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 all State and Local requirements, including Texas Government Code Uniform Grant Management Standards.

Elements of Good Financial Management

1. Ensuring there is adequate capacity, systems and internal controls to administer the Federal funds prior to incurring costs;
2. Transparency and clear accountability;
3. Expenditures are tracked in approved budgets and then checked against the budgets;
4. Costs are reasonable, allowable and allocated appropriately;
5. Funds do not sit idle and are protected from misuse;
6. Records tell a full and complete story, that any accountant could clearly understand; and
7. Reports are useful for program managers, the public and program auditors.

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 intersect, and subrecipients must have tracking and reporting systems in place to account for how costs fit into one or more of such cost categories as:

- Direct and Indirect costs
- HUD Project costs, Activity Delivery (Project Delivery), Planning costs and Administration costs
- Costs separated by recipient
- Costs separated by program
- Program Income
- Public services costs (capped by regulations)
- Other expenditure requirements from the Federal Register Notice (e.g. expenditure requirements for LMI activities and most impacted and distressed areas)

Cost Requirements

- Allowable
- Necessary and Reasonable
- Allocable
- 2 CFR 200
- 24 CFR 570
- TX Uniform Grant Management Standards

Elements of Effective Internal Controls

Internal controls are required by Federal law and HUD regulations and are guided by the Federal standards found in OMB Uniform Guidance 2 CFR 200.303, as well as HUD-specific standards in the applicable Federal Register Notices. In Texas, CDBG-DR subrecipients must also comply with Texas Local Government Code Chapter 171. Examples of internal controls are:

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

Reporting on Federal Awards

Reporting is the way recipients and subrecipients share their successes and challenges with HUD and demonstrate that they are meeting the requirements of their funded programs. Reporting on Federal awards usually entails two aspects: (1) reporting on performance progress and (2) reporting on financial expenditures. To ensure proper reporting subrecipients should follow these steps:

- **Plan:** research what data will need to be provided and at what frequency. Refer to your Subrecipient Agreement and program requirements detailed by GLO-CDR
- **Collect and Consolidate:** gather data from all departments involved in the CDBG-DR award from accounting to project management
- **Reconcile:** review the data collected and ensure accuracy and consistency across departments
- **Reporting:** enter reconciled data as required by the Subrecipient Agreement and program
- **Revise Plan:** revisit your procedures to adjust based on issues encountered and direction from GLO-CDR

Key Point

Subrecipients should have written financial management policies and procedures specific to their administration of CDBG-DR funds, including procedures to ensure compliance with the period of performance outlined in their subrecipient agreement.