Texas General Land Office

Community Development and Revitalization

“The GLO stands ready to help our state maximize the use of this disaster recovery funding to build back stronger and more resilient communities.”

~ Commissioner George P. Bush

Financial Management 101

Agenda

- Key Resources
- Pre-award Requirements
- Cost Categorization and Eligibility
- Invoicing, Tracking, and Audit Requirements
- Questions?

Presenter

Nate Trombley



Icons

Future Training

Applied to GLO-CDR

Applied to Subrecipients

Learning Objectives

After the training, Financial Management 101 participants will:

1. Understand financial management under CDBG-funded projects or programs
2. Learn the benefits of sound financial management for CDBG-DR programs

Related Trainings

While integral to sound financial management, this training <u>does not</u> cover certain topics addressed elsewhere, including:

- **Procurement** (See Procurement 101 training; Procurement 201 coming soon)
- **Duplication of Benefits** (DOB 101 training coming soon)

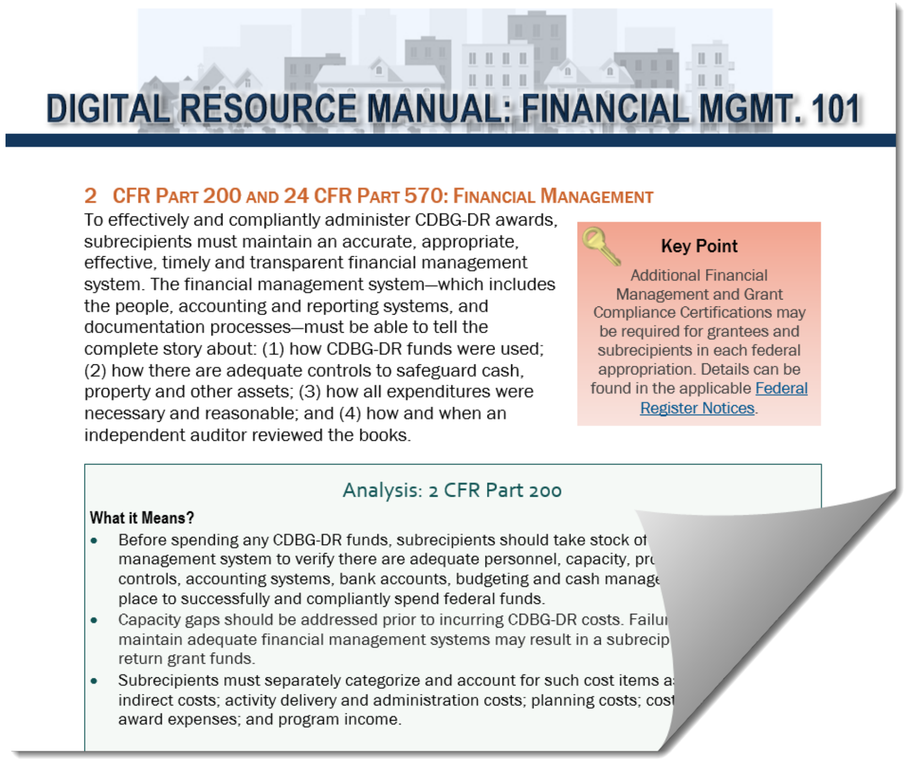
Key Resources

If you want to learn more…



Take a Financial Management course on the HUD Exchange or visit GLO's recovery website

Key Resources



DIGITAL RESOURCE MANUAL: FINANCIAL MGMT. 101

2 CFR Part 200 and 24 CFR Part 570: Financial Management

To effectively and compliantly administer CDBG-DR awards, subrecipients must maintain an accurate, appropriate, effective, timely and transparent financial management system. The financial management system—which includes the people, accounting and reporting systems, and documentation processes—must be able to tell the complete story about: (1) how CDBG-DR funds were used; (2) how there are adequate controls to safeguard cash, property and other assets; (3) how all expenditures were necessary and reasonable; and (4) how and when an independent auditor reviewed the books.

Key Point

Additional Financial Management and Grant Compliance Certifications may be required for grantees and subrecipients in each federal appropriation. Details can be found in the applicable Federal Register Notices.

Analysis: 2 CFR Part 200

What it Means?

- Before spending any CDBG-DR funds, subrecipients should take stock of management system to verify there are adequate personnel, capacity, pr controls, accounting systems, bank accounts, budgeting and cash manage place to successfully and compliantly spend federal funds.
- Capacity gaps should be addressed prior to incurring CDBG-DR costs. Failu maintain adequate financial management systems may result in a subrecip return grant funds.
- Subrecipients must separately categorize and account for such cost items a indirect costs; activity delivery and administration costs; planning costs; cost award expenses; and program income.



CDBG-DR

FINANCIAL MANAGEMENT 101 BRIEF

Financial Management is the process of using funds effectively, efficiently, and transparently. It is accomplished through a combination of procedures, methods, rules of conduct and standards. Federal Financial Management requirements are outlined in the OMB Uniform Guidance in 2 CFR Part 200 and HUD issues additional requirements through Federal Register Notices and 24 CFR 570. In Texas, GLO's subrecipients must also comply with Texas Government Code Uniform Grant Management Standards.

Elements of Good Financial Management

1. Ensuring there is adequate capacity, systems and separate, non-interest bearing bank accounts established to administer the Federal funds prior to incurring costs;
2. Transparency and clear accountability;
3. Expenditures that are planned and then checked against the plan;
4. Costs that are reasonable, allowable and allocated appropriately;
5. Funds that do not sit idle and are protected from misuse;
6. Records that tell a full and complete story, that any accountant could clearly u
7. Reports that are useful for program managers, the public and program auditor

Guiding Principles: Costs

After confirming that a transaction meets all requirements to be charged to a Federal award, subrecipients must classify the costs using multiple cost categories. Some of these cost categories

Cost Requ

- Allowable

Regulatory Framework

Federal Financial Management requirements come from the OMB Uniform Guidance found at 2 CFR Part 200, as modified by the Texas Uniform Grant Management Standards

- Administrative requirements, cost principles, and audit requirements
- Instructions, requirements, and principles for sound financial management
- <u>Does not</u> include all grant and financial management requirements applicable to CDBG-DR (e.g. applicable Federal Register Notices and HUD regulations)

Pre-Award Requirements

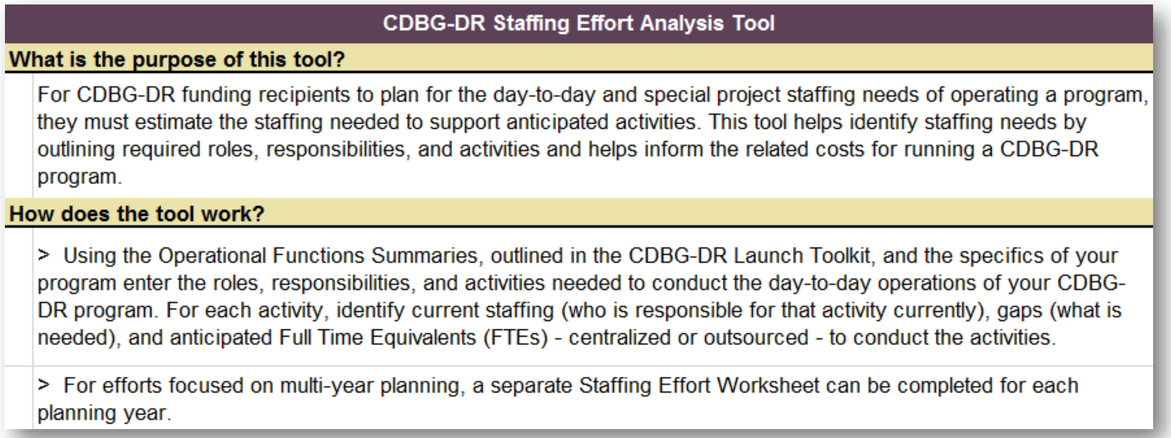
Prior to receipt of a Federal award, subrecipients must, at a minimum, do the following:

1. Ensure adequate capacity to administer the grant;
2. Ensure adequate, documented, internal controls in place for funding administration;
3. Ensure accounting systems, bank accounts, budgeting, and cash management practices are sufficient; and
4. Complete start-up documentation required by GLO-CDR.

Pre-Award: Capacity Assessment

Evaluate existing staff and/or Grant Administrator capacity to carry out CDBG-DR projects, considering factors such as:

- Size, complexity, and number of grants
- Results of past monitoring events and audits
- Existing systems in place to handle programs and administrative tasks
- Past citizen complaints



CDBG-DR Staffing Effort Analysis Tool
What is the purpose of this tool?
For CDBG-DR funding recipients to plan for the day-to-day and special project staffing needs of operating a program, they must estimate the staffing needed to support anticipated activities. This tool helps identify staffing needs by outlining required roles, responsibilities, and activities and helps inform the related costs for running a CDBG-DR program.
How does the tool work?
> Using the Operational Functions Summaries, outlined in the CDBG-DR Launch Toolkit, and the specifics of your program enter the roles, responsibilities, and activities needed to conduct the day-to-day operations of your CDBG-DR program. For each activity, identify current staffing (who is responsible for that activity currently), gaps (what is needed), and anticipated Full Time Equivalents (FTEs) - centralized or outsourced - to conduct the activities.
> For efforts focused on multi-year planning, a separate Staffing Effort Worksheet can be completed for each planning year.

Pre-Award: Internal Controls

Internal Controls

- Segregation of duties
- Procedures to prevent and mitigate conflicts of interest
- Steps to promptly address noncompliance identified during an audit
- Preventive measures to safeguard protected personally identifiable information

Policies and Procedures

- Specific to current administration of CDBG-DR funds
- Include procedures for compliance with Period of Performance in Subrecipient Agreement

Pre-Award: Accounting, Cash Mgmt.

Adequate Accounting Systems

- Identify CDBG-DR funding received and expended, separate from other sources
- Accurate, current, and complete financial information
- Records that identify the source of funds for federally-funded activities including the authorization, obligation, and unobligated balance

Pre-Award: Accounting, Cash Mgmt.

Adequate Accounting Systems (cont.)

- Written procedures for payment requirements and determining allowability of costs
- An approved, documented budget that captures all CDBG-DR expenditures
- Comparison and tracking of budget amount to each federal award and systems to ensure expenditures do not exceed budgeted amounts

Pre-Award: Bank Accounts

- Reimbursement
- Cash Advance
  - Interest-bearing accounts
- Minimize time between receipt of funds and disbursement to final recipient



Pre-Award: Start-up Documentation

- Application materials (vary by GLO program)
- Depository/Authorized Signatory Form
- Direct Deposit Authorization Form
- CDBG-DR Contract (subrecipient agreement)



Post Award Requirements

After establishing sound financial management practices and receiving a CDBG-DR award, subrecipients must evaluate the ***eligibility***, ***allowability***, and ***allocability*** of costs

Categorizing Costs: Indirect/Direct

Direct Costs
Salaries for personnel working on the program
Supplies needed for the program
Program-specific professional services
Equipment

Indirect Costs
Salaries for personnel working on overall operations
Office rent and utilities
Computer maintenance

Indirect Cost Options

1. **Federally-approved Indirect Cost Rate** (excluding budget caps and contract constraints)
2. **De Minimis Rate** (2 CFR 200.311) – no Federally-approved rate exists, subrecipient has less than $35M in direct Federal funding, AND has never used a calculated rate
3. **Direct Charge** – directly charge appropriate, allocable portion of overhead costs attributable to CDBG-DR award, as authorized by GLO

Categorizing Costs: Recipients

Grantee	Subrecipient	Contractor	Beneficiary
Direct recipient of CDBG-DR funds (TX GLO)	City, County, unit of local government, or non-profit responsible for a portion of a federal award	Procured entity without programmatic decision-making responsibilities that carries out a defined scope of work	Homeowner, renter, developer, business, or target population that receives a benefit – directly or indirectly – from a CDBG-DR award

Categorizing Costs: CDBG-DR Type

Cost Type	Examples	Who can Incur?	Cap?
Program Administrative	Compliance and monitoring, office space, financial management and DRGR related activities, reporting including QPR	Grantees and subrecipients	Described within the subrecipient agreement and Application Guide for each recovery program
Planning	Comprehensive/community development/functional plans, Action Plan development and amendments, mitigation or disaster resilience plan	Grantees and subrecipients	
Project	Acquisition, construction hard costs, demolition and site clearance, architecture & engineering, developer fees, assistance to beneficiaries (e.g. homeowner grants) business loans	Grantees, subrecipients, developers, contractors, program beneficiaries	
Activity Delivery (Project Delivery)	Development of programmatic policies and procedures, duplication of benefits review, completing work-write ups	Grantees and subrecipients	

Categorizing Costs: Program Income

- Defined in CDBG-DR Federal Register Notice
- Gross income generated by activities funded in part or in whole by CDBG-DR
- Examples:
  - Gross income from sale or disposition of real property or equipment
  - Gross income from the ownership interest in a for-profit entity

All Program Income must be returned to GLO unless otherwise noted in subrecipient agreement

Categorizing Costs: Match/Cost Share

- Using CDBG-DR funding as non-federal cost share
- Compliance with federal, state, and program requirements



Necessary and Reasonable Costs

- Must be **necessary** expenditures of Federal funding to meet program objectives
- 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
- **Allowable costs** conform to CDBG-DR requirements, including limitations and waivers described in applicable Federal Register Notices, comply with federal cost principles, and align with all associated cross-cutting federal requirements
- **Allocable costs** must be reasonable and must also benefit the federal program (costs cannot be allocable to multiple federal awards)

Unallowable Costs

Payments made for unallowable costs must be refunded to GLO

Examples include, but are not limited to:

- Programmatically or contractually ineligible costs
- Cost of general government and costs that would be required regardless of CDBG-DR funded project
- Expenditures on projects that have not been approved by GLO or have not received environmental clearance
- Improper payments (wrong amount, made to an ineligible party, made for ineligible goods, duplicate payments, or payment for services not yet received)

Test Your Knowledge

True or False

A Project Cost is a cost associated with carrying out a program but not attributable to a particular beneficiary



False

A **Project Cost** is directly related to the undertaking of a recovery program and provides a benefit to a beneficiary (e.g. construction hard costs). An **Activity Delivery Cost** is associated with carrying out a specific program and providing a program (e.g. duplication of benefits review)

Invoice Requirements

All costs must:

- Be supported by invoices or similar documentation, which includes price, quantity, materials stored, and service delivery dates;
- Be detailed in a completed Request for Payment Form with enough information to confirm all items are eligible under the Subrecipient agreement; and
- Be accompanied by approvals or signatures to confirm the work billed has been completed and reviewed.

Once instructed, subrecipients should use the Texas Integrated Grant Reporting (TIGR) System to manage applications, contracts, and draw requests

Invoice Requirements (cont.)

Additional invoice requirements from GLO:

- TIN application
- Direct Deposit form
- TexPayment Resource
  - Payments Policies and Procedures
  - Advance Payment notification
  - Search State payments issued for payees

Invoice Requirements (cont.)

- Award-related costs must be incurred during award period
- For information about eligibility of pre-award costs, subrecipients should refer to their Subrecipient Agreement, GLO-CDR requirements applicable to their CDBG-DR projects, and *Notice CPD 15-07: Guidance for Charging Pre-application Costs*



Payroll Requirements

To charge staff payroll costs to a CDBG-DR award, subrecipients must:

- Receive GLO authorization for each employee charged to the award;
- Maintain timesheets or, as appropriate, biannual certifications for all employees charged to the award;
- Provide GLO with adequate documentation of applicable fringe benefits, employment policies, and overtime requirements; and
- Provide appropriate payroll documentation at the time of draw to corroborate the amount of payroll expended and the time worked on each CDBG-DR project.

Tracking and Reporting

- Allocating activity delivery costs and project costs to National Objectives and Most Impacted and Distressed (MID) designations
- Submitting monthly and quarterly reports to GLO and HUD
- Tracking equipment and supplies via property register
- Expending funds within designated period of performance



Monitoring and Audit Requirements

- GLO subrecipient risk analyses
  - Size and complexity of CDBG-DR awards
  - History and capacity of subrecipient
- Frequency and scope of audits
- Subrecipient documentation and systems – available to GLO/HUD upon request
- Single or program-specific audit annually (for federal funds >$750,000 in a fiscal year)

Test Your Knowledge

True or False

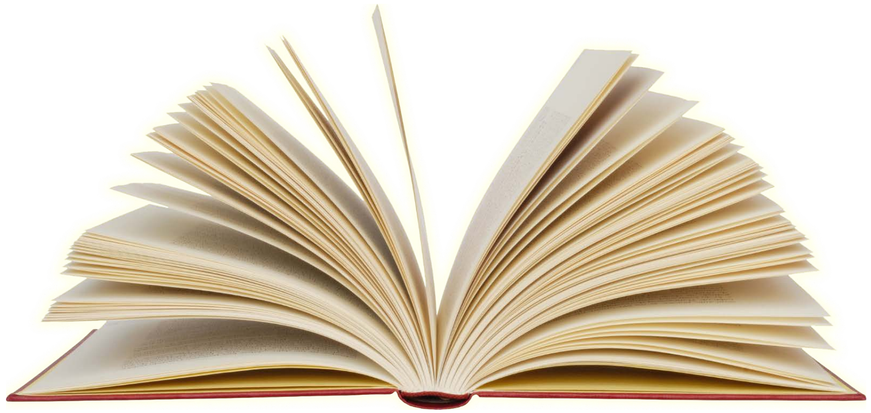
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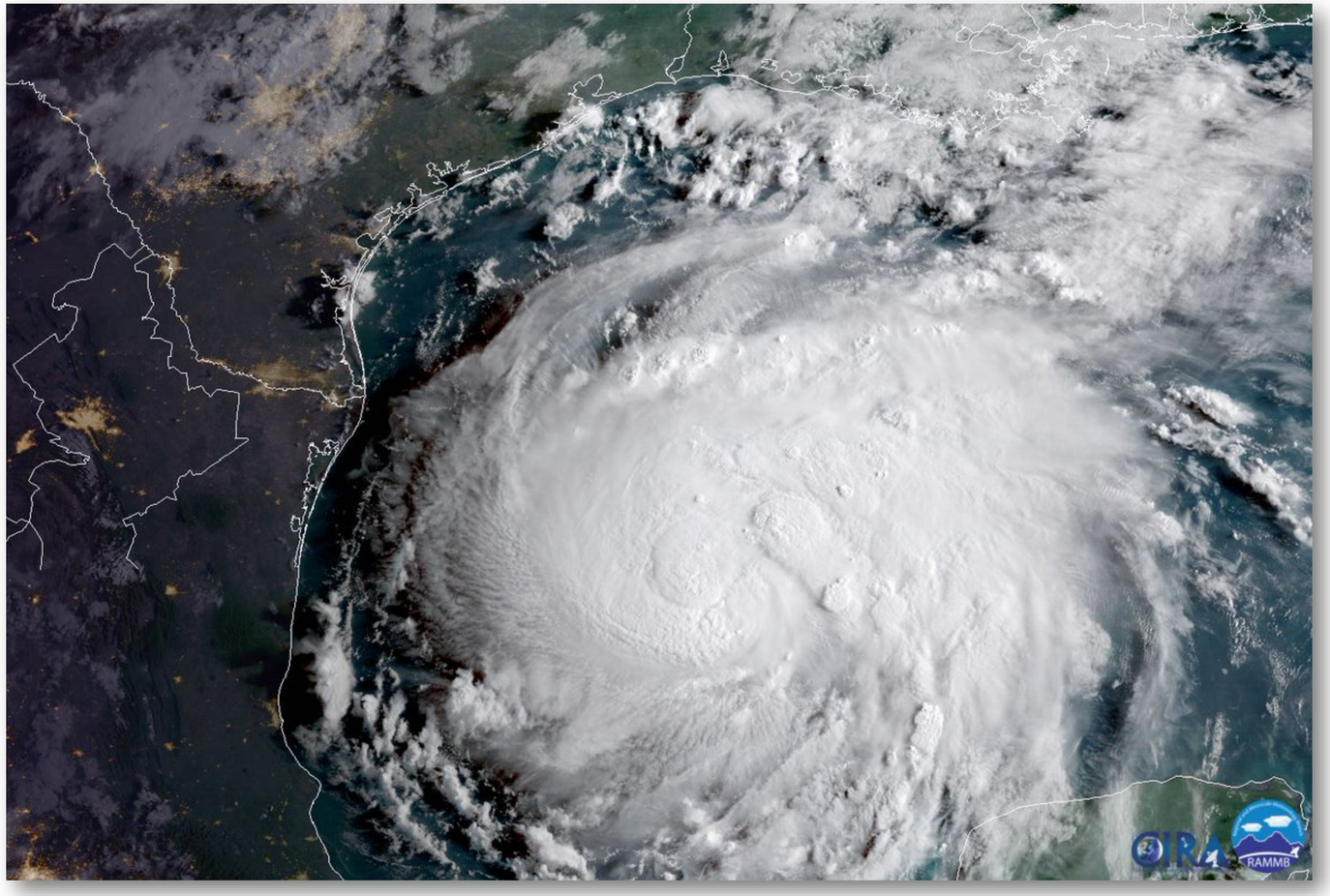
True

Standards

- Regulations
  - 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
  - Texas Uniform Grant Management Standards
  - 24 CFR 570 HUD Community Development Block Grants



Questions?



Survey



https://www.surveymonkey.com/r/FM101