

CDBG Certified Grant Administrator Training

Financial Management



Sarah Plowman

Sara.Plowman@lowaEDA.com

515-348-6213

Joyce Brown

Joyce.Brown@lowaEDA.com

515-348-6209

CDBG Financial Management

State CDBG Programs, in accordance with 24 CFR 570.489(d), must have systems in place that:

- » Ensure that funds received are used in compliance with all applicable statutory and regulatory provisions and the terms and conditions of the award.
- » Ensure that funds received under this subpart are only spent for reasonable and necessary costs of operating the program.
- » Ensure that funds are not used for general expenses required to carry out other responsibilities of State and local governments.

CDBG Financial Management

- » Therefore, CDBG recipients must adhere to certain administrative requirements regarding financial management:
 - 2 CFR 225 (formerly OMB A-87) : Establish requirements and standards for determining allowable and allocable costs.

CDBG Financial Management: Allowability

» 2 CFR Part 225 describes cost allowability. Costs charged to CDBG must:

- Be necessary and reasonable for performance and administration of the award;
- Be allocable to the federal award;
- Be authorized or not prohibited under state or local laws or regulations;
- Conform to any limitations or exclusions set forth in the OMB circulars, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items;
- Be consistent with policies, regulations and procedures that apply uniformly to both federal awards and other activities of the governmental unit;

CDBG Financial Management: Allowability

»Continued.....

- Be accorded consistent treatment; a cost may not be assigned to the CDBG program as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the program as an indirect ;
- Be determined in accordance with generally accepted accounting principles;
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federal award except as specifically provided by federal law or regulation;
- Be the “net of applicable credits” (discounts or price adjustments must be deducted from the total costs charged);
- Be adequately documented.

CDBG Financial Management: Allocability

» 2 CFR Part 225 also describes costs that are allocable.

A cost is allocable if it:

- Is treated consistently with other costs incurred for the same purpose in like circumstances (recipients must treat costs consistently for all grant programs);
- Is incurred specifically for the CDBG program;
- Benefits both the CDBG program and other work and can be distributed in reasonable proportion to the benefits received; OR
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

CDBG Financial Management: Systems

» Recipients must set up a financial management system. This system must:

- Allow for collection of data necessary for reporting to HUD
- Allow tracing of funds to ensure they were spent appropriately
- Contain records that allow the flow of CDBG funds to be traced (CDBG funds received and disbursed)
- Allow actual costs to be compared with budget costs
- Allow for CDBG funds to be disbursed within **10 days** of receipt from the State

CDBG Financial Management: Systems

- Easily identify CDBG revenues and expenses
- Include a procedure for determining cost reasonableness and allowability (See 2 CFR 200, Principles for Determining Costs Applicable to Grants and Contracts)
- Include adequate **internal controls** as defined by HUD.
 - * The combination of policies, procedures, job responsibilities, personnel and records that together create accountability in an organization's financial system and safeguards its cash, property and other assets.

CDBG Financial Management: Systems

» Basic internal controls can include:

- An organizational chart describing responsibility of personnel involved in financial transactions.
- Written definition and delineation of duties among key personnel involved in financial transactions.
- An accounting policy and procedures manual that includes approval authority for financial transactions and guidelines for controlling expenditures and procedures for recording of transactions
- Adequate separation of duties so that no one individual has authority over a financial transaction from beginning to end.
- Periodic comparisons of financial records to actual assets and liabilities (i.e., reconciliation). In cases where discrepancies are found, corrective action must be taken to resolve such discrepancies.

CDBG Financial Management: Records

» CDBG recipients must have accounting records that identify flow of CDBG funding. Records should include:

- Chart of accounts- All accounts by name/ number
- Cash receipts journal- reflects funds received
- Cash disbursement journal- tracks expenses/ funds paid
- Payroll journal
- General ledger- summary of all financial activity

» Financial entries should be supported with source documentation.

- Invoices, purchase orders, canceled checks, etc.
- Uploaded to lowagrants.gov with CDBG reimbursement requests

CDBG Financial Management: Audits

- » Recipients should know if a CDBG project will require an audit.
 - 2 CFR 200.501: If community receives more than \$750k in federal funds (all sources) in a fiscal year, a single audit is required.
 - Audits to be completed in accordance with Generally Accepted Government Auditing Standards (GAGAS)
 - IEDA provides Single Audit Form each year to determine if audit is necessary

CDBG Financial Management: Audits

- In arranging for audit services, recipients must follow procurement policies/ requirements.
- The audit must be completed, and report submitted to the Federal clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's report or 13 months after the end of the audit period.
- The costs of audits made in accordance with the applicable regulations are allowable charges to federal programs

CDBG Financial Management: Claims & Draws

- » Since CDBG funds are released on a reimbursement basis, best practice is for a community to establish a line of credit to pay expenses.
- » **CDBG contracts require draws be submitted every 6 months on both the activity AND administration, starting from the onset of the award.**
- » We continue to have projects flagged by HUD because funds are not being drawn down in a timely manner.
- » As administrator, your responsibility is to ensure draws are submitted on time! Factor in local approval time (city council).

CDBG Financial Management: Program Income

» **Program Income:** Income a recipient receives that is directly generated from the use of CDBG funds.

What happens if your grant is open, and you receive Program Income?

Program Income must be used for the same activity from which it was generated, and all CDBG requirements remain in effect. All Program Income must be report to IEDA and spent prior to drawing down any further CDBG funds. When program income is generated by projects that are only partially assisted with CDBG funds, the program income amount is pro-rated to reflect the percentage of CDBG funds used.

What happens if your grant is closed, and you receive Program Income?

*If you receive **less than \$35,000** of program income (cumulative of all CDBG grants) in a fiscal year (HUD's Period of October 1 through September 30), it is considered miscellaneous revenue and may be used for any purpose.*

*If recipients receive **more than \$35,000** of program income (cumulative of all CDBG grants) in a fiscal year (HUD's Period of October 1 through September 30), then the full amount must be returned to IEDA.*

CDBG Financial Management: Recaptured Funds

» Recaptured Funds:

Different than Program Income:

Funds that are recouped by recipients when a CDBG-assisted homeowner does not continue to be the principal residence of the assisted homebuyer for the full affordability period. Contact Program Manager for use of recaptured funds.

Questions & Answers

Thank you for your time!