



# Financial Management

*CoC Regulations* 24 CFR Part 578

*Standards for Financial and Program Management  
(formerly Uniform Administrative Requirements)  
now at 2 CFR 200.300 - .345, Subpart D*

*Cost Principles now at 2 CFR 200.400 - .475,  
Subpart E*

*A-133 Audits now at 2 CFR 200.500 - .521,  
Subpart F*





# Financial Management

- eLOCCS
- Program Income
- Indirect costs
- Timeliness standards
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- Financial monitoring
- Property management
- Audit
- Procurement
- Omni Circular – 2 CFR 200



# eLOCCS





# eLOCCS

- A minimum of two people with authorization to draw funds is recommended
- LOCCS UserID and REAC M-ID cannot be shared with anyone
- eLOCCS should be accessed monthly to keep IDs and passwords active
- Notify Field Office of change in bank account
- DO NOT send LOCCS forms with social security numbers to Field Office via email; HUD email is not a secure system
- Notify HUD Field Office if you suspect unauthorized or suspicious draws from your line of credit (monitor your bank statements)



Use of LOCCS Security help desk at (877)705-7504 is **LIMITED** to:

1. Follow up on HUD-27054 forms for new users if user does not receive initial password in mail within 14 days after submitting forms
2. Follow up on Change of Approving Official documents submitted
3. Follow up on recertification letters needed by Approving Official/Coordinator for recertification of LOCCS users



Call eLOCCS Help Desk at 571.766.2916 or email to [eLOCCS@HUD.gov](mailto:eLOCCS@HUD.gov):

- After reading Troubleshooting Tips in eLOCCS Getting Started Guide pages 5-1 to 5-2.
- To determine if eLOCCS registration is no longer active
- If emailing eLOCCS, send screen shot of error message for faster response



REAC Help Desk: 888.245.4860 or email to [reac\\_tac@hud.gov](mailto:reac_tac@hud.gov)

- Regarding issues found on page 19 of eLOCCS Registration Guide, Frequently Asked Questions
- REAC can identify users by their email addresses, so this is an advantage of emailing your question
- When emailing REAC, send detailed explanation of issue and send screen shot of screen with error message, if possible



# eLOCCS

LOCCS and Direct Deposit guidance:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/cfo/loccs\\_guidelines](http://portal.hud.gov/hudportal/HUD?src=/program_offices/cfo/loccs_guidelines)

Access eLOCCS for login:

<http://www.hud.gov/offices/react/online/reasyst.cfm>





# Program Income

**24 CFR 578.97**  
**2 CFR 200.307**





## Program Income

- Program income is income received by the recipient or subrecipient that is directly generated by a grant-supported activity
  - Rent and occupancy charges are considered program income
- Program income from rent and occupancy charges in transitional housing can be used to assist residents moving to permanent housing
- FY2015 and FY 2016 awards: Program income is an eligible source of match

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# Program Income

Program income:

24 CFR 578.97

- (a) **Defined.** Program income is the income received by the recipient or subrecipient directly generated by a grant-supported activity (*such as rent and occupancy charges*).



# Program Income

Program income

24 CFR 578.97

**(b) Use.** Program income earned during the grant term shall be retained by the recipient, and added to funds committed to the project by HUD and the recipient, used for eligible activities in accordance with the requirements of this part. Costs incident to the generation of program income may be deducted from gross income to calculate program income, provided that the costs have not been charged to grant funds. *For example, clerical costs to track receipt and expenditure of occupancy charges may be deducted from gross amount of program income to calculate net program income.*

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## Program Income

### § 578.97 Program income

**(c) Rent and occupancy charges.** Rents and occupancy charges collected from program participants are program income. In addition, rents and occupancy charges collected from residents of transitional housing *may* be reserved, in whole or in part, to assist the residents from whom they are collected to move to permanent housing.



## Program Income

- Program Income may be used to provide security deposit assistance or first and/or last month's rent for transitional housing program participants moving to permanent housing even if that is not a type of assistance provided in your CoC program project.



## Program Income

Eligible uses of program income in the CoC Program:

- Recipients/subrecipients may use program income on any eligible costs in Subpart D in accordance with the requirements of the CoC Program, even if the cost was not documented in the approved grant agreement. However, the expenditure of the program income must be documented in accordance with CoC requirements.
- FY 2015 and FY 2016 CoC awards may use program income as match.



# Program Income

## Tracking Program Income

Track incoming and outgoing program income

- Track receipts and expenditures of program income – in the general ledger revenue and expenditure accounts
- Must have written agreements with subrecipients if they retain program income for project use





# **Indirect Costs**

**24 CFR 578.63**

**2 CFR 200.411-.419**

**2 CFR 200, Appendix IV, Indirect Costs... for Non-Profit Organizations**

**2 CFR 200, Appendix V, State/Local Governmentwide Central Service Cost Allocation Plans**

**2 CFR 200, Appendix VII, States and Local Governments...Indirect Cost Proposals**





# Indirect Costs

CoC regulations at 24 CFR 578.63:

- Funds may be used to pay indirect costs in accordance with 2 CFR 200, subpart E, as applicable. Indirect costs may be allocated to each eligible activity, so long as that allocation is consistent with an indirect cost rate proposal developed in accordance with 2 CFR 200, subpart E. The indirect costs charged to an activity must be added to the direct costs charged for that activity when determining the total costs subject to any expenditure limits.



# Indirect Costs

**Total Costs =**

Direct Costs

Plus

Indirect costs

Less

Applicable Credits



# Indirect Costs

## What are direct costs?

- Costs that can be readily identified with a particular cost objective. Examples (program specific):

Salaries: example – case manager

Space: example – case manager's office

Supplies: example – for case manager

Communications: example - case manager's phone



# Indirect Costs

What are indirect costs?

- Costs that are not readily identifiable with a particular cost objective. Examples:

Salaries: example - bookkeeper

Space: example – common space

Supplies: example – shared supplies

Communications: example – phone in common area



# Indirect Costs

## General Principles - Allocation of Costs

- Rule#1 – Direct Charge when possible.
- The preferred method is the “direct allocation method”
- The more costs that are charged directly via specific identification or allocated directly, the less indirect costs there will be



# Indirect Costs

## What is an Indirect Cost Rate?

- The ratio, expressed as a percentage, of an indirect cost pool and some direct cost base.



## Indirect Costs

- De minimis rate: 2 CFR 200.414(f)
- Any non-Federal entity that has never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely.
- Exceptions at Appendix VII, paragraph D.1.b.(States & Local Gov't)





# Indirect Costs

**Non-profits:** Indirect Cost Rate Proposals must be submitted to a non-profit's cognizant Federal agency for approval:

*See:*

2 CFR 200, Appendix IV, paragraph C.2.a.:

...the Federal agency with the largest dollar value of Federal awards with an organization will be designated as the cognizant agency for indirect costs for the negotiation and approval of the indirect cost rates...

*See:*

If cognizant agency is determined to be HUD, see Notice CPD-16-04, April 13, 2016 regarding specific instructions for submittal of indirect cost proposals to HUD



# Indirect Costs

## State and local governments:

*See*

- 2 CFR 200 Appendix VII, paragraph D.1.
- Notice CPD-16-04, April 13, 2016 for additional information regarding Indirect Cost Plans



# **Timeliness Standards**

**24 CFR 578.85**





## Timeliness Standards: Initiating Projects

- Recipients must *promptly* initiate approved CoC Program-funded projects.
  - Construction activities must begin within 9 months and be complete within 24 months
  - Activities that are dependent on the construction must begin within 3 months of construction completion



## Timeliness Standards: Expenditures

- Once activities begin, recipients must draw down funds at least once per quarter see 24 CFR 578.85(c)(3)
- Recipients must distribute funds to subrecipients within 45 days of receiving an approvable request.



# Operating Start Date and Program Year

- Operating start date sets beginning of 12-month program year for spending and reporting
  - New projects without acquisition or construction start the 1<sup>st</sup> day of month that the recipient incurs eligible costs
  - New projects with acquisition or construction starts the 1st day of month following completion of acquisition or construction
  - Renewal grants start the day after the end of previous grant term



# Grant Closeout

**24 CFR 578.109**





# Grant Closeout

- Recipient submits final APR to HUD
- When APR is approved HUD will prepare closeout documents and deobligate any grant funds remaining in the Line of Credit.
- If requested to make corrections to the APR, please notify HUD when corrections are completed.





# Grant Closeout

## § 578.109 Closeout.

(b) Reports. Applicants must submit all reports required by HUD no later than 90 days from the date of the end of the project's grant term.



# Financial Monitoring





# Financial Monitoring

- Purpose of monitoring is to determine whether grant activities are implemented:
  - In compliance with statute, 24 CFR part 578, NOFA, Notices, and other programmatic guidance
  - As approved in application
- Recipients must monitor subrecipients annually – 24 CFR 578.23, 2 CFR 200.328, and 2 CFR 200.331
- Recipients and subrecipients should monitor themselves at least annually
- Monitoring review can be remote or on-site

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# Monitoring Areas

Program  
Participants

Program  
Components

Eligible Costs

Project  
Progress

Match  
Documentation

Subrecipient  
Management

Recipient  
Management

Financial  
Management

Cost  
Allowability

Procurement

Equipment and  
Equipment  
Disposition

Other Federal  
Requirements



## Possible Monitoring Findings: Financial Documentation

- Check for complete financial documentation and adequate financial systems
- Examples of compliance issues:
  - Missing or insufficient documentation for incurred expenses and/or ineligible expenses
  - Drawing part of the grant from LOCCS each month with no support documentation
  - Reimbursement of expenses incurred outside the grant term
  - Insufficient subrecipient financial documentation
  - Salary costs are not tied to an eligible grant expense
  - Rent is paid to someone who is not the property owner



## Possible Monitoring Findings: Staff Time Distribution

- Check that staff time and associated costs charged to the project are explicitly tracked by eligible activity
- Examples of compliance issues:
  - Grant files do not include records documenting the specific hours staff worked
  - Timesheets are not signed or dated by supervisor
  - Staff time records do not indicate how the time relates to eligible activities
    - Salary costs must be directly linked to serving program participants or other eligible costs in the CoC Program
  - Records do not demonstrate that case managers worked with program participants during time charged to the project
  - Records do not show cost documentation associated with staff time charged to the project
    - Specific cost documentation must be used to substantiate the amount drawn
    - Grant draws for payroll must be based on actual time worked, rather than estimates



# Financial Monitoring

- Most common financial monitoring findings:
- Lack of eligible match documentation
- Time distribution records missing or do not properly track time for persons working on multiple activities, for example:
  - Person working on Supportive Services and Operations must record time worked on each separate activity each day



# Property Management

**2 CFR 200.310-.316**







# Property Management

## Property Standards:

Property includes: real property, equipment, supplies, intangible property, etc.

- **Equipment** means tangible personal property having a useful life of more than one year and a per unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity....or \$5,000 (2 CFR 200.33 and .313)
- **Supplies** means all tangible personal property other than those described in 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity ... or \$5,000... (2 CFR 200.94 and .314)



# Property Management

## Assessing Property Controls:

- For organizations with equipment or real property, do they maintain a system for tracking assets?
- Are periodic inventories or inspections conducted?
- Are there procedures ensuring safety of property?
- Is there a system to ensure equipment is used only for authorized purposes?

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# Audit

**2 CFR 200.501 - .521**





# Audit

- 24 CFR 578.99(g) Audit. Recipients and subrecipients must comply with the audit requirements of 2 CFR 200, subpart F
- Under 2 CFR 200.501(a) and (b), Federal audit standards apply to recipients and subrecipients spending \$750,000 or more in federal awards in a single fiscal year
- 2 CFR 200, subpart F, applies to audits of fiscal years beginning on or after December 26, 2014 (see 2 CFR 200.110(b))
- Auditee responsibilities: 2 CFR 200.508 - .512



# Audit

- Single audits must be submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period...  
2 CFR 200.512(a)
- Single audits should be submitted to HUD Field Office if Federal award findings were made.



# Procurement

**2 CFR 200.317 - .326**





# Procurement

- Procurement
  - Must comply with codes of conduct and conflict of interest requirements under 2 CFR 200.318(c)
  - Five methods:
    - Micro-purchases- \$3,000 or less for supplies or services without soliciting competitive quotations if price is reasonable (rotate qualified suppliers)
    - Small purchase - \$150,000 or less
    - Sealed bid – fixed price contracts
    - Competitive proposals – professional services contracts
    - Non competitive proposals – sole source contracts



# Procurement

- Maintain a record of procurements in file:
  - Small purchase method requires: obtain 3 – 5 quotes for same item, make a record of quotes, persons contacted, dates, etc.
  - If procuring by contract, complete a record search at [www.sam.gov/portal/SAM/](http://www.sam.gov/portal/SAM/) and make a copy for the file, to show that vendor is not restricted from Federal contracting. (Auditors will look for this.)





# Procurement

Check your procedures for the following:

- Written standard of conduct
- Free and open competition
- Written procedures for procurement
- System for price and cost analysis
- Preference for small, women & minority owned businesses
- Procurement files and documentation
- System of contract administration



## OMNI CIRCULAR 2 CFR 200

- Replaces and combines:
- OMB Circular A-122
- OMB Circular A-87
- OMB Circular A-133
- OMB Circular A-110 (source of administrative requirements at 24 CFR Parts 84 and 85)
- Webcasts, slides, crosswalk documents found at [www.cfo.gov/cofar](http://www.cfo.gov/cofar)