

General Overview of Financial Management



U.S. Department of Housing and Urban Development



Office of Community Planning and Development

Compliance Monitoring



Compliance Monitoring

- **Types of Compliance Monitoring:**
 - **On-site monitoring:**
 - Most Traditional form of monitoring
 - **Remote monitoring:**
 - Pros and Cons

Why Monitor?

- To improve overall quality of program, services and housing provided
- To ensure that program rules and regulations are met
- To assess overall program capacity and quality of program

Common Financial Monitoring Findings

1. Failure to track and/or maintain match documentation
2. Lack of time distribution records (*recordkeeping*) for HUD-funded staff
3. Grantee/sponsor failed to be able to provide adequate back-up documentation for fiscal draws – all programs
4. Ineligible costs

SHP Cash Match Requirements



Common Monitoring Findings

- **Match Documentation Problems:**
 - Ineligible activities being used as match; or,
 - Poor tracking and monitoring of match funds

Five Things to Remember About SHP Cash Match

1. Must be cash
2. Must be met each year of the grant term for **Operations**; and the term of project for **Supportive Services**
3. SHP funds provided for acquisition, **rehabilitation**, and new construction must be matched by the recipient with an equal amount of funds from other sources
4. Must be spent on eligible SHP activities
5. Must be documented in the general ledger as well as with source documents

Cash Match Documentation

- Both the **source** of the cash and the **use** of the cash need to be clearly documented in the general ledger
- The same cash match **cannot** be used for more than one contract and/or revenue source, this can result in an audit finding and loss of revenue
- Cash match must be funds spent on **eligible** activities

Testing Compliance with the Cash Match

- Verifiable from records
- Necessary and reasonable
- Allowable under federal cost principals
- Not paid by the federal government under another award, **with the exception of SHP Match** (*see SHP Desk Guide, page 55-56*)
- Included in the budget

SHP Cash Match

Actual Funds Expended and Source				Percentage of Funds		
	SHP Funds	Cash Match	Total Expenditures		SHP Funds	Cash Match
Supportive Services	20,000	5,000	25,000	Supportive Services	80%	20%
Operating Costs	75,000	25,000	100,000	Operating Costs	75%	25%
Administration	4,750		4,750	Administration	5%	
Total	99,750	30,000	129,750			

SHP Cash Match Not Met

Actual Funds Expended and Source				Percentage of Funds		
	SHP Funds	Cash Match	Total Expenditures		SHP Funds	Cash Match
Supportive Services	28,754	5,898	34,652	Supportive Services	83%	17%
Operating Costs	35,461	8,539	44,000	Operating Costs	81%	19%
Administration	3,211		3,211	Administration	5%	
Total	67,426	14,437	81,863			

S+C Match Requirements

- Provide support services in a value equivalent to a \$1 for \$1 match of the Shelter plus Care Grant expended
- Match requirement is over the contract period (*i.e. 1, 5 or 10 year period*)
- **Not** a cash match, an **in-kind** match

Types of Eligible and Ineligible Costs



Eligible Cost (RADAR)

- **Reasonable**
- **Allowable**
- **Documented**
- **Allocable**
- **REIMBURSABLE!!!**

Reasonable Costs

- Costs charged to Federal award must be necessary, reasonable and directly related to the grant
- Look at the following:
 - Whether cost is ordinary and necessary
 - Market price for the comparable goods and services
 - Benefit to individuals involved

Allowable Costs

- Eligible under HUD Regulations and other federal regulations
- Activities and expenses for which a project requested HUD funds and was **approved** by HUD
- Expenses that were incurred during the term of the grant agreement
- Authorized, not prohibited and conforms to rules and requirements

Factors Affecting Allowability Of Costs

1. Reasonableness and allocability
2. Conformance to any grant or contract limitations
3. Consistent treatment
4. Determined in accordance with Generally Accepted Accounting Pinciples (*GAAP*)
5. Not included as cost or match in any other Federally-funded program
6. Be adequately **DOCUMENTED!!!**

Eligible SHP Administrative Costs

- Up to five percent of any grant awarded
- Eligible Administrative Costs:
 - General bookkeeping & recordkeeping
 - Preparation of Annual Progress Report
 - Audit of Supportive Housing Program
 - Staff time spent reviewing/verifying invoices for grant funds, drawing money from Treasury, and maintaining records of the use of those funds
 - Staff time to document service match requirements
 - Portion of Program Director time spent overseeing program – but not involved directly in client care

Documentation



Definitions

- **Chart of accounts** – A list of account names and the number assigned to each account names
- **Cash receipt journal** – Documents in chronological order, when funds were received, in what amounts and from what sources (*i.e. matching funds*)
- **Cash disbursement journal** – Documents in chronological order, when expense was incurred, for what purpose, how much was paid and to whom it was paid
- **Payroll journal** – Documents payroll and payroll related benefit expenses on salaries and benefits, including distinguishing between categories for regulatory purposes
- **General ledger** – Summarizes in chronological order, the activity and financial status of all the accounts of an organization (*entries transferred to the general ledger **should be** cross-referenced to the applicable journal to permit the tracing of any financial transaction*)

Example of Expenditure Documentation

- Cancelled checks
- **Paid** bills
- Certified Payrolls
- Time and attendance records
- Contract and sub-grant award documents

Common Problems with Financial Management and Related Personnel Documentation

- Personnel costs not supported by **adequate** documentation
- Reported and charged costs do not agree with accounting records
- Lack of or NO internal controls (*i.e. NOT dating, signing or approving of timesheets*)
- Salaries and wages are not based on time sheets but rather **estimates**, ratios and/or percentages
- Grantee's administrative policies not followed by staff

Documentation cont. (Employee Time Recording)



Requirements

- **Time/activity tracking system must be in place**
- **Actual time spent on eligible activity must be tracked as part of a full day's work**
- **System must document what activity took place with eligible clients**
- **Documentation is maintained to support the information within the tracking system**

Employee Time Tracking System

- Can be paper or electronic
- Timesheet, payroll, accounting system and reports should have evident links
- Activity report to HUD should be able to be connected back to the program level
 - Example: service plan notes, employee logs and dated reports on program activity

Recording Employee Time

- Record employee time when all or part of employee salary is paid for by HUD funding
- Be able to prove relationship between time spent and work completed

Requirements to Record Time

Actual time spent performing activities must be:

- **After-the-fact determination of actual activity**
 - Time recorded as actual minutes/hours, not as a % of time
- **Recorded at least monthly**
 - Weekly or daily records can be more practical for staff to complete accurately

Acceptable Basis for Reporting Time

The CPD Representative or any other auditor needs to be able to track a specific financial transaction back to the source documentation for each particular cost

- **Dated and signed time sheets with project related activity detail are considered adequate basis for billing personnel costs**

Common INSUFFICIENT and INACCURATE Bases for Billing Personnel Costs

- Budget estimates
- Allocations from grant agreements
- Occasional time studies
- Need to spend down on a grant

Common Mistakes

- Payroll record details do not transfer to the general agency accounting system
- Time is too broadly documented and not linked to eligible activities
 - i.e. Timesheet shows SHP Project only with no details
- Excluding documentation of non-HUD funding time
 - i.e. vacation, other agency/program activities
- Missing supporting documentation of time worked

Tools for Tracking Employee Time

- Standardized timesheets for all employees
- Agency timesheet policy
- Training for employees and managers
- Electronic payroll solutions

Activity Sheet Elements

- Employee Name
- Payroll time period
- Site/Project Name
- Activity such as Operations and Services
- Date/Day of activity
- Time spent on activity
- Employee and direct supervisor signature and date of when timesheet was signed

Allocable Costs

- Costs are considered to be allocable to Federal grants in **two** circumstances:
 1. Incurred directly for the purposes of a specific grant/contract/program
 2. Benefits a grant/contract/program and other cost objectives and it can be distributed among objectives in reasonable proportion to the benefits received

Allocable Costs (cont.)

- Cost can be charged on a direct or indirect basis, however;
 - Must **ALWAYS** have source documentation
 - **Direct**
 - Time distribution records for Salaries if staff work on more than one program
 - **Indirect**
 - Indirect Cost Allocation Plan

Direct and Indirect Costs

- **Direct** costs can be readily identified with a particular cost objective, program and/or activity
 - Examples:
 - Salaries
 - Space
 - Supplies
 - Communications
- **Indirect** costs are incurred for common/joint purpose benefiting more than one program or activity and are not readily identifiable with a particular cost objective
 - Examples :
 - Same expenses listed above for direct costs, and also;
 - Utilities
 - Facility maintenance
 - Accounting expenses (i.e. A-133 Audit expense)

Documented with logs, plans, blueprint, etc

REIMBURSED



Ineligible Costs

- Unreasonable
- Unallowable
- Undocumented
- Unallocable
- Unreimbursable
- Costs **NOT** included in the application for funding

No REIMBURSEMENT and REPAYMENT maybe required!!!

Ineligible Costs (cont.)

- Entertainment and recreation (i.e. Cable TV for participants)
- Gift Cards, Contributions and donations
- Fines and penalties
- General governmental expenditures including salary and expenses of the chief executive officer of the grantee

SHP Ineligible Administrative Costs

- **Ineligible Administrative Costs:**
 - Preparation of application and Technical Submission
 - Conferences, fund raising activities, and training in professional fields (such as social work or financial management)
 - Salary of organization's executive director (except to the extent he/she is involved in carrying out eligible administrative functions as shown under eligible administrative costs list)
 - Staff time to help participants identify housing units
 - Staff time to conduct housing inspections
 - Staff time to conduct annual tenant income and rent certifications
 - Staff time to process landlord rent payments

REPAYMENT



ANY QUESTIONS?

