or holidays; and
- PARs should be signed and dated by both the employee and a supervisor verifying its accuracy, timely.

Timesheets Lead to the Personnel Activity Report

- The PAR must reconcile to the employee's timesheet(s)
- All hours reported on the timesheet(s) should be included in the PAR
- i.e., If the employee reported 80 hours on the timesheet there should be 80 hours on the PAR.

Expense Documentation

Fringe Benefits

2 CFR Subpart E - Cost Principles, §200.431 Compensation – fringe benefits, states, in part:

“Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages.”

Expense Documentation

Fringe Benefits

Fringe benefits include, but are not limited to, the costs of:

- FICA (Taxes under the Federal Insurance Contributions Act)
- leave (vacation, family-related, sick or military)
- employee insurance
- pensions
- unemployment benefit plans

Documents to Support Fringe Benefits

Benefit	Defined	Supporting Documentation
FICA	Employer paid taxes under the Federal Insurance Contributions Act (FICA) are composed of the Social Security and Medicare taxes.	<ul style="list-style-type: none">• Payroll records• Current rates can be verified on the IRS website.
Insurance	Employer paid costs for employee life, health, unemployment, and worker's compensation insurance.	<ul style="list-style-type: none">• Written policy, usually documented in an employee handbook• Copies of invoices and payments to vendors• Employee enrollment forms

Documents to Support Fringe Benefits

Benefit	Defined	Supporting Documentation
Pension/ Retirement Plan	Employer paid costs for employee retirement plans.	<ul style="list-style-type: none">• Written policy, usually documented in an employee handbook• Copies of invoices and payments to vendors• Employee enrollment forms

Documents to Support Fringe Benefits

Benefit	Defined	Supporting Documentation
Leave	Regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits	<ul style="list-style-type: none"><li data-bbox="1513 596 2305 925">• Written leave policy, usually documented in an employee handbook.

Expense Documentation

Indirect Expense

If an agency has elected to charge indirect expenses to the grant, there are two (2) options that may be used to calculate the indirect expenses:

1. Federally Negotiated Indirect Cost Rate Agreement (NICRA)
 - Estimated indirect cost rate is negotiated between the Federal government (cognizant agency) and a grantee.
 - The NICRA will define the indirect rates for each applicable program as well as the base costs from which the rates are calculated.

Expense Documentation

Indirect Expense

2. 10% De Minimis Rate

2 CFR Subpart E - Cost Principles, §200.414: Indirect Cost (F&A) costs, states, in part,:

- “Any non-Federal entity that does not have a current negotiated (including provisional) rate . . . may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
- No documentation is required to justify the 10% de minimis indirect cost rate.”

Grant Reporting Common Errors

- Using the employee's budgeted hours instead of actual hours to bill the grant.
- Charging salary amounts different from the employee's actual pay rate.
- Having inadequate support for non-payroll expenses.
- Charging leave hours (holiday, vacation, sick) to the grant as a direct expense.

Common Error: Compensated Leave

- The Employee paid time off, such as annual, sick and holiday leave hours, should not be included in the Staff's direct hours on the grant activity report.
- The Compensated leave is a fringe benefit and should be captured in the fringe benefit cost rate.

Useful Tips

- Segregation of Duties – Avoid having one person performing incompatible duties, such as approving and processing transactions, preparing checks and performing bank reconciliations.
- Document all staff hours, including hours billable to the grant accurately and timely.
- Maintain all documentation to support amounts billed to HUD.

Useful Tips

- Contact the HUD POC to get written pre-approval for any special or unusual costs.
- Avoid scams, contact HUD POC directly to verify authenticity of emails and/or calls requesting financial information, including bank account numbers and changes to authorized account holders.

References

- OMB's Uniform Guidance (2020)
- HUD's Housing Counseling Program Handbook (7610.1)
- U. S. Department of Housing and Urban Development, Housing Counseling Program, FY 2022 Grant Agreement.



Final Thoughts?
Questions?

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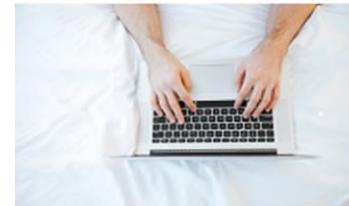
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