Housing Opportunities for Persons with AIDS (HOPWA) Financial Management Training for HOPWA Grantees

March 2013

COMMUNITY PLANNING & DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of HIV/AIDS Housing

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

Dear Colleagues:

The Office of HIV/AIDS Housing is pleased to provide you with the *Housing Opportunities for Persons with AIDS (HOPWA) Financial Management Training Manual.* This publication serves to complement similar training materials in the HOPWA Financial Management Online Training, available through the Find a Resource: HOPWA link on the HUD Homelessness Resource Exchange, www.HUDHRE.info. The Department continues to encourage that staff of HOPWA grantees, project sponsors, and recipient organizations successfully complete this course and take note of actions that help you promote sound grants management practices in using these Federal resources.

As a supplement to the online course, this print edition can be used to help your organization undertake this training, and participants can then use the online course to complete the test for each chapter. Participants with passing scores on the test will receive a certification of their "graduation", and their names will be added to the Individuals with Passing Scores chart posted on this HOPWA website.

The Office appreciates your commitment to effectively manage and ensure the accountability of your HOPWA resources. The online training and this accompanying manual will complement grants management oversight and assist communities in avoiding potential problems that can become issues noted in monitoring actions, audits or other reviews, such as a lack of required financial documentation and recordkeeping.

If you have any questions or comments concerning this manual or the online training, please send your questions to the Office of HIV/AIDS Housing at HOPWA@hud.gov or contact your local HUD Community Planning and Development field office.

Sincerely,

David Vos
Director
Office of HIV/AIDS Housing

Acknowledgements

This guidance material was prepared by ICF International under Grant VAHP-001-06 for the U.S. Department of Housing and Urban Development's Office of Community Planning and Development.

HOPWA FINANCIAL MANAGEMENT TRAINING MANUAL

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MODULE 1: INTRODUCTION

HOPWA SUCCESS DEPENDS ON FINANCIAL ACCOUNTABILITY

All of those involved in the HOPWA program, from senior HUD officials to front line staff working for project sponsors, share the fundamental goal of providing housing assistance and related supportive services for low-income persons living with HIV/AIDS and their families. If that is true, why do we need to focus significant time on accounting systems, timesheets, and other record-keeping issues?

The reason is that progress in achieving the goal of housing and services for clients depends on all persons in the HOPWA program doing their part to ensure that financial records and systems clearly demonstrate that scarce public funds have been used properly for this intended purpose. When questions arise about the financial management of program funds, there is a tendency by some to raise questions about the program itself. Everyone benefits when time and energy focuses on serving HOPWA clients rather than correcting financial management problems.

By reputation, HOPWA staff are committed and dedicated to serving clients effectively. In some cases, however, audits and financial reviews have indicated that grantees have encountered problems in complying with financial management requirements.

> Here are some examples from Inspector General reviews of HOPWA programs:
>
> - A project sponsor received funds for two separate HOPWA grants. The Executive Director told the auditors that he “constantly dealt with both programs on a daily basis.” Using this reasoning he kept double time sheets and double billed both programs for salary expenses, which of course the auditors disallowed.
> - A Project Manager for a program paid with Ryan White funding indicated that he worked only with clients of that program. Nevertheless, the audit showed that the agency’s HOPWA grant was charged for thousands of dollars of this individual’s personnel costs.
> - Staff working at a drop-in center supported by a HOPWA grant and several additional funding sources failed to follow procedures for entering supplemental information on their time sheets to provide a reasonable basis for allocating costs to HOPWA and the other funding sources. Instead, the agency drew HOPWA and other funds to pay for the center’s costs based on an arbitrary formula that the auditors could not accept.

On a daily basis, staff operating HOPWA programs work on rental assistance, important client services, and other HOPWA activities. With a better understanding of the required financial records, timekeeping documentation, and other records, effective financial management can become part of the daily routine, rather than a challenging exercise to recreate missing information months later in response to a financial review or audit. Grantees and project sponsors alike can achieve a more effective partnership between their program and financial staff that maintains focus in serving clients and at the same time ensures the highest possible standards of financial accountability.

PURPOSE OF THE TRAINING

This training manual is designed for HOPWA grantees and projects sponsors, and more specifically, their program and financial staff.

While this training manual includes a lot of information about Federal financial management requirements, the ultimate focus is to provide participants with useful, practical tools, so that the following can be achieved:

- Each staff person working on HOPWA activities has a clear process for recording and adequately documenting time that can be charged to the HOPWA program
- Agencies and organizations have a clear understanding of the basis for properly allocating non-personnel costs to the HOPWA program
- Households receiving rental assistance get an appropriate amount of subsidy and contribute no more and no less than the required amount
- Agency and organization financial and record-keeping systems record in a readily retrievable manner all of the financial (and other) data required for HOPWA reports

The overall financial management process should provide HOPWA grantees an effective approach for developing proposed activities using sound financial information, accurately recording financial information as they carry out the activities, and reporting all financial information in the format specified. Participants should consider each element of this training as a component of this overall financial management system concept.

HOW THE TRAINING MANUAL IS ORGANIZED

After this Introduction (Module 1), the Manual has two modules related to Federal requirements. Module 2 provides grounding in Federal regulatory requirements to understand why financial data needs to be tracked and reported. Module 3 discusses the Office of Management and Budget (OMB) circulars and general cost principles that will guide the way in which you set up your financial tracking systems.

Modules 4, 5, and 6 provide the core information for managing the financial income, expenditures, and reimbursements related to a project sponsor's daily activities. The former two modules address the primary areas where HOPWA funding is used — personnel and non-personnel costs. Module 6 addresses the financial transactions for rental assistance and the program income and subsidies received.

Module 7 identifies the data elements related to the annual reporting requirements in the Annual Progress Report (APR) and Consolidated Annual Performance and Evaluation Report (CAPER). The APR is required of grantees receiving HOPWA funds through a competitive grant; the CAPER is required of grantees receiving funds through a formula grant.

Finally, Modules 8 and 9 address auditing and monitoring processes.

The modules are summarized as follows:

- **Module 1: Introduction**
  In addition to serving as an introduction to the training manual, this module provides an overview of the Federal regulations and circulars governing the financial management requirements to which all grantees and project sponsors must adhere. These requirements are elaborated on in Modules 2 and 3. This module also offers suggestions for policies and procedures for ensuring confidentiality, as many financial documents contain information about persons assisted under the HOPWA program that should remain confidential.

- **Module 2: Financial Management Standards**
  This module describes the financial management standards under 24 CFR Parts 85 and 84 pertaining to governments and nonprofits, respectively. These requirements address internal, budget, and accounting controls. Collectively, these controls are established through policies and procedures pertaining to staff with financial responsibilities; procedures for tracking, reporting on, and obtaining revisions for the budget; and requirements for accounting records and source documentation. This module also discusses procurement requirements

- **Module 3: Cost Principles**
  This module focuses on OMB requirements and industry standards related to costs — how they are classified, what is required to be reimbursable, and how they are allocated. The discussion on allocation addresses direct and indirect costs and provides essential information for the discussion of allocating personnel and non-personnel costs in Modules 4 and 5.

- **Module 4: Financial Management of Personnel Costs**
  Personnel costs comprise primarily salaries and benefits. Reimbursement is based on time spent working with HOPWA-eligible clients and engaged in HOPWA-eligible activities. This module focuses on how to allocate personnel costs, particularly when staff works on activities funded by different sources, and what documentation to retain in the files. The latter half of this module has a section on budgeting personnel costs.

- **Module 5: Financial Management of Non-personnel Costs**
  As in Module 4, this module focuses on whether and how to allocate non-personnel costs to the HOPWA grant, particularly when costs are shared across various funding sources. It also provides guidance on considering whether to seek reimbursements under the HOPWA grant for indirect costs.

- **Module 6: HOPWA Rental Assistance**
  This module discusses the financial management requirements related to HOPWA rental subsidy payments. Throughout the module, a scenario about one 2-bedroom unit with a three-person household is used to illustrate the components of this financial transaction and highlight the documentation required to substantiate reimbursements.

- **Module 7: HOPWA Financial Reporting**
  All grantees are required annually to submit performance reports to HUD. Formula grantees submit the Consolidated Annual Performance and Evaluation Report (CAPER); competitive grantees submit the Annual Progress Report (APR). This module identifies the financial data elements related to housing activities and other typical HOPWA activities.

- **Module 8: Auditing**
  An agency or organization will periodically undergo an audit of its financial systems and controls. This module briefly describes basic information about what an audit is, typical audit findings, and the clearance of findings.

- **Module 9: Training and Oversight of Project Sponsors**
  This module looks at the two sides of oversight — the training done by the grantee to aid project sponsors prior to the start of activities and the subsequent monitoring of activities. While remote and onsite monitoring is familiar to most grantees, less familiar perhaps is the collaborative approach that grantees can take with project sponsors in developing financial policies and procedures that will make it easier for them to achieve compliance.

Resource: In conjunction with this Financial Management training manual, another useful resource for HOPWA grantees is the HOPWA Grantee Oversight Resource Guide. It provides grantees and project sponsors with an understanding of the various Federal laws and regulations that govern the use of HOPWA resources, while providing guidance and tools to conduct compliance reviews and identify corrective actions, as needed. This resource is located in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

GUIDING STATUTES, REGULATIONS, AND CIRCULARS

Financial management of Federal grant programs, including HOPWA, is governed by a set of requirements that are contained in the following:

- Provisions in law, as set out in statutes
- Regulations, which interpret and amplify the statute and are set out in the Code of Federal Regulations (CFR)
- Office of Management and Budget (OMB)[1] Circulars, which in some cases have been reissued as part of the CFR

The following table identifies the HOPWA program regulation and outlines several of the topics to be discussed in the remainder of the training manual, along with the corresponding guiding regulations and circulars.

	Governmental Agencies	Nonprofits
HOPWA Program regulatory requirements	24 CFR Part 574[2]	
Uniform Financial Management requirements	24 CFR Part 85 (Implements OMB Circular A-102)	24 CFR Part 84 (Implements OMB Circular A-110)
Cost Principles	2 CFR Part 225 (supersedes OMB Circular A-87)	2 CFR Part 230 (supersedes OMB Circular A-122)
Tenant-Based Rental Assistance requirements	24 CFR Part 574 42 USC 12908[3] 24 CFR Part 982 24 CFR Part 5	
Audit requirements	OMB Circular A-133	
HOPWA Confidentiality requirements	24 CFR 574.440	

Note: A general purpose of the OMB Circulars is to maximize the uniformity of administrative requirements, cost principles, and audit requirements across Federal programs. However, absolute uniformity cannot be achieved because the statutory purposes and objectives of different programs

[1] OMB, as its name indicates, assists the President in overseeing the preparation of the Federal budget; it also has responsibility to oversee and coordinate Federal financial management and procurement processes.

[2] See the Electronic Code of Federal Regulations (eCFR) at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr574_main_02.tpl

[3] With regard to HOPWA rental assistance, 42 USC 12908 references 24 CFR Part 982 Section 8 Tenant Based Assistance: Housing Choice Voucher Program.

sometime lead Congress to enact program-specific financial management policies and requirements that differ from, or are in addition to, the OMB requirements. Program-specific requirements, as contained in program statutes and implementing regulations, supersede any incompatible requirements in the OMB circulars.

CONFIDENTIALITY

The AIDS Housing Opportunity Act, the law that authorized the HOPWA program, requires that grantees and sponsors protect the privacy of recipients of HOPWA assistance. The HOPWA regulation that implements this requirement, 24 CFR 574.440, states:

> The grantee shall agree, and shall ensure that each project sponsor agrees, to ensure the confidentiality of the name of any individual assisted under this part and any other information regarding individuals receiving assistance.

Grantees, project sponsors, and others with access to HOPWA records and information need to incorporate effective written confidentiality policies and procedures in all aspects of their financial management system. This manual emphasizes the data and records that support compliance with financial management requirements. To a significant degree, these records will include information about individuals receiving assistance that must be kept confidential.

To ensure confidentiality and the protection of privacy, project sponsors and grantees must have written policies that describe how they protect participant confidentiality for financial data, documents required to support financial data, and any other record system containing personal identifying information. This may be considered part of the system of internal controls that is an essential element of overall financial management (see Module 2 for further details on internal controls).

Project staff persons should receive training and periodic reminders about confidentiality. Precautions may include, but are not limited to, the following:

- Maintaining paper files in locked cabinets accessible only by designated individuals
- Installing security software for electronic files
- Using release of information forms that meet State and Federal consent requirements

Grantees should conduct periodic review of these procedures. A project sponsor should gather private information only when adequate data confidentiality protections are in place.

The sponsor’s confidentiality policy should, at a minimum, address the following:

- How staff will gather, record, and store confidential information
- The consent process for the release of confidential information
- Protocols for responding to breaches of confidentiality
- Standards contained in relevant State and Federal laws, including Health Insurance Portability and Accountability Act (HIPAA) compliance (if applicable), and HIV confidentiality statutes
- Privacy standards related to data collection and use of participant information for program reporting, such as Homeless Management Information System (HMIS) standards

Documentation of HIV status is of course essential documentation of all HOPWA costs incurred in serving individual clients. Grantees and project sponsors should use this information only for verifying eligibility and should only be accessible to grantee and project sponsor staff persons who require access to this information to carry out their responsibilities in administering the HOPWA program.

Reports reflecting staff time and activities should not name clients or include any personal identifying information (i.e. Social Security Numbers). Staff who set up such time and activity reporting systems should ensure that the reporting systems are designed in such a way that staff can differentiate between working with different clients and different activities; unique identifiers should be sufficient to indicate eligible clients and activities, without breaching confidentiality. Case notes and calendars are confidential documents that should be maintained in confidential files accessible only by authorized employees and by HUD and the Inspector General as required to evaluate information entered into time and activity reports.

It is also important that the organization not use any identifying information that could compromise a participant's confidentiality in communications regarding the HOPWA program. For example, checks to property owners, envelopes, letterhead, and other printed material should not contain any language that might indirectly disclose a participant's HIV status.

If an organization's name on checks indicates that it is a provider of HIV/AIDS services, e.g., "AIDS Care Project," the provider should consider ways of masking this information. The sponsor might consider steps such as incorporating a separate entity under a generic name, (e.g., "Springfield Supportive Housing Program"), designating a separate phone line for payees to call in on and setting up a bank account with a generic program name.

MODULE 2: FINANCIAL MANAGEMENT STANDARDS

WHAT THE MODULE IS ABOUT

In this Module

- Internal Controls
- Budget Controls
- Accounting Controls
- Procurement

Financial management is the constant process of tracking progress towards financial objectives and safeguarding the financial assets of an organization. This definition is reflected in the standards for financial management systems that are applicable to Federal grant programs.

Financial management is important to HUD grantees and project sponsors administering the HOPWA programs for several reasons: it helps organizations budget for activities; it promotes sound and efficient operation of the organization and its programs; it serves the need for accountability to funding agencies and beneficiaries of the program(s); and it is required by law.

This module describes financial management standards for governmental and nonprofit organizations (found in 24 CFR Parts 85 and 84) which include requirements and standards for internal controls, budget controls, accounting controls, and procurement.

INTERNAL CONTROLS

Internal controls refer to the combination of policies, procedures, defined job responsibilities, personnel, and records that allow an organization (or an agency) to maintain adequate oversight and control of its cash, property, and other assets. Establishing effective internal controls is a necessary part of managing an organization’s financial systems, and these controls are subject to scrutiny during audits.

Regulatory Standards

HUD regulatory standards for internal controls, per 24 CFR 85.20(b)(3) and 24 CFR 84.21(b)(3), are as follows:

- Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. HUD grantees and subgrantees must adequately safeguard all such property and must ensure that it is used solely for authorized purposes.

Purpose of Internal Controls

The soundness of any organization’s financial management structure is determined by its system of internal controls. Through this system, an organization can ensure the following:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies
- Resources are protected against waste, mismanagement, or loss
- Information on the source, amount, and use of funds is reliable and up-to-date, and is disclosed in the appropriate reports and records

Basic Elements of an Internal Control System

The basic elements of an internal control system include all of the following:

- An organizational chart showing titles and lines of authority for all individuals involved in approving or recording financial (and other) transactions
- Written position descriptions that describe the responsibilities of all key employees with a relationship to financial and accounting issues
- A written policy manual specifying approval authority for financial transactions and guidelines for controlling expenditures, including Board responsibilities
- Written procedures for the recording of financial transactions, as well as an accounting manual and a chart of accounts (see Accounting Controls below for a description of a chart of accounts)
- Adequate separation of duties to ensure that no one individual has authority over an entire financial transaction
- Hiring policies to ensure that financial staff qualifications directly reflect job responsibilities and that individuals hired are competent to do the job
- Access to accounting records, assets, blank forms, and confidential records are adequately controlled, such that only authorized persons can get access to them
- Procedures for regular reconciliation of financial records, comparing a HUD grantee’s records with actual assets and liabilities of the organization

BUDGET CONTROLS

Budget controls are procedures that grantees and project sponsors must have in place to compare and control HOPWA expenditures against the approved HOPWA budget. Clear and comprehensive budget controls will also serve grantees and project sponsors well during the annual reporting process when HUD requires information about budgeted and actual expenditures. (More information about the annual reporting process is provided in Module 7.)

Regulatory Standards

HUD standards for budget controls, per 24 CFR 85.20(b)(4) and 24 CFR 84.21(b)(4), are as follows:

- Actual cash outlays (expenditure of cash to acquire or use a resource) must be compared with budgeted amounts for each grant or subgrant.
- Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement.
- If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

Purpose of Budget Controls

Budget controls allow an organization to answer the following types of questions:

- What is the likelihood that an activity can be completed within the amount budgeted for that activity?
- If the amount budgeted for an activity appears to be insufficient, what sources will the organization use to complete the expected project?
- Are activities and expenditures progressing as planned?
- Is the cost per unit in line within expectations?

Basic Elements of Budget Controls

The basic elements of budget controls include the following:

- Comparing actual expenditures-to-date against planned expenditures and against projected accomplishments for such outlays
- Reporting deviations from budget and program plans
- Requesting approval for budget and program plan revisions (project sponsors submit requests to grantees; competitive grantees submit requests to HUD)

ACCOUNTING CONTROLS

Accounting controls consist of procedures that enable HUD grantees and project sponsors to maintain accounting records that sufficiently identify the source and application of Federal funds provided to them. In addition, the accounting records must be supported by source documentation. While the term "subgrantees" is used in the quoted Regulatory Standards language, the standards also apply to HOPWA project sponsors.

Regulatory Standards

HUD standards for **accounting records**, per 24 CFR 85.20(b)(2) and 24 CFR 84.21(b)(2), are that the grantee and any subgrantee must do the following:

- Grantees and subgrantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities.
- These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Grantees and subgrantees must also meet requirements for timely disbursement of funds which serve to minimize the financing costs of the U.S. Treasury. These standards are at 24 CFR 85.21(b) or 24 CFR 84.22(a) and specify the applicability of the Treasury Department standards at 31 CFR Part 205.

The HUD standards for **source documentation**, per 24 CFR 85.20(b)(6) and 24 CFR 84.21(b)(2), are that the grantee (or subgrantee) must do the following:

- Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Basic Elements of Accounting Records

To meet these regulatory requirements, an organization's accounting system should include at least the following elements:

- **Chart of accounts.** This is a list of account names and the numbers assigned to each of the accounts.
    - ♦ The names provide a description of the type of transactions that will be recorded in each account (e.g., an account titled "salaries" denotes that only gross salaries of employees should be recorded in that account).
    - ♦ The account number is required by most accounting software programs and is assigned to an account name to group similar types of accounts. For example, all asset accounts might typically begin with "#1" and all liability accounts might typically begin with "#2," in accordance with common accounting practices.
    - ♦ A typical chart of accounts will generally include the following categories: assets, liabilities, net assets, revenues, and expenses.

- **Cash receipts journal.** The cash receipts journal documents, in chronological order, when funds were received, in what amounts, and from what sources.
- **Cash disbursements journal.** A cash disbursements journal documents, in chronological order, how much was paid and to whom it was paid.
- **Payroll journal.** A payroll journal documents payroll and payroll taxes.
- **General journal.** A record of all non-cash transactions.

Note: All entries to the above journals must be properly approved and supported.

- **General ledger.** A general ledger summarizes and shows in detail by account the activities recorded in each account of an organization. Entries transferred to the general ledger should be cross-referenced to the applicable subsidiary journal or supporting documentation to permit the tracing of any financial transaction (i.e., an "audit trail").

Basic Elements of Source Documentation

Accounting records must be supported by source documentation that shows that costs charged against the HOPWA program were as follows:

- Incurred during the effective period of the agreement with HUD or, for project sponsors, with the HUD grantee
- Incurred for eligible items
- Approved by the appropriate official(s) within the organization
- Expended (i.e., have proof of actual payment)
- Not reimbursed by another funding source

Adequate documentation will vary depending on the specific activity. Basic documentation would include the following:

- **Client eligibility.** Proof of HIV status, as well as household income and composition (reviewed annually)
- **Rental assistance.** Annual Income determination, annual rent calculation, housing inspection, lease, rent standard, cancelled checks to landlord
- **Short-Term Rent, Mortgage and Utility (STRMU).** Evidence of need, time limit calculation, cancelled payment checks
- **Facility-based housing.** Documentation of adequate services, rent calculation, leases, records supporting operating costs (e.g., utility bills, lease, or mortgage payments)
- **Supportive services.** Documentation fitting with type of service (e.g., transportation, case management), that service was delivered, timesheets, client participation records
- **Operating costs.** Maintenance cost records, bills or invoices for utilities, insurance, and taxes, travel reimbursement records, office space leases, documentation for materials (paper, computers, phones) related to project, indirect cost documentation
- **Administration.** Time and activity reports (showing time as an administrative function rather than a project costs) (see Module 4 for additional discussion), indirect cost documentation (if applicable) (see Module 3 for more information on Indirect Costs)

As noted in Module 1, all documentation must be maintained in a manner that complies with confidentiality requirements.

Having accurate and comprehensive documentation of expenditures is a regulatory requirement, but it also a necessary part of an agency's or organization's operation. Modules 4, 5, and 6 further discuss documentation as a necessary part of tracking personnel and non-personnel costs and calculating rental assistance payments.

Accounting Tools

Fund accounting and cost accounting are essential tools for implementing appropriate accounting controls.

- **Fund accounting** is a method of recording financial information that groups resources into funds based on their source and the use of those resources.

  There are project sponsors that concurrently receive both HOPWA formula funds as well as funds from a HOPWA competitive grant. The costs incurred by such an organization must be properly allocated to each HOPWA grant. Any organization that operates programs that receive multiple HOPWA grants or relies on a single HOPWA grant along with other distinct funding sources (e.g. other public or private grant awards) needs to use fund accounting to meet financial management requirements.

  In fund accounting, each grant (fund source) is unique, has its own fund, its own chart of accounts, and its own specific list of eligible activities. Incurred costs are only eligible for Federal reimbursement when those costs are allocated to the specific grant based on proper supporting documentation.

  Fund accounting enables grantees to do the following:

  - Track sources and uses of each funding source, whether or not they are provided by HUD
  - Analyze revenues and expenses associated with a specific funding source
  - Make a proper drawdown of funds by ensuring that the necessary information is readily accessible

  More information on fund accounting can be found in the Fund Accounting Clinic manual in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/. The Fund Accounting Clinic manual was written for use with HUD Homeless programs. While the specifics in this manual relate to the Supportive Housing Program, the basic fund accounting principles in that document apply to the HOPWA program as well.

- **Cost Accounting** is the process of tracking, recording, and analyzing individual costs associated with an organization's activities. Cost accounting is a critical tool that allows an organization to determine the full cost of each of its activities by identifying each element of cost contributing to the activity.

  Cost accounting allows organizations to turn financial data into knowledge that is useful for the following:

  - Understanding what it actually costs to deliver an activity
  - Tracking the adherence of the activity to its budgeted cost
  - Setting clear fundraising goals needed to ensure continuation of the activity
  - Evaluating the cost effectiveness of existing activities
  - Evaluating the cost of expanding a program or savings that come with reducing an activity

More information on cost accounting can be found in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

Case Management Activities and Cost Accounting

For example, the full cost of providing case management services to a HOPWA client would include a number of cost categories in addition to the case manager's salary. Among the others costs are additional elements of compensation (fringe benefits, retirement contributions, and other authorized personnel costs); related costs of space, support staff, and supervision; and organizational costs such as accounting and human resources.

PROCUREMENT

HUD standards for procurements can be found in 24 CFR 85.36, which applies to government entities, and in 24 CFR 84.40-84.48, which applies to nonprofits. Procurement requirements fall essentially into two categories — "small purchases" and substantial goods, services, and property.

Most project sponsors use grant funds to procure "small purchases," such as office equipment or janitorial services, which do not exceed the small purchase acquisition threshold of $100,000 (41 U.S.C. 403(11)). (Be aware that there may be a lower threshold for small purchases under the provisions of applicable State or local law or as a contractual provision.) These purchases require fairly simple procurement procedures and documentation. The organization needs to obtain and compare price or rate quotations from more than one qualified source, such as a service provider or supply catalog. It is important to refer to 24 CFR 85.36 to discern when a sealed bid competition is required and when a non-competitive procurement is acceptable.

For more substantial contracts for services or goods, procurement procedures must follow more rigorous standards. For example, grantees (and sponsors) need to adhere to requirements for procurement methods such as competitive and non-competitive bids. They need to include various contract provisions such as compliance with equal employment opportunity requirements, termination for cause, reporting requirements, etc. They also need to determine whether bidders are on the Federal list of parties that are barred from receiving Federal funds, and they are not allowed to enter into contract agreements that are considered "cost plus" contracts.

State and Local Procurement Requirements

HUD grantees may use their own procurement procedures that reflect applicable State and local laws and regulations, provided the procurements meet at least the Federal threshold. In these cases, it is important to remember that States and localities often have adopted procurement procedures that are stricter than those outlined in Part 85. The guiding principle is that the strictest rule applies.

For example, if your jurisdiction has adopted a policy to require formal procurement for goods and services over $20,000, even though Part 85 only requires formal bidding for goods and services over $100,000, your jurisdiction must comply with the $20,000 threshold.

For either small purchases or more substantial procurements, sponsors and grantees must have written policies and procedures that describe how their organizations (or agencies) will procure goods and services, what information they will require when receiving a price or rate quote, and who will have approval authority.

Additionally, HUD grantees, subgrantees, and project sponsors must have regular training and a written code of standards for employees who award and administer contracts. An employee, officer, or agent of the HUD grantee, subgrantee, or project sponsor should not participate in awarding a contract if any of the following people have an interest — financial or otherwise — in a firm that might be selected:

- The employee, officer, or agent
- Any member of their immediate family or a partner
- An organization that employs, or is about to employ, any of the above

The board of directors and program staff should identify potential conflicts of interest. The board should review these situations, using the organization's own procedure for addressing conflicts of interest. Typically, independent auditors of a sponsor's finances review an organization's policies and activities for potential conflicts of interest.

Waivers for Conflict of Interest

Procurement requirements, including those related to conflict of interest, are discussed under 24 CFR Part 85.36. Exceptions for grantees on a case-by-case basis and for sub-grantees (i.e., project sponsors) may be authorized by the affected Federal agencies (i.e., HUD) (24 CFR 85.6). The grantee would need to ask for an exception to 24 CFR 574.605 Applicability of OMB Circulars and 24 CFR Section 85.36(b)(3) on procurement, as applicable.

Grantees and project sponsors must use the applicable procurement process to secure a contract with an entity that will provide goods or perform specific tasks. However, the entity is not subject to the Federal procurement rules as it carries out its work to provide the contracted goods or services. Appropriate contract management, nevertheless, is necessary to ensure that the work is performed as contracted at a reasonable cost and that the contractor follows any and all stipulations that are part of the contract.

New Federal requirements in the Federal Funding Accountability and Transparency Act (FFATA), however, will affect grantees and project sponsors as well as contractors for all grant and cooperative agreement awards made on or after October 1, 2010. See the text box below.

Federal Funding Accountability and Transparency Act (FFATA)

The Federal Funding Accountability and Transparency Act (FFATA), as amended, requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards.

Federal awards include grants, subgrants, loans, awards, cooperative agreements and other forms of financial assistance as well as contracts, subcontracts, purchase orders, task orders, and delivery orders.

The FFATA requires grantees to report information on first-tier subawards that obligate $25,000 or more in Federal funds; the information will include executive compensation under only those awards.

For more information see:

- The Federal Register notice on the Requirements for Federal Funding Accountability and Transparency Act Implementation by OMB on September 14, 2010: http://www.federalregister.gov/articles/2010/09/14/2010-22705/requirements-for-federal-funding-accountability-and-transparency-act-implementation#h-25
- The FFATA Portal: http://www.ffata.org/ffata/ffataportal.html
- FFATA Sub-award Reporting System: https://www.fsrs.gov/
- Federal Spending Transparency: http://www.usaspending.gov/

MODULE 3: COST PRINCIPLES

WHAT THE MODULE IS ABOUT

In this Module

- Allowable Costs
- Reasonable Costs
- Allocable Costs

Cost principles are those common principles that help organizations determine the costs for specific activities and the costs that are chargeable to grants, contracts, and other agreements. As part of its management function, OMB has established cost principles for Federal grant programs.

There are three regulations that cover cost principles applicable to Federal awards, each directed to a different audience. These three regulations are as follows:

- 2 CFR Part 225 — Cost Principles for State, Local, and Indian Tribal Governments (supersedes OMB Circular A-87)
- 2 CFR Part 230 — Cost Principles for Nonprofit Organizations (supersedes OMB Circular A-122)
- 2 CFR Part 220 — Cost Principles for Educational Institutions (supersedes OMB Circular A-21)

Although the cost principles for the Federal government, local governments, and for nonprofit organizations are similar, they are not identical. Grantees and project sponsors should ensure they are using the appropriate OMB guidance and are compliant with local laws.

This module focuses primarily on the cost principles applicable to nonprofit organizations because most HOPWA project sponsors are nonprofits. The information in this module will help you to determine how costs are classified, what is required to receive reimbursement, and how both direct and indirect costs are allocated. More specifically, this module looks at the following three OMB requirements:

- Allowability of costs
- Reasonableness of costs
- Allocability of costs

ALLOWABLE COSTS

A cost may be charged to the HOPWA program if it conforms to the HOPWA regulations and meets OMB standards. To be allowable, a cost must meet <u>all</u> of the following requirements:

- Included within the description of eligible activities in the HOPWA regulations
- Incurred directly or indirectly for the benefit of an eligible HOPWA client
- Any limitations specified in the HOPWA grant award process (and codified in the HOPWA grant agreement)
- Documented adequately
- Determined to be reasonable, allocable to the HOPWA grant, and otherwise in conformance with the general criteria for allowable costs set forth in 2 CFR Part 230 for nonprofit organizations and 2 CFR Part 225 for governmental organizations

REASONABLE COSTS

Costs are considered "reasonable" if they do not exceed what a prudent person would incur under similar circumstances. All costs must pass the "rational person" test by meeting all of the following criteria:

- The cost is of a type generally recognized as ordinary and necessary for the operation of the organization, the delivery of the activity, or the performance of the award.
- The cost meets the market prices for comparable goods or services as evidenced by cost estimates and documentation.
- The individuals responsible for incurring the cost acted with prudence in the circumstances and to the benefit of the organization and its activities.
- The cost has been incurred after following the established practices of the organization, in accordance with the terms and conditions of the award.

ALLOCABLE COSTS

Costs must meet Federal guidelines for allocability in order to be charged to a Federal grant. To be allocable, a cost must meet one of the following requirements:

- Be incurred specifically for the funded program (i.e., direct costs)
- Prove necessary to the overall operation of the organization, even though a direct relationship to any particular program activity or other activity cannot be readily shown (i.e., indirect costs)
- Benefit both the funded program activities and other activities
- Be assigned to all these activities in reasonable proportion to the benefits received

"Direct costs" are those that can be identified specifically with a particular activity. An example of a direct cost is the salary and benefits paid to a HOPWA case manager. "Indirect costs" are those that have been incurred for common or joint objectives and cannot be readily identified with a particular activity. An example of an indirect cost is the expense of shared office space, including its utilities, maintenance, security, insurance, and taxes.

The allocation of costs is a process by which expenditures can be fairly charged to all activities benefiting from the activity (whether they are program or supporting activities). All costs can be classified as either direct or indirect, and the type of cost governs how they are allocated.

Allocating Direct Costs

One of the most important aspects of allocating direct costs that benefit more than one grant is the documentation of the cost, regardless whether it is a personnel or non-personnel cost.

Personnel costs (i.e., staff salaries and benefits) are reimbursable under the HOPWA grant when staff time is spent conducting HOPWA activities and providing services to HOPWA-eligible clients (and only those clients).

The key to accurately allocating and documenting staff time is an accurate timekeeping and activity tracking system. The system must be able to track staff time among different HOPWA and non-HOPWA grants, as well as among the activities performed under each grant; in this way, it will be able to identify which funding source is supporting an individual's work assignments. A system such as this one will help ensure that personnel costs will be prorated accurately and reflect the benefit to the HOPWA grant.

Note that just because a staff member works exclusively on a HOPWA grant, 100 percent of his or her time may not be reimbursable under the HOPWA grant. Staff members also spend time in organization meetings, conducting staff reviews, and other non-HOPWA-related activities. The time and cost incurred for these functions are not part of an allowable HOPWA cost.

To ensure there is adequate documentation, case managers should also maintain case notes for their clients. Other staff, such as maintenance personnel, should keep a time log and file by unit. The log would document the time and activities spent on HOPWA units and the file would contain forms like maintenance request forms.

The allocation of direct non-personnel costs is more complex because various methods of documentation may be used. Non-personnel costs include office space or transportation costs, for which the costs of rent or vehicle maintenance may be prorated according to the percentage of clients served, square footage, or mileage.

Of most importance, grantees and project sponsors must not charge the same cost to more than one funding source.

Allocating Indirect Costs

For project sponsors and grantees, there are four acceptable methods for allocating indirect costs. As described in the OMB regulations, these acceptable methods are as follows:

- Direct Allocation Method
- Simplified Allocation Method
- Multiple Rate Allocation Method
- Special Indirect Rate

The most common methods used by nonprofit organizations are the Direct Allocation and Simplified Allocation methods.

When using an indirect cost rate, all nonprofit organizations that have not previously established an indirect cost rate with a Federal agency must submit an indirect cost rate proposal to the cognizant Federal agency no later than three months after the effective date of the award. The cognizant agency is the Federal agency that represents the largest source of grant funds for an organization. It must approve the indirect cost rate before the project sponsor may charge indirect costs to the grant. See 2 CFR Parts 225 and 230 for more information.

Note that there are Federal requirements for developing a cost allocation plan that incorporates a grantee's policies for how it will allocate its costs, both direct and indirect. To determine the circumstances under which a cost allocation plan is required, refer to 2 CFR Parts 225 and 230. Costs defined as ineligible by OMB can never be reimbursed by a Federal grant.

<u>Direct Allocation Method</u>

The Direct Allocation method treats almost all indirect costs as direct costs, prorating each cost to the grant based on the "relative benefit" provided to the grant by the particular cost. Using this method, all costs are limited to three basic categories:

- Direct functions (including activities performed under Federal grants).
- General administration and expenses
- Fundraising (these costs are unallowable under the OMB regulations)

HOPWA regulations that limit administrative costs for grantees and sponsors assume this method. All charges to the grant will be either administrative or direct.

Joint costs such as depreciation, facilities, copier, other equipment, and phone expenses are prorated as though they are direct costs to each category and each award using a base appropriate to the particular cost based on relative benefit.

The Direct Allocation method is the most common method used by HOPWA project sponsors for handling indirect costs. The basis for prorating indirect costs as direct costs must be supported by documentation that demonstrates the relative benefit of the particular cost to the grant's activities.

Simplified Allocation Method

The Simplified Allocation method can be used by organizations that have only a single major function (e.g., the provision of AIDS-related supportive services) covering just a few awards and where the level of Federal awards to an organization is relatively small. In this method, indirect costs are allocated to various grants or revenue sources by first totaling all of an organization's allowable indirect costs for a covered period and then dividing that amount by the total allowable direct costs for that period. This yields a percentage that is applied to a particular grant or project's direct costs as a factor that will yield that project's or grant's indirect costs. For example, the Simplified Allocation method may be used to allocate the cost of office space where staff of an organization carry out a Federal grant program as well as activities supported by other sources of funds. Among the authorized options, the rent may be allocated to the Federal grant in the same proportion that total direct staff salaries are allocated to the Federal grant.

Multiple Allocation Base Method

The Multiple Allocation Base method is similar to the simplified method, but it distributes indirect costs according to functional rates that vary based upon relative benefits that significantly differ among activities or grants. This method is used primarily by organizations that are large enough to capture costs by department (e.g., accounting department, purchasing department, etc.). For example, a particular activity (or function) that an organization engages in may disproportionately require the allocation of leased space and utilities, such as where the accounting department may use a much larger space than the purchasing department.

Special Indirect Cost Rate

Finally, the sponsor may use a Special Indirect Cost Rate to allocate indirect costs. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors that may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be performed under a single award or it may consist of work under a group of awards performed in a common environment. Special indirect cost rates are established in negotiation between the sponsor and the Federal agency that represents the largest source of grant funds for an organization (this is called the "cognizant agency").

MODULE 4: FINANCIAL MANAGEMENT OF PERSONNEL COSTS

WHAT THE MODULE IS ABOUT

In this Module

- Direct Charge of Personnel Costs
- Program and Administrative Costs
- Allocating Shared Costs
- Indirect Costs
- Budgeting for Personnel Costs

Personnel costs comprise a significant portion of the costs paid with HOPWA funds. Effective financial management requires that organizations have systems that ensure that personnel costs meet all financial standards and criteria.

Systems for charging personnel costs need to establish an unbroken thread from the work performed by an individual staff person to the eligible HOPWA activity in an approved Action Plan or competitive application. Grantees and project sponsors alike must understand what is eligible for reimbursement and why it is eligible, as well as how to document compliance with financial management standards so costs charged are limited to those allowable and reimbursable.

One easy way to remember these essential financial management requirements is the term “RADAR.” When costs are

Reasonable,

Allowable,

Documented, and

Allocable, they are

Reimbursable.

In other words, they meet the “RADAR” test. This module applies the RADAR concept to personnel costs.

Cost reasonableness is the first of the standards described in the RADAR pneumonic. Compliance with this general requirement as it applies to personnel costs is typically established in an organization’s Human Resource records that establish pay ranges and job descriptions. These documents need to demonstrate that the pay scales and benefits for each position are within the range of similar positions in the labor market area and therefore are reasonable. For grantees (State and local governments), the general personnel system provides the basis for compliance. For project sponsors, assistance in establishing and evaluating pay ranges can be obtained from other local nonprofit organizations or from associations of nonprofit organizations that exist in many areas of the country.

In most cases, personnel activities provide direct benefit to a HOPWA activity. This module emphasizes the steps needed to support the charge of staff costs on a direct basis. Even when a staff person works exclusively on the HOPWA program, their time is likely to be split among several categories (for example, providing services, handling housing operations, or performing administrative tasks). This requires an effective time recording system that not only supports the personnel costs charged to HOPWA but also divides the time among the separate program categories required for reporting.

With the guidance included in this module, staff will be able to allocate personnel costs to the correct category and document these costs sufficiently to ensure they are eligible for reimbursement.

The module is organized to address financial management of personnel costs in the following sequence:

- Documentation requirements for direct personnel costs
- Distinctions between program and administrative costs
- Scenarios in which personnel costs are shared among different HOPWA categories and between HOPWA eligible and non-HOPWA eligible work

At the conclusion of this module, information is provided on the factors to consider in deciding whether or not to charge any personnel costs on an indirect basis.

DIRECT CHARGE OF PERSONNEL COSTS

All staff time charged to HOPWA must meet basic HOPWA program requirements and carry out a specific activity approved in the Annual Action Plan or competitive application. For instance, for costs to be "allowable" HOPWA expenditures, they must meet the following standards:

- **Client.** A client with whom staff are working needs to be a person with HIV or AIDS or a family member living with a person with HIV or AIDS (except in the case of physical health services for which only persons with HIV or AIDS are eligible) and meet HOPWA's low-income definition [income at or below 80% of area median income (AMI)].
- **Services.** To be eligible for reimbursement from the HOPWA program, the service being delivered must be provided to an eligible person. In addition, if a grantee or project sponsor uses HOPWA funds to deliver services to HOPWA residents, the time that staff spends delivering services to those clients — and only those clients — can be charged to the grant. This demonstrates that the costs are "allocable" HOPWA costs.

"Documentation" of personnel costs is a key requirement that has been a challenge for some to meet. In order to charge time and comply with financial management requirements, grantees and project sponsors must document all staff time that is paid from the HOPWA grant. This may sound difficult, but with an upfront investment in organizing timekeeping systems and putting the necessary policies in place, it can prove a very beneficial and efficient way to track the time that employees spend on their duties, and it also may be part of the system to track accomplishments and outcomes of the activities you are conducting.

The most important tool in adequately documenting time is an adequate time and activity reporting system. This system must allow employees to log the time spent on different clients, activities, and grants, and provide a mechanism for employees to report all the time they spent working throughout that day. The recording may take place after the fact, but should occur as soon as possible — preferably the same day or first thing the next. It is difficult to reconstruct the time spent on activities with any degree of accuracy many days after the fact.

Furthermore, the timekeeping procedures an organization implements should require effective supervision by managers to ensure on a regular basis that employees are keeping records accurately. With this type of time and activity reporting system in place, grantee and sponsors will have sufficient documentation of the personnel costs that are charged to the HOPWA grant.

Recording hours, however, is not sufficient by itself. An adequate time and activity system will have additional documentation that explains how the staff person spent the time on eligible clients and activities, such as the following.

- **Case notes.** Case managers should keep case notes about the issues and topics that were covered in their sessions with clients and have a justification for the frequency or infrequency of meetings.

  - For instance, one client may have a steady job, be successfully managing their symptoms, and have a stable coping strategy and family support. Such a client might only require monthly check-in with a professional case manager.
  - Another client may have a much less stable grasp of his or her circumstances. This client might require daily counseling sessions or hospitalization.

- **General service plan.** At the point of intake for each client, the case manager will work with the client to create a general service plan which will include the areas that the client will work on, the goals to achieve, and the service delivery schedule.
  - This service plan forms the backbone for scheduling and providing services and should be kept on file for that client.
  - Case notes will indicate progress towards the goals and changes in the client's circumstances.

Together these documents can be used to verify the grantee's efforts to ensure that clients receive appropriate services as well as verify the work case managers conduct with their clients. This documentation is the foundation for the timesheet submitted and approved to charge time to HOPWA or other funding sources. This type of supporting documentation must be available to respond to monitoring reviews or the test of transactions in an audit.

Just as for staff providing client services, workers performing other types of eligible HOPWA activities need to show a direct benefit to the HOPWA program resulting from the time they are charging to the HOPWA grant. Time reported must also be linked to its appropriate HOPWA eligible activity. HOPWA can provide for a broad range of eligible service activities (24 CFR 574.300(b)(7)). Staff performing other functions to be charged to HOPWA must use a report format that links each type of charge to its corresponding eligible activity under HOPWA regulations (24 CFR 574.300). For example, a maintenance person charging time to a HOPWA housing operations activity might have documentation such as a maintenance request form that a HOPWA resident submitted to substantiate the time they spent working in that unit.

For financial monitoring purposes, documentation of the time spent and the activity performed is essential. If there is no record to support the staff time spent and its relationship to the approved grant activities, it is as though it did not happen and those staff costs cannot be paid with HOPWA funds.

Time and Activity Records are Based on Fund Accounting

Required time and activity records must comply with specific requirements. Time and activity records must be an after-the-fact determination of actual activity (therefore, one cannot have a pre-printed timesheet). All time and activity records must be signed by the individual employee who completed the actual work and certified by a supervisor who can vouch for the actual work.

According to OMB, time and activity records must be prepared at least monthly, although, keeping records on a daily or weekly basis is much more practical and efficient.

The signed time and activity records are used to determine actual salary expenses by tying eligible activities back to the approved budget. OMB's requirements for reporting time and activity apply to direct HUD grantees, project sponsors, and service providers. All grantees need to develop forms that comply with OMB's requirements.

Grantees should have supporting documentation that ties the time and activity records to eligible clients and activities. Documentation that supports time and activity records may include such things such as clients' case notes, calendars, logs, sign-in sheets, and dated reports. Sign-in sheets without other supporting documents are insufficient.

PROGRAM AND ADMINISTRATIVE COSTS

Personnel costs are related either to a program or administrative function. Because the HOPWA program has specific limits on the amount of funds spent on administrative costs, separating program from administrative costs is essential for financial management compliance. This makes it vital to understand what is meant by administrative costs. As stated in the HOPWA regulations:

> "Administrative costs mean costs for general management, oversight, coordination, evaluation, and reporting on eligible activities. Such costs do not include costs directly related to carrying out eligible activities, since those costs are eligible as part of the activity delivery costs of such activities." [24 CFR 574.3 Definitions]

A project sponsor would use its administrative allocation to cover staff time and related costs used for general management, management oversight of HOPWA activities, coordination, evaluation, and reporting to the grantee. Administrative costs for a formula grantee typically include preparation of the HOPWA portion of the Consolidated Plan, selection and oversight of project sponsors, general program oversight, completing the HOPWA portion of the CAPER, and the cost of the annual audit allocable to HOPWA. A competitive grantee would incur similar administrative costs, but would complete the APR rather than the CAPER.

The specific limits for administrative costs are highlighted in the following example:

A grantee receives a $400,000 HOPWA award. The grantee awards a project sponsor $188,000 to provide a housing information program and supportive services and another $200,000 to operate a tenant-based rental assistance project.	
Question	**Answer**
What is the maximum amount that the grantee may use to administer the grant?	$400,000 X .03 = $12,000
How much of the funds awarded to the project sponsor can it use to pay for project sponsor administrative costs?	Activity 1 - $188,000 X 0.07 = $13,160 for sponsor administration; $174,840 for activity cost Activity 2 - $200,000 X 0.07 = $14,000 for sponsor administration; $186,000 for activity cost

In light of this, what type of reporting should the grantee require from its project sponsor?

- One approach would be to provide the sponsor a reporting template that matches the Integrated Disbursement and Information System (IDIS) and CAPER data requirements. The sponsor would fill out the template for each of its projects. The sponsor would also summarize the projects in a format that would be easily incorporated into the narrative reporting requirements.
- The grantee can then use the balance of administrative funds to report on the program it administers and monitor the project sponsor.

In many cases, sponsors have a greater allocation of administrative funds than do grantees, and grantees should think strategically about how to make their administrative funds go as far as possible. This is because, as the responsible agency, the grantee has ultimate responsibility to meet all of HUD’s reporting requirements.

What follows are several examples that provide additional guidance and clarity in distinguishing between program and administrative functions. The general principle is that grantees and project sponsors should ask themselves the following series of questions before charging a staff person’s time to the HOPWA grant:

- Is it eligible?
- What activity does it fall under?
- How is it documented?

A project sponsor that runs a rental assistance program uses $20,000 of its HOPWA funds to pay for the salary of the person who does the income certification for each person receiving assistance.	
Question	**Answer**
Is this an eligible cost?	Yes
Is this an administrative or program cost?	Program
How does the sponsor document this cost?	Timesheets and activity reports

The project sponsor pays for the salary of a person who inspects units for HOPWA habitability standards before the tenant moves in.	
Question	**Answer**
Is this an eligible cost?	Yes HOPWA would pay the portion of the person's salary for time spent inspecting HOPWA units.
Is this an administrative or program cost?	Program
How does the sponsor document this cost?	Timesheets and inspection report(s)

Financial staff of the project sponsor compiles monthly expenses for rental assistance, STRMU, and supportive services in order to complete a payment voucher request to the city HOPWA grantee.	
Question	**Answer**
Is this an eligible cost?	Yes
Is this an administrative or program cost?	Administrative
How does the sponsor document this cost?	Financial staff time and activity records

ALLOCATING SHARED COSTS

Whether a staff person works only with HOPWA clients on HOPWA activities or shares time among multiple sources of funding, it is useful to think of his or her time in relation to each of the funding sources supporting that individual's work assignments. This is called fund accounting (see also Module 2 under Accounting Controls). Even in the case of a position that works solely with clients funded under one funding source, it is unlikely that 100% of that staff person's time is going to be eligible under that program because some job requirements do not fall within the eligible activities of that funding source.

Allocating Costs Based On Fund Accounting

For example, in fund accounting, a case manager who is funded by HOPWA and spends 95% of her time with HOPWA clients and working on related activities would charge 95% of her salary (and related fringe benefit costs) to the HOPWA grant. The 5% of her time that she spends on other duties that do not benefit HOPWA clients, such as agency meetings, annual reviews, career development, etc., would be charged to another source of funding.

As staff split their time between more activities and/or clients supported by numerous funding streams, their time will be prorated among each of the funding streams that support the activities they perform and the clients they serve. See the following examples.

A sponsor employs a case manager to provide services to the agency's HOPWA clients. The case manager has an active case load of 24 clients and splits his time between 12 HOPWA clients and 12 Ryan White clients. His salary is $35,000 dollars a year.

Question	Answer
Is this an eligible HOPWA cost?	Yes
Is this an administrative or program cost?	Program
How much of that is paid from the two funding sources?	The amount will depend on how the time is allocated. Allocating this staff cost will take into account the amount of time spent with each client (as supported by clear documentation). Note that this person's salary could be paid from at least 3 different sources: • Ryan White for time spent with Ryan White clients and on related eligible activities • HOPWA for time spent with HOPWA clients and on related eligible activities • Another source(s) for costs that are not eligible for payment from either Ryan White or HOPWA

How would the sponsor document this cost?	• Timesheets that show the time spent with HOPWA clients • Case notes on file that document what he did during that time

This year the grantee awarded funds to a nonprofit sponsor with 5 HOPWA units in their 50 unit building. The award was for $60,000 to be used for operating subsidy.	
Question	**Answer**
Is this an eligible cost? i.e., Can the property manager's salary be paid with HOPWA operating funds?	Yes. Work related to specific units must be tracked and documented with HOPWA charged for actual time spent on HOPWA units (specific work on a HOPWA unit; HOPWA resident application, income recertification, etc.). General management responsibilities that benefit the entire building could be allocated to HOPWA on a proportional basis (5/50 or 10%).
How would the sponsor document the cost for spending time working on tasks directly related to HOPWA residents?	The manager would need to fill out timesheets and activity logs that indicate the time he or she spends working on or for HOPWA residents (e.g., responding to HOPWA tenant requests/complaints, sending HOPWA tenants notifications, processing HOPWA tenant application, rent payments, etc.).
Would it be feasible and worthwhile to document general management costs that could be charged to HOPWA?	Possibly. If it is worth it, systems to efficiently track time should be put into place. Consider the difficulty of dividing time between general management and work on specific units.

Staff time supporting HOPWA activities and non-HOPWA activities must be prorated according to the degree to which the position benefits the HOPWA grant. To document the division of costs, the case manager records time spent on each HOPWA grant or non-HOPWA activity to provide the basis for how much of his or her salary (and related fringe benefit costs) will be allocated to the funding sources.

Likewise, staff costs such as the manager or security guard and other positions that benefit a building generally can be allocated to HOPWA on a proportional basis; if there are 5 HOPWA units out of 50 total units, then 10% of such general costs are charged to HOPWA. Documentation for reimbursement from the HOPWA program must show specific benefit to the HOPWA units, e.g., repair order for a HOPWA unit and the time spent doing the repairs.

Time and Activity Reporting:
The Core of Financial Management of Personnel Costs

When financial staff prepares a typical bi-weekly payroll, the data provided by each staff person provides essential information on how to record these costs in financial records. The budget may have projected that a case manager would spend 50% of her/his time providing services to clients qualifying under the HOPWA grant. However, when the bi-weekly report shows 60 out of the 80 hours in the pay period spent with HOPWA clients, this activity report must be used as the basis for recording payroll costs; thus, 75% (rather than 50%) of the salary (and related benefit costs) for this pay period would be allocated to the HOPWA grant.

Sometimes, an employee can engage in an activity supported by multiple funding streams all at the same time. For instance, a case manger might conduct a group therapy session attended by both HOPWA clients and Ryan White clients.

- In this situation, the key is to find a reasonable way to distribute the costs between the two funding sources so that the charge reflects the benefit each funding source derived from the cost of conducting the group therapy session.
- The recommended approach is to distribute the time spent to each grant according to the proportion of attendees that represent each funding source. In other words, if 6 HOPWA clients attended and 4 Ryan White clients attended, 60% of the cost of the session would be paid for by HOPWA and 40% by Ryan White.
- A common mistake that would be highlighted in financial monitoring or in audits is to charge the same time to both Ryan White and HOPWA; this constitutes double billing, which is not allowable.

Allocating a Case Manager's Time

Case managers with a variety of clients whose service costs are paid from multiple fund sources need to follow a workable yet precise process to allocate the time they spend providing services to each client. This provides the basis for properly allocating and paying these costs from the appropriate funding source.

A solution used by some project sponsors has each client being matched and assigned to a specific, appropriate grant, based on grant conditions and restrictions and the characteristics of the client. So for example, one HIV positive low-income homeless client in the caseload is matched with the formula HOPWA grant that has allocated funds for case management services. Another HIV positive low-income chronically homeless client is matched with the competitive HOPWA grant awarded specifically to serve chronically homeless persons.

The case manager's time and activity report will have a separate line item for assigning time to each grant (can be 2 or more grants). He or she allocates time to the appropriate grant line based on the client served, with supporting information (case notes, activity log) that links the time spent with the specific client (identified by a case number rather than name to meet agency confidentiality procedures). This results in the case manager's costs being allocated to the appropriate grant based on actual data, which may differ from budget projections.

INDIRECT COSTS

Unless using the Direct Allocation method described in Module 3, charging personnel costs to HOPWA on an indirect basis may be impractical for smaller organizations. This can be a complicated accounting activity and time intensive process.

- For small organizations, it often makes more sense to directly charge as many costs as possible by identifying them with a particular HOPWA grant, contract, project, function, or activity. Otherwise, these organizations may choose to cover costs that cannot be readily identified with HOPWA through a different source of funding.
- For a large organization involved in a number of Federal programs, the time and expense of obtaining Federal approval of an indirect cost rate may be worthwhile.

Additional guidance on charging indirect costs is included in Module 3.

BUDGETING FOR PERSONNEL COSTS

The way that grantees award their HOPWA funds to project sponsors and reserve them for their own use is largely contingent on the budget they establish. Grantees create budgets for the activities they plan to conduct using HOPWA funds that calculate how much of their entitlement they will need to reserve (within allowable caps) to operate those activities. For the remainder of the funds, grantees award amounts to sponsors based on budgets the project sponsor submits calculating the cost of performing the activity the sponsor will conduct. It is critical that the budgets the grantees and sponsors create for their activities are reasonably accurate because budgets that significantly underestimate costs will leave the organization with a cash shortfall and likely cause the program objectives to not be achieved. Conversely, a budget that overestimates costs will result in unused funds that could have been spent on HOPWA clients and, in some cases, will lead to recapture of funds by HUD, and/or affect the possibility of receiving future awards.

Developing a budget for a new project will involve other estimates in the absence of direct historical data. Both grantee and project sponsors should emphasize careful tracking of such new projects.

This section of the module focuses on the aspects that should be considered to ensure a reasonable budget as well as actions to track costs to ensure that the program is on track.

Create a Realistic Budget

The most important aspect of creating a budget is researching and testing the underlying assumptions used to make decisions about costs. As many grantee and project sponsor activities are ongoing, it can be relatively easy to get a realistic idea of the historic cost of conducting those programs. Project managers can calculate with a significant degree of accuracy items such as the following:

- Personnel positions necessary to conduct the activity in question
- Staff time necessary to achieve the activity goals, including supervisory and support staff time allocable to the activity
- Time spent on casework for a typical client
- Time spent on an income certification
- Time spent on Consolidated Annual Performance and Evaluation Report (CAPER) requirements [or Annual Progress Report (APR) requirements]
- Each staff person's time spent on duties that are not related to the funded activity (ineligible costs/non HOPWA related)

Reviewing past expenses can answer questions such as the following:

- For the personnel necessary for my program, what is the salary cost?
- What do the fringe benefits and other authorized personnel compensation expenses cost?

With the answers to these questions providing complete information on the full range of salary and related personnel costs, a grantee can begin to build a reasonable budget for the activity it will undertake with HOPWA funds. A grantee may use these assumptions to determine how much of its HOPWA entitlement it will set aside in order to conduct a given activity. A project sponsor can answer these questions to build a budget and apply for HOPWA funds. Alternatively, if a grantee has defined the amount of funds that it will make available, the sponsor can use these data points to determine how many clients it can reasonably serve with that amount of funding.

The following example illustrates the way in which an organization can develop a realistic budget. The scenario carries through the upcoming discussions on tracking costs and covering costs that cannot be charged to the HOPWA grant.

Developing a Realistic Budget:
Assumptions Based on Prior Experience

Scenario: A grantee receives a $400,000 HOPWA award.

The grantee determines it will need to use the 3% (the maximum permitted) of the $400,000 (i.e., $12,000) to administer the grant award, The remaining $388,000 will be given to a nonprofit to use for a supportive services program and rental assistance.

A local nonprofit wants to apply for funding. It will use $200,000 for rental assistance, 7% of the grant for administration (i.e., $27,160), $60,000 for housing information and placement, and the remaining $100,840 for a supportive services program that provides case management. The nonprofit is trying to develop a budget that does not exceed $100,840 and determine how many HOPWA clients it will be able to serve.

Based on prior experience, the nonprofit knows the following:

- The types of staff needed to run a supportive services program are case manager(s) and administrative assistant(s).
- A full-time case manager costs $35,000.
  - A case manager typically spends 100% of his or her time on HOPWA eligible costs.
  - A case manager spends an average of 1.25 hour a week per client on direct work.
  - **Note:** Although all of the case manager’s time is **budgeted** as though it is reimbursable by the HOPWA grant, timesheets should document **actual** time spent on HOPWA and non-HOPWA activities.

    Non-HOPWA activities may **not** be charged to the HOPWA grant.
- A full-time administrative assistant costs $20,000.
  - An administrative assistant typically spends an average of 15 minutes (0.235 hour) a week on direct work per client.
- Benefits cost 30% of an employee’s salary.

In this scenario, the local nonprofit has decided to fund indirect costs, such as office space and equipment, using other funding sources.

Developing a Realistic Budget: HOPWA Costs and Number of Clients Served Using the information from above, the nonprofit determines the following:	
Personnel — case manager(s)	
A case manager position will cost $35,000 (salary) x 1.3 (benefits) =	$45,500
A case manager spends 100% of time on HOPWA-eligible activities, so HOPWA cost =	$45,500
A case manager works 40 hours/week direct work, and he or she spends 1.25 hours per client. Divide 40 hours by 1.25 hours per client =	32 clients
Two case managers cost $91,000 in HOPWA funds and would serve a total of =	64 clients
Personnel — administrative assistant	
A full-time administrative assistant would cost $20,000 (salary) x 1.3 (benefits) =	$26,000
Administrative assistant working an average of 15 minutes (0.235 hour) per client per week x 64 clients (same number of clients as can be seen by the case managers) = 15 hours HOPWA will pay 37.5% (15/40) of what a full-time administrative assistant would cost = $26,000 x .375 =	$9,750
The total cost =	**$100,750**

Compare with Award Amount

If the budget is reasonable and built before the funds are awarded, the HOPWA funding should be sufficient to cover all HOPWA eligible costs. In developing a new budget, any assumptions that may have changed over the years should be recognized in the process. For instance, there would need to be recognition of increases in staff salaries or the cost of benefits. Likewise, an agency may have more or fewer clients to serve.

The budget should be considered carefully to make sure all assumptions are current and accurate. The agency conducting the activity should use this data to consider the appropriateness of their award amount. A sponsor may have received the same amount to conduct the same activity for the last four years, but due to rising costs, may need to adjust the amount that they request from their grantee.

It may be impossible for the grantee to respond to a request for more funds, but it is essential that agencies conducting programs have an accurate understanding of the cost of running that program. In cases in which additional HOPWA funding is not available, the agency or organization will either have to find additional sources of funding or negotiate with the grantee to adjust the scope of the activity to reflect what can be accomplished with the available funds.

Track the Budget

Once the budget is formed, and the funds are awarded, the job isn't done! Costs have a tendency to change as a program is operated, and rarely do budgets work out to meet expectations exactly, no matter how well they were researched and tested at the outset. On a regular basis, at least quarterly, the costs incurred and entered in accounting records should be compared to the costs that were budgeted to see how well they are matching one another. This process should also include reconciliation and necessary adjustment in the allocation of fringe benefits.

Budget versus Actual:
Personnel time spent on HOPWA activities

Included in the routine tracking of the budget should be a review of the accuracy of time and activity reports, Even though 100% of a staff person's salary may be **budgeted** as reimbursable by the HOPWA grant, the timesheet must reflect **actual** time and activities. Organizations should have a line on the time and activity report coded for activities other than HOPWA. This will to enable staff to charge time to something other than the HOPWA grant when they spend time not related to HOPWA. There will be staff members (perhaps even case managers) who at some point do not work on HOPWA-related activities. One example would be time spent on fundraising activities.

Even in situations in which the budget is well-researched, some costs are likely to be slightly greater than was projected, while others will be slightly lower — but the overall cost for conducting the program should be within a few percentage points of what was estimated. However sometimes, because of an oversight in the planning phase or an uncontrollable circumstance, a cost will be significantly different from its projection. It is essential for sound financial management to catch these costs early so that adjustments can be made to the budget or additional funding sources can be found.

Questions one should consider in tracking costs with the budget are as follows:

- Are your costs ahead or behind schedule?
- Is there a reasonable explanation for such variation?
- Is there sufficient oversight to ensure the staff person is doing what they say in the amount of time they report?
- Do you need a budget amendment?
    - ♦ Is there a change in the number of eligible persons to be served?
    - ♦ Is there a change that significantly alters the scope, location, service area, or objectives of an activity?

Tracking the Budget

What if the nonprofit that received funding to deliver services in the earlier example checked the budget at the end of month two and found that one of the two case managers has been reporting working with four clients an average of 3.0 hours per client each week, rather than the estimated 1.25 hours per client each week as budgeted?

What should the nonprofit check?

- How many clients and how much time the second case manager is spending on clients (the two might average out)

  Whether the circumstances are such that the time spent with these clients is likely to reduce over the rest of the year to meet the projections (For example, a new client is being oriented and then less intensive case management will be required, or there was a crisis that needed intervention but less monitoring is needed as time goes on)
- Whether the case manager has documented the reasons for spending so much additional time with clients
- Whether the supervisor has been checking and validating time and activity reports before approving them

Covering Other Costs

In addition to ensuring that there are enough HOPWA funds to cover all HOPWA-related costs, it is important to understand that some costs are necessary to running a program but are not eligible to be paid with HOPWA funds.

- Even if a program is wholly dedicated to conducting a HOPWA activity, there are likely to be ineligible costs — such as fundraising and entertainment — that must be paid through another source of funding.
- Agencies must ensure they have adequate financial systems that clearly document time spent conducting activities or serving clients that are not funded by the HOPWA program. Therefore, a source of funds other than HOPWA is needed to cover these types of costs.
- Organization could consider serving clients eligible under various funding sources rather than limiting clientele to only those persons who are HOPWA-eligible. For example, a project sponsor could serve homeless persons, only some of whom are persons living with HIV/AIDS. This is perfectly reasonable, provided that HOPWA funds are used only to pay costs related to serving the HOPWA-eligible clients.

Covering Other Costs

Take the example of the nonprofit receiving funds to pay for two case managers and a part-time administrative assistant:

Although those positions were hired to conduct the HOPWA program, as staff members they may also be required to do other things, such as attend staff meetings pertaining to the general administration of the organization. These other activities are not eligible expenses within the HOPWA program.

The nonprofit will need to find another source of funding to pay for any portion of the case managers' salaries and the 62.5% of the administrative assistant's salary that are ineligible.

MODULE 5: FINANCIAL MANAGEMENT OF NON-PERSONNEL COSTS

WHAT THE MODULE IS ABOUT

In this Module

- Direct Charge of Non-personnel Costs
- Allocating Shared Costs
- Indirect Costs

Non-personnel costs follow the same general principles as personnel costs. All costs charged to HOPWA must be eligible within the HOPWA program and identifiable within a specific activity in an approved Annual Action Plan or competitive application. The same thread created to link a staff person's time spent on HOPWA activities must be used to tie the costs of non-personnel expenses to benefit a HOPWA eligible client for an approved HOPWA activity. As with time, it is easier to show the link when all of an expense benefits the HOPWA program directly.

Financial management of non-personnel costs can be challenging because these costs often benefit more than one program or fund category and require specific approaches in allocating costs among them. The allocation process and the documentation and justification required to support such allocations is a common area in which mistakes occur.

Overall, there are generally three categories to consider.

- Costs where the connection between the cost incurred and the HOPWA program is direct and unambiguous such as payment of rental assistance for a HOPWA-eligible household. In this case, basic documentation is all that is needed to show that the cost should be charged to HOPWA.
- Other non-personnel costs may not solely benefit the HOPWA program. In these situations, a portion of the cost must be allocated to the HOPWA budget, while the rest of the costs are allocated to another funding source. This module includes several examples of common situations in which a reasonable basis exists for the non-personnel costs to be shared or allocated among multiple sources of funding, including HOPWA.
- Finally, some eligible HOPWA costs are part of a general costs category where it is difficult or inordinately time consuming to allocate the appropriate share to HOPWA. These types of costs could be charged to the HOPWA grant using an approved indirect cost rate, or they can be charged to a fund source other than HOPWA (such as an agency general overhead account).

Once again, the RADAR concept introduced in the previous module (**R**easonable, **A**llowable, **D**ocumented, and **A**llocable = **R**eimbursable) provides a convenient reminder of the essential financial management requirements for non-personnel as well as personnel costs.

DIRECT CHARGE OF NON-PERSONNEL COSTS

There are any number of HOPWA non-personnel costs that are clearly allowable and provide direct benefits solely to the HOPWA program. These costs are directly allocable to HOPWA program. Some examples include the following:

- Rent subsidy payment for a HOPWA eligible low-income household
- Operating cost of a HOPWA housing facility used exclusively by HOPWA-eligible residents

- Expenses for a vehicle used exclusively by the regional HOPWA coordinator for HOPWA activities

Effective financial management requires that these costs meet the tests that they are both necessary and reasonable and that they are supported by appropriate documentation.

ALLOCATING SHARED COSTS

When dealing with non-personnel expenses that benefit more than one program, the allocation of non-personnel costs can be somewhat more complicated because the step of determining the basis for allocation is now added to the list of tasks the agency must complete. Moreover, the basis for allocating the reimbursement of a particular cost may differ according to what that cost is paying for.

One thing to keep in mind when trying to do this is that your HUD representative is a source of information and guidance who can work with you to determine the best basis to use if you are unsure.

Here are some common bases for allocating costs for some frequent expenses:

- Office space use and related costs for general service or operating space (e.g., utilities, maintenance, and security) would generally be allocated on a square footage per program basis and would be documented with floor plans. It is also possible to allocate costs based on time using time schedules to document how each discreet portion of the space has been used. Finally, costs could be allocated based on the proportion of clients served by various programs.
- Motor pool costs (transportation costs) could be allocated based on the number of miles driven or days used per program and would be substantiated with logs.
- Computers and other equipment might be separated by program. On computer networks, system usage could be tracked by program.
- Printing and reproduction costs would be based on actual number of copies by program. Copiers in larger organizations could be separated by function or controlled by key/code access. Smaller organizations could establish a log in sheet on which staff records copies by program or project code.
- The costs for telephone service may be allocated based on the number of instruments used by each program. Telephones may also be separated by function (particularly for instruments dedicated to a specific use such as hotlines). In addition, telephone costs may be allocated by documenting use with logs and/or code access.

Consider the following examples:

A grantee receives CDBG, HOME, ESG, and HOPWA funds. Printing and binding the Consolidated Plan costs the grantee $400.

Question	Answer
Which program pays for it?	It is allocated among all four according to the proportion that each program contributes to all of the grantee's entitlement funds.
To which activity is it charged?	Administration
What is necessary to document the cost?	Bill for printing and binding services Statement about using proportional entitlement amounts as the basis for allocating the cost

A grantee's project sponsor rents office space for their service staff to meet and provide counseling to their HOPWA clients.	
Question	**Answer**
Can HOPWA pay for this?	Yes
If so, to which activity is it charged?	Supportive services activity
What is necessary to document the cost?	Lease with the rent for the space indicated
What would change if only one-third of the clients were HOPWA-eligible?	The sponsor would allocate only a portion of the total cost of the space to the HOPWA grant based on the amount that is used for the benefit of HOPWA clients. The sponsor may allocate costs based on the percentage of clients served under various programs. In this case, since one-third of the sponsor's clients are served under the HOPWA program, HOPWA will pay one-third the cost for renting the space.

A project sponsor owns a van that it uses to pick up its HOPWA clients around the city and drive them to and from services. The sponsor averages about $1,200 per month in gasoline and insurance costs for that van and wants to charge it to HOPWA.	
Question	**Answer**
Can HOPWA pay for this service?	Yes
If so, to which activity is it charged?	Supportive services activity
What is necessary to document the cost?	The sponsor can use the Federal mileage rate for each mile driven and use a log to document the miles for each trip. The log should also include the eligible client and service to determine the funding source that reimburses the mileage for that trip. If the van is used for other purposes, such as field trips or to take staff out on lunches, HOPWA will not reimburse this portion of the costs.

INDIRECT COSTS

Some of an agency's non-personnel costs that are necessary to conduct the HOPWA activity are so removed from direct benefit to HOPWA clients or activity that it is not feasible to establish a direct link. Therefore, the Direct Allocation Method discussed in the Cost Principles module of is not an option for reimbursement.

If an organization wants to be reimbursed for these indirect costs by the HOPWA program or another Federal program, financial management standards require an organization to propose and receive Federal approval of an indirect cost rate. Applying the indirect cost rate, provides a reasonable basis to charge a portion of these expenditures to HOPWA and to other funding sources that receive these indirect benefits. Organizations could also cover the costs using a funding source other than HOPWA (such as an agency general overhead account).

More information about allocating indirect costs is provided in Module 3.

MODULE 6: HOPWA RENTAL ASSISTANCE

WHAT THE MODULE IS ABOUT

In this Module

- Housing Unit File
- Resident File
- HOPWA Rental Subsidy Amount
- Budgeting for Rental Programs

This module examines HOPWA rental subsidy payments in a Tenant Based Rental Assistance (TBRA) program under existing HOPWA regulations.[4] At the end of the module, grantees and project sponsors will be able to identify the information and documents that should be in a typical file to meet financial management requirements for this transaction and ensure that the proposed costs are accurate and properly supported. As a significant proportion of HOPWA funds are used for rental assistance, accuracy is crucial; audits and other reviews have indicated a high frequency of errors in the computation of the subsidy amount.

The organization of the module mirrors the way in which agencies often organize their rental subsidy files, dividing the discussion into two major sections — the housing unit file and the resident file.

To illustrate the financial management requirements that apply to HOPWA rental assistance, this module walks through a scenario using a single example of a HOPWA rental subsidy payment to a landlord for a specific unit. Typically, this single unit will be one of a number of units assisted under a rental assistance program, which in this example is the TBRA program.

Scenario: The unit used in the scenario that unfolds in this module is a two-bedroom unit occupied by a three-person household. The project sponsor operating the rental assistance program submits a monthly invoice to the grantee for the HOPWA subsidy funds. For the specific unit, the project sponsor makes a HOPWA subsidy payment of $315 to the landlord.

This module focuses on these two questions:

- Do the documents on file provide the data required to calculate the amount of HOPWA subsidy?
- Is this amount correct?

[4] HOPWA rental assistance may take forms other than TBRA, such as shallow rent subsidies or short term rent, mortgage, or utility assistance (STRMU). Determining annual income is common to all rental assistance. Differences exist in other financial aspects of these program approaches and are not addressed in the manual.

Resources

HOPWA tenant-based assistance works much like the Section 8 Housing Choice Voucher Program; 24 CFR part 982, which can be found at: http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr982_main_02.tpl

The Housing Choice Voucher Program guidebook is a resource typically recommended to HOPWA grantees, and provides guidance regarding the administration of tenant-based subsidy programs. This resource is found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/forms/guidebook

For additional resources and forms on other topics, see the HOPWA Program Administration Toolkit in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

HOUSING UNIT FILE

In the housing unit file or portion of the file on the housing unit itself (rather than the individual occupant(s)), project sponsors should keep documentation for several key items, as follows:

- Lease
- Utility information
- Rent Standard
- Rent Reasonableness
- HOPWA Habitability Standards

Anyone evaluating the financial accuracy of the rental assistance transaction for each unit will expect to find these.

Lease

There are two key financial data elements that are found in the lease.

- The first is the amount of the rent.
- The second is the delineation of the basic utilities that are included in the resident's rent payment to the landlord.

While the second data element is not financial data per se, knowing which utility costs are included in the rent is essential information needed to determine the total cost of the unit and to accurately calculate the resident's contribution and thus the balance to be paid from HOPWA funds.

Scenario: Lease Information

- Unit size: 2-bedroom
- Rent: $825
- Utilities: rent includes all utilities except electricity

Utility Information

The basic utilities included in the total housing costs include the following:

- Electricity
- Fuel (e.g., natural gas, oil, propane)
- Water
- Sewer
- Trash

Other commonly incurred costs such as telephone, cable television, and internet are expected to be paid completely by the resident, but they are **not** part of the HOPWA subsidy calculation.

The file should indicate which basic utility items are already included in the rent and those that are being paid directly by the resident. By doing so, staff will have the information needed to identify the total housing cost of the unit as well as the resident contribution toward the total housing costs (the resident rent contribution is discussed more fully under the Resident File section.)

Cost of Basic Utilities

There are different ways to document the cost of basic utilities.

- Many programs will adopt the schedule of utility costs used by the local Public Housing Agency (PHA) for the Housing Choice Voucher Program. The standard allowance for utilities can be obtained from the local Public Housing Authority by requesting the current version of Form HUD-52667 Allowance for Tennant Furnished Utilities and Other Services. A sample utility allowance schedule is included as **Attachment 6-1**. The schedule breaks out costs by utility type.
- Another option is to obtain data from the utility provider about the average monthly cost incurred by the subject unit.

When actual utility data is difficult to obtain, the utility allowance schedule is a straightforward and consistent source of data.

Where easily accessible, there can be consistent use of actual utility costs for one element and use of the utility allowance schedule for all other utilities that are not included in the lease and thus paid by the resident. The use of actual costs may be advantageous in areas where the utility cost, for example electricity, is generally higher than the utility allowance.

After documenting the amount of the rent and establishing the amount for resident paid utilities, this total must be compared to the Rent Standard that sets the maximum allowed for rent and basic utilities.

Scenario: Utility Information

- Monthly average cost for electricity for unit (Metropolitan Utilities): $85

Rent Standard

HOPWA regulations at 24 CFR 574.320(a)(2), in conjunction with HUD regulations for the Section 8 tenant-based assistance at 24 CFR 982.503, require that every rental assistance program establish a rent standard that sets the limit on total housing costs for each size of unit — 0 bedrooms (efficiency) to six bedrooms. The rent standard includes both the rent in the lease and any additional basic utilities paid by the resident. As noted above, reviewers must consider both the rent as stated in the lease and resident paid utilities to determine if the overall cost of the housing unit is within the rent standard.

HUD publishes a set of rent standards known as “Fair Market Rents,” or FMRs. FMRs are updated annually and published in the Federal Register, usually in the fall.

- Grantees generally use HUD’s published FMRs to set the rent standard.
- As an alternative, grantees may use local Public Housing Authority (PHA) rent standards but must seek prior approval from HUD to do so.. A PHA has authority to set its rent standards between 90 and 110 percent of FMR, as identified in the PHA Plan approved by HUD.

Grantees are required to maintain documentation on the rent standards used for its programs and are required to monitor their project sponsors to ensure that rent standards are applied in a correct manner throughout the service area.

Although it is not required for the grantee to adjust its rent standard annually, the housing file should show that grantees and sponsors have reviewed their rent standards against the new FMR schedule. If the FMR increases or decreases, grantees and sponsors must make sure that their rent standard is no less than 90 percent of FMR and no greater than 110 percent of FMR.

The HOPWA file for each unit in the rental assistance program should include verification that the rent standard has been applied properly so that the total of the rent in the lease and resident paid utilities is no more than the rent standard for the size of unit.

There are two situations when the rent standard can exceed 110 percent of FMR.

- The rent standard can exceed 110 percent of FMR if HUD approves the grantee’s use of the PHA standards and if a PHA has HUD approval to set rent standards above 110 percent of FMR. When the rent standards exceed 110 percent of FMR, it is known as a HUD-approved Community-wide Exception Payment Standard.
- In addition, HOPWA regulations (24 CFR 574.320 (a)(2)) allow, on a unit-by-unit basis, a grantee to increase the amount of the rent standard by 10 percent for up to 20 percent of the units assisted. Such an increase can be provided when a grantee is using either of the two methods for determining the rent standard — the FMR or the PHA rent standard. Grantees may grant authority to their project sponsors to conduct such increases; however it is up to the grantee to monitor such a provision to ensure that no more than 20 percent of the units receive such increases.

With a fixed amount of HOPWA funds available, grantees need to consider the implications of the rent standard they adopt and seek an appropriate balance. A lower rent standard likely reduces the subsidy costs but limits the range of housing choice. A higher rent standard gives households a wider range of housing to choose from but it usually increases the subsidy cost. Grantees should consider how rent standards that exceed the FMR will affect their expenditures and budgets.

Scenario: Rent Standard

- FMR 2 BR: $876
- Rent Standard 2 BR: $960 (FMR X 109.6%)*
- Housing Costs: $825 (rent in lease) + $85 (electricity) = $910

* The project sponsor is using the rent standard established by the PHA, which is 109.6% of the FMR.

Rent Reasonableness

The agency must also ensure the rent being paid is "reasonable" in relation to rents currently charged for comparable units in the private unassisted market (24 CFR 574.320(a)(3)). By meeting the rent reasonableness standard, the organization establishes compliance with one of the key financial management requirements.

Documentation of compliance is noted in one of several ways:

- Where the HOPWA-assisted unit is one within a larger rental housing complex with similar units, rent reasonableness is typically documented by reference to the generally available rent schedule for the complex that was in effect at the time the lease was signed.
- Where there is no similar unit in the same building or complex, the agency may need to gather data from various public sources (e.g., websites, local publications) on nearby rental housing units that are as comparable as possible to the assisted unit.
- In some cases, HOPWA grantees and project sponsors have worked in partnership with their local PHA to gain access to rent reasonableness assessments conducted by or for the PHA. Such information can provide the necessary data needed to complete the rent reasonableness assessment

To determine the maximum subsidy that can be paid with HOPWA funds, each HOPWA assisted unit must have a rent that is the lesser of the Rent Standard or the rent determined to be "reasonable" (24 CFR 574.320(a)(1)(i)).

Scenario: Rent Reasonableness

- River Run Apartment brochure: All 2 BR units rent for $825

HOPWA Habitability Standards

The file should also contain documentation that the housing unit meets all applicable HOPWA habitability standards (24 CFR 574.310(b)). Habitability standards address the following conditions:

- Structure and materials
- Access
- Space and security
- Interior air quality
- Water supply
- Thermal environment
- Illumination and electricity

- Food preparation and refuse disposal
- Sanitary condition

All HOPWA-assisted housing must also meet applicable state and local requirements for providing safe and sanitary housing, licensing requirements, etc.

Compliance with HOPWA habitability standards is a critical threshold requirement (because assistance to a unit that does not meet these standards renders the unit "ineligible" to be subsidized by HOPWA); it does not, however, have any direct bearing on compliance with specific financial management requirements and the accuracy of the rental subsidy payment.

Scenario: HOPWA Habitability Standards • Inspection Checklist: Passed

Other Unit File Documents

The Environmental Review regulations (24 CFR 58.35(b)) classify TBRA as "Categorically Excluded," with the provisions of related environmental laws (24 CFR 58.5) not applicable. There should be a signed and dated statement in the TBRA general project file confirming this classification.

For individual units, compliance with Flood Insurance, Coastal Barriers, and Airport Runway Clear Zones (see 24 CFR 58.6) can be documented using the suggested format available on the HUD Environmental website at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/review

The Lead-Based Paint Poisoning Prevention Act requirements will also apply to a TBRA unit when a) a child under the age of six is part of the household and b) the leased property was constructed before 1978. For further information, refer to the HOPWA Grantee Oversight Resource Guide, page 94.[5]

RESIDENT FILE

Staff with primarily financial management responsibilities would be expected to undertake reviews to ensure that the basic elements of expected documentation are present and support the financial transaction. Financial staffs reviewing files, however, are not expected to be specialists in making income determinations and calculating rent contribution. Rather, they need to have a sufficient understanding of the various aspects of the process to identify obvious errors as well as items that require further review and follow-up.

The resident file should include a list of household members and should have documents covering the following categories:

- Authorization to release information (see **Attachment 6-2a and 6-2b**)
- Household composition (number of persons)
- Sources of income with supporting documentation
- Computation of income
- Income adjustments with supporting documentation

A HUD monitor will also expect to find this information in the file.[6]

[5] The HOPWA Grantee Oversight Resource Guide is located in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

> Scenario: Information on our hypothetical family is determined to be as follows:
>
> - Adult 1: age 46, head of household, HIV/AIDS positive
> - Adult 2: age 44
> - Dependent 1: age 16

In some cases, the file will reflect a determination of the individuals whose income and assets have been included in the calculation of income and others who have been excluded; for example, income from the employment of children under 18 is excluded. If there is some question about these determinations, additional review may be necessary.

Reviewers should consider any evidence in the file indicating there are individuals residing in the unit other than those identified when the household first went through the intake process. For example, the file may have notation of an inquiry from a current resident whose name does not coincide with those on the initial list of occupants.

Annual Income

Determining annual income serves two purposes.

- First, it serves to document basic eligibility for HOPWA assistance.
  - ♦ Only low-income households — those with income at or below 80 percent of the area median income — may receive HOPWA assistance.
  - ♦ To verify eligibility, the file would be expected to include the total annual income of the household compared to the low-income limit for the corresponding size of the household. The low income limit is 80 percent of area median income. (See **Attachment 6-3** for an example of published income limits.)

    Note: HUD publishes the annual income limits on the HUD USER website, found at www.huduser.org/portal/datasets/il/il10/index.html. Grantees and project sponsors can find the FY2010 income limits for their area(s).

> Scenario: For our hypothetical family, the three-person limit is $55,350.

- Second, for the purpose of the rental subsidy financial transaction, annual income must be evaluated as part of the process for determining the amount the household will contribute toward their housing expense (note that the resident rent contribution will be discussed later in this module). The balance will be paid with HOPWA funds.

Attachment 6-4 provides a comprehensive sample format for calculating annual income, adjusted income, and resident rent contribution. Financial management compliance relies on the proper use of these formats, particularly assembling adequate supporting documentation.

Some files may not include income documentation because the households entering the HOPWA program may indicate that they have no income. In such cases, agencies are expected to document this

[6] Grantees and project sponsors can review guidance for HUD staff monitoring of HOPWA housing planning and rent subsidies in Exhibit 10-1 of the CPD Monitoring Handbook, at: http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#10

fact by obtaining a certification of “no income” from the applicant. A sample format is included as **Attachment 6-5**.

Documenting Income

Staff administering the HOPWA rental assistance must determine income eligibility by examining source documents as evidence of annual income. The agency must have a documented basis for each source of income, whether from salaries, assets, or other sources (e.g., wage statements or interest statements).

Agencies may develop their own verification procedures provided that they collect source documentation and that this documentation is sufficient for HUD to monitor program compliance.[7] Typical approaches include review of direct documentation and third-party verification.

Where an agency obtains third-party verification of income, file documents need to include a form signed by the applicant authorizing release of the information. The file will include the third-party document obtained, such as an employer’s verification of salary, hours worked, and, where applicable, regular overtime pay.

Documents provided by the applicant (e.g., pay stubs, tax returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. (Note, however, that if a copy of a tax return is needed, IRS Form 4506 “Request for Copy of Tax Form” must be completed and signed.)

Income Inclusions and Exclusions

When determining household income, there are rules regarding the income to include and exclude.[8] From the financial management staff’s perspective, the following checks are sufficient when reviewing a file:

- Ensure the following categories of income have been included
  - ♦ All salary and wages BEFORE any deductions
  - ♦ Unemployment compensation and workers’ compensation
  - ♦ Regularly received payments for child support and alimony
- Check that the following categories have been excluded
  - ♦ Income earned by children under 18
  - ♦ Reimbursement of medical expenses
  - ♦ Lump-sum payments
  - ♦ Inheritance

[7] The Technical Guide for Determining Income and Allowances for the HOME Program does not directly pertain to HOPWA grantees and project sponsors. Nevertheless, grantees and sponsors can review Appendix H of this Guide, which contains several sample verification forms for items such as income, benefits, and assets. These forms are based on the requirements in 24 CFR Part 5, which applies to HOPWA grantees and project sponsors. http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/2005/1780.pdf

[8] The HOPWA program regulation at 24 CFR 574.310(d) refers to income calculation requirements at 24 CFR Part 5. In addition to the Housing Choice Voucher Program guidebook, grantees could refer to Handbook 4350.3, but should use only Chapter 5. Determining Income and Calculating Rent, Sections 1 and 2, which are based on 24 CFR 5.609 and 5.611. Find this resource at http://www.hud.gov/offices/adm/hudclips/handbooks/hsgh/4350.3/43503c5HSGH.pdf

Scenario: The file for our hypothetical family has the following data:

- Social Security Administration letter –
  $600/month SSDI payments for Adult 1
- Atlas Van Lines –
  biweekly pay sub for Adult 2 – $672 gross
- Atlas Van Lines, Human Resources letter –
  Adult 2 employed as Administrative Assistant, 3 days/week, $14/hour
- Burger Town wage statement –
  Dependent 1 works 10 hours/week for $8/hour

For HOPWA rental assistance programs, income covered by the Earned Income Disregard (EID) should also be excluded.

Earned Income Disregard (EID)

In February 2001 HUD finalized regulations that require housing providers in certain HUD programs to disregard some or all of the earned income for tenants with disabilities (24 CFR 5.617). This is commonly known as the Earned Income Disregard (EID) and should be considered when determining annual income. EID allows qualified individuals and families receiving housing assistance to keep more of their earned income for a period of up to two years following an increase in employment income. The purpose is to assist persons with disabilities in obtaining and retaining employment, as an important step toward economic self-sufficiency. Additional guidance on Earned Income Disregard is provided as **Attachment 6-6**.

Adjusted Income

The file must include a form that calculates adjusted income. Per the 24 CFR 574.310(d)(1), adjustment factors include the age of the individual, medical expenses, size of family and child care expenses and are described in detail in 24 CFR 5.609; expense deductions can be found in 24 CFR 5.611(a). Attachment 6-4 (referenced earlier) provides a comprehensive sample format for calculating annual income, adjusted income, and resident rent contribution.

This part of the financial management staff's review considers each type of income adjustment and the additional documents in the file to support entries on the summary form.

Each category of income adjustment listed below includes a description of typical documentation:

- **Elderly/Disabled.** The head of household or spouse must be elderly or disabled to qualify for this adjustment. Documentation that the head of the household or spouse is HIV/AIDS positive and is eligible for the HOPWA program is also generally sufficient for showing that the household is eligible for the disability income adjustment. Even if more than one person in the household is elderly or disabled, there is only one $400 adjustment for the entire household.

Scenario: Based on the positive HIV/AIDS documentation for Adult 1, our hypothetical household qualifies for this $400 adjustment.

- **Dependent(s).** This adjustment is $480 for each dependent. In addition to household members under 18, dependents may also be those over 18 who are full-time students and persons with a disability. Documentation in the file should verify age, student status, or disability, as applicable.

Scenario: With one dependent age 16, our hypothetical household qualifies for a $480 adjustment.

- **Medical.** The format used to summarize adjusted income typically is designed to ensure that adjustment for medical expenses is only the amount in excess of 3 percent of annual income. Also note that total medical expenses to be considered is the amount not otherwise reimbursed. Review file documentation that clearly documents both expenses and consider whether some or all of the claimed expenses might be reimbursed from other sources.
- **Child Care.** Documentation needs to indicate whether these expenses were incurred so that a household member could work or attend school. Also, child care adjustment is limited to unreimbursed expenses, so consider whether there should be some effort to verify possible reimbursements. Deducted expenses cannot exceed income earned.
- **Disability Assistance.** The purpose of this deduction is to recognize expenses for the care of a disabled person that enable the disabled person or some other family member to work. Disability assistance expenses may include the cost of a care attendant and/or auxiliary apparatus that enables a household member, including the disabled member, to work. This category of adjustment is also limited to the amount in excess of 3 percent of annual Income.

It is always a good idea to check the numbers. Mathematical errors may occur when computations are made manually rather than on a computerized spreadsheet. Another source of errors is incorrect entry of data from source documents.

So a reviewer would check for the following:

- All sources of income have been verified
- Summary data and source documents match
- Allowable adjustments have been documented
- Addition and subtraction are accurate

Resident Rent Contribution

After verifying the agency determination of both annual income and adjusted income, the next step is to check the calculation of how much the resident must contribute for housing — the total of the rent payment to the landlord and resident paid basic utilities not included in the lease.

By regulation (24 CFR 574.310(d)), “each person receiving rental assistance under this program or residing in any rental housing assisted under this program must pay as rent, including utilities, an amount which is the higher of:”

- 30 percent of monthly adjusted income,
- 10 percent of monthly annual income (annual income before adjustments, divided by 12), or
- welfare payment specifically designated to meet housing costs.

Except for unusual circumstances, 30 percent of monthly adjusted income will be higher than 10 percent of monthly annual income. So in most cases, the resident contribution will be 30 percent of adjusted income. HOPWA requires that residents pay the amount calculated regardless of the rent for the unit (as long as housing costs for the unit meet the rent standard and rent reasonableness requirements as noted above).

In a few areas, the agency administering "welfare" (now generally referred to as "Temporary Assistance to Needy Families," or TANF) designates a portion of the welfare payments for rent. In these localities, the file must include documentation of this amount.[9]

Based on the data on file, reviewers should be able to verify the agency's calculations of resident contribution in terms of both resident paid basic utility costs and the resident's rent payments to the landlord, as shown in the example below.

Example: Calculating Resident Rent Contribution	
Options to determine resident rent contribution Option 1 – 10% of Monthly Annual Income Option 2 – 30% of Monthly Adjusted Income Option 3 – Welfare payment designated for housing	
Option 1: $2,056 x .10 = **Calculate Annual Income and Monthly Income** – Adult 1: $600/month x 12 = $7,200 – Adult 2: 24 hours/week x $14/hour = $336/week $336 x 52 = $17,472 – Dependent 1: $80/week Excluded – Under 18 years of age – Total Annual Income: $7,200 + $17,472 = $24,672 – $24,672 / 12 = $2,056 Monthly Income	$206
Option 2: $1,983 x .30 = **Calculate Adjusted Income and Monthly Adjusted Income** – Disabled adjustment: $400 – Dependent Adjustment: $480 – Total Adjusted Income: $24,672 (annual adjusted income) - $880 = $23,792 – $23,792 / 12 = $1,983 Monthly Adjusted Income	$595

[9] Note: In Attachment 6-4 (the sample income and resident rent calculation worksheet), welfare payments are included in the calculation of Annual Income. However, on page 5 of that attachment, in the full text of 24 CFR 5.609(b)(6), it explains that the amount included for welfare payments excludes the amount specifically designated for shelter or utilities.

Option 3: Not applicable **Calculate welfare payment designated for housing**	N/A
Resident Rent Contribution = highest of the three options [Resident rent contribution is the amount the client pays towards the rent (in the lease) and all basic utilities (paid by the resident in addition to the lease).]	$595

HOPWA Rental Subsidy Amount

The information in the housing and resident files is used to calculate and document the accuracy of the HOPWA rental subsidy amount for each household served. The main components of the calculation obtained from the housing and resident files include:

- Rent
- Resident paid utilities
- Resident rent contribution

See the example below:

Example: Calculating HOPWA Subsidy Amount	
Basic information (determined earlier in this module)	
Rent (per lease)	$825
Resident paid basic utilities	$85
Resident rent contribution	$595
Calculate resident rent to the landlord	
Resident rent contribution – Resident paid basic utilities	
$595 – $85	$510
Calculate HOPWA rental subsidy amount	
Rent – Resident rent to **the** landlord	
$825 – $510	$315
Based on the information in the file, the HOPWA rental subsidy of $315 is accurate and properly documented.	

In cases where resident rent contribution is very low, the resident's contribution may be less than resident paid utilities. In this case, the financial records would be expected to show HOPWA funds paid to the landlord and also paid to the resident as a rebate. For example:

- Resident Rent Contribution: $80
- Resident Paid Utilities $110
- Rebate to Resident $30 (from HOPWA funds)

BUDGETING FOR RENTAL PROGRAMS

To come up with a reasonable budget for a HOPWA Tenant-Based Rental Assistance program (also known as TBRA program), staff developing the budget must consider housing costs and staffing costs.

To determine housing costs, staff must first gather information on the following items:

- Number of households
- Household size
- Rent standards
- Household income

To identify realistic housing costs, staff needs to know how many households it plans to serve and estimate the number of households of each size expected in the program's client population. Occupancy standards guide the size of the unit needed for various sizes of households. The budget planner uses this information to project the number of units in each bedroom size.

After determining the number of units in each bedroom size, staff can use the rent standard information for each size unit that is needed, in order to estimate the gross annual housing cost.

The last piece of information needed to determine the rental subsidy budget is the resident rent contribution. To determine this amount staff will need information on the typical household incomes of the client population that provides a reasonable basis for the average contribution.

While all HOPWA clients must be low-income, the range of incomes can vary widely. Specific programs may target assistance to extremely low-income households, for example households with an annual income under 30 percent of the area medium income.

In the scenario below, a project sponsor is identifying its housing costs for its HOPWA TBRA program for one year. It has the following information on the client population to be served:

- The client population is comprised of 10 one-person households.
- The typical household income is $600 per month, after adjustments.

Based on this information about the client population, the program will only be making payments on one-bedroom units. The rent standard for a one-bedroom unit in the region served by the sample program is $750 per month.

The gross annual housing cost for 10 one-bedroom units that cost $750 per month is $90,000. In this case, the typical resident contribution is 30% of adjusted income. The household income information can be used to calculate the estimated resident rent contribution for all 10 clients assisted through this program. The total annual resident contribution estimate is $21,600.

Finally, to determine the housing costs to be paid with HOPWA funds, the total annual resident rent contribution is subtracted from the gross annual housing cost. For this sample program, the amount to be paid in HOPWA rental subsidies is $68,400.

Project sponsors and grantees may want to consider possible adjustments to the amount budgeted for rental subsidy, such as:

- Availability of units that cost less than the rent standard
- Phase in of assistance as a new project starts up
- Gaps between the departure of a resident and the beginning of assistance to a new resident

Developing a Realistic Budget: Housing Costs	
Scenario: A project sponsor is identifying its housing costs for its HOPWA TBRA program for one year. It has the following information on the client population to be served. – Number of household: 10 households – Household size: 10 one-person households – Household income: typical income is $600/month, after adjustments With this information, it can determine the number of units in each bedroom size and apply the appropriate rent standard.	
Housing	
Number of One-Bedroom Units Needed	10
One-Bedroom Rent Standard	$750/month
Gross Annual Housing Cost = $750/month x 10 units x 12 months	$90,000
Resident Rent Contribution = 30% of $600/month	$180/month
Gross Annual Resident Rent Contribution = $180/month x 10 households x 12 months	$21,600
Net HOPWA Rental Subsidy = $90,000 - $21,600	$68,400

A second key piece of budgeting for rental programs is determining the staffing costs.

- There are several sources of information for TBRA program staffing costs. Typical personnel costs for an existing HOPWA TBRA program are the best source of information.
- Another source of staffing cost information is Housing Choice Voucher Programs, which are often larger and more complex than typical HOPWA TBRA programs, but can still provide a point of reference. These staffing costs include:
    - ♦ Start-up costs
    - ♦ Hard to House fees, which are extra cost allowances to cover the additional effort needed to provide housing to persons with disabilities
    - ♦ A monthly amount for each unit

The start-up cost allowance is for initial costs including: publicizing the program; briefing applicants, participants, and owners; receiving and reviewing family applications; determining and verifying family income and eligibility; setting up family files; conducting initial unit inspections; and certifying and documenting rent reasonableness. In 2010, the start-up cost allowance was $500 per household.

Note the Voucher Program uses the term “Administrative Fee” when referring to staff costs. For HOPWA, these costs are considered part of the TBRA activity costs and do not count against the limit of HOPWA administrative costs.

For further research, the website of the Public Housing Financial Management Center is at http://www.hud.gov/offices/pih/centers/fmc/index.cfm

ATTACHMENTS

Attachment 6-1: Sample Utility Allowance Schedule

Attachment 6-2a: Sample Authorization for the Release of Information/Privacy Act Notice

Found at: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11848.pdf

Attachment 6-2b: Sample Document Package for Applicant's/Tenant's Consent to the Release Of Information

Found at: www.hud.gov/offices/adm/hudclips/forms/files/9887.pdf

Attachment 6-3: Sample Income Limits Schedule

Note: HUD Program Income Limits for all areas can be found at:

http://www.huduser.org/portal/datasets/il.html

Attachment 6-4: Sample Income and Resident Rent Calculation Worksheet

Attachment 6-5: Sample Zero Income Certification Form

Found at: https://www.onecpd.info/resource/1840/hopwa-zero-income-affidavit/

Attachment 6-6: Sample Disallowance of Increase in Annual Income (Earned Income Disregard)

Found at:

https://www.onecpd.info/resource/1826/hopwa-disallowance-of-increase-in-annual-income/

ATTACHMENT 6-1:
SAMPLE UTILITY ALLOWANCE SCHEDULE

Allowances for Tenant Furnished Utilities and other Services - Area 1

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169

Locality: **Baca, Bent, Cheyenne, Crowley, Custer, Delta, Garfield West, Huerfano, Kiowa, Kit Carson, Las Animas, Lincoln, Logan, Mesa, Montrose, Otero, Ouray, Park, Phillips, Prowers, Pueblo, Rio Blanco, Sedgwick, Teller, Washingon, Yuma**	Unit Type: **Apartment/ Multi-Family**	**Effective Date**

Utility or Service			Monthly Dollar Allowances					
			0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	a.	Natural Gas	$8.00	$11.00	$15.00	$20.00	$26.00	
	b.	Bottle Gas	$26.00	$36.00	$47.00	$71.00	$96.00	
	c.	Electric	$45.00	$57.00	$75.00	$98.00	$122.00	
	d.	Oil / Other						
Cooking	a.	Natural Gas	$2.00	$3.00	$3.00	$4.00	$5.00	
	b.	Bottle Gas	$6.00	$9.00	$11.00	$14.00	$17.00	
	c.	Electric	$5.00	$7.00	$9.00	$11.00	$14.00	
	d.	Coal / Other						
Other Electric			$11.00	$16.00	$20.00	$25.00	$32.00	
Air Conditioning			$0.00	$0.00	$0.00	$0.00	$0.00	
Water Heating	a.	Natural Gas	$3.00	$4.00	$5.00	$6.00	$7.00	
	b.	Bottle Gas	$9.00	$12.00	$16.00	$19.00	$23.00	
	c.	Electric	$14.00	$20.00	$25.00	$31.00	$39.00	
	d.	Oil / Other						
Water			$12.00	$12.00	$15.00	$17.00	$19.00	
Sewer			$15.00	$15.00	$15.00	$15.00	$15.00	
Trash Collection			$9.00	$9.00	$9.00	$9.00	$9.00	
Range / Microwave *(Tenant Supplied)*			$12.00	$12.00	$12.00	$12.00	$12.00	
Refrigerator *(Tenant Supplied)*			$13.00	$13.00	$13.00	$13.00	$13.00	
Other--specify: **Monthly Electric Fee $8.00** **Monthly Gas Fee $10.00**			$8.00 $10.00	$8.00 $10.00	$8.00 $10.00	$8.00 $10.00	$8.00 $10.00	

Actual Family Allowances

To be used by the family to compute allowance. *Complete below for the actual unit rented.*

Name of Family

Address of Unit

Number of Bedrooms

Utility or Service	per month cost
Heating	$
Cooking	$
Other Electric	$
Air Conditioning	$
Water Heating	$
Water	$
Sewer	$
Trash Collection	$
Range / Microwave	$
Refrigerator	$
Other	$
Other	$
Total	$

ATTACHMENT 6-2A:
SAMPLE AUTHORIZATION FOR THE RELEASE OF INFORMATION/PRIVACY ACT NOTICE

Authorization for the Release of Information/ Privacy Act Notice

to the U.S. Department of Housing and Urban Development (HUD) and the Housing Agency/Authority (HA)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

PHA requesting release of information; **(Cross out space if none)** (Full address, name of contact person, and date)	IHA requesting release of information: **(Cross out space if none)** (Full address, name of contact person, and date)

Authority: Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by Section 903 of the Housing and Community Development Act of 1992 and Section 3003 of the Omnibus Budget Reconciliation Act of 1993. This law is found at 42 U.S.C. 3544.

This law requires that you sign a consent form authorizing: (1) HUD and the Housing Agency/Authority (HA) to request verification of salary and wages from current or previous employers; (2) HUD and the HA to request wage and unemployment compensation claim information from the state agency responsible for keeping that information; (3) HUD to request certain tax return information from the U.S. Social Security Administration and the U.S. Internal Revenue Service. The law also requires independent verification of income information. Therefore, HUD or the HA may request information from financial institutions to verify your eligibility and level of benefits.

Purpose: In signing this consent form, you are authorizing HUD and the above-named HA to request income information from the sources listed on the form. HUD and the HA need this information to verify your household's income, in order to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct level. HUD and the HA may participate in computer matching programs with these sources in order to verify your eligibility and level of benefits.

Uses of Information to be Obtained: HUD is required to protect the income information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. 552a. HUD may disclose information (other than tax return information) for certain routine uses, such as to other government agencies for law enforcement purposes, to Federal agencies for employment suitability purposes and to HAs for the purpose of determining housing assistance. The HA is also required to protect the income information it obtains in accordance with any applicable State privacy law. HUD and HA employees may be subject to penalties for unauthorized disclosures or improper uses of the income information that is obtained based on the consent form. **Private owners may not request or receive information authorized by this form.**

Who Must Sign the Consent Form: Each member of your household who is 18 years of age or older must sign the consent form. Additional signatures must be obtained from new adult members joining the household or whenever members of the household become 18 years of age.

Persons who apply for or receive assistance under the following programs are required to sign this consent form:

- PHA-owned rental public housing
- Turnkey III Homeownership Opportunities
- Mutual Help Homeownership Opportunity
- Section 23 and 19(c) leased housing
- Section 23 Housing Assistance Payments
- HA-owned rental Indian housing
- Section 8 Rental Certificate
- Section 8 Rental Voucher
- Section 8 Moderate Rehabilitation

Failure to Sign Consent Form: Your failure to sign the consent form may result in the denial of eligibility or termination of assisted housing benefits, or both. Denial of eligibility or termination of benefits is subject to the HA's grievance procedures and Section 8 informal hearing procedures.

Sources of Information To Be Obtained

State Wage Information Collection Agencies. (This consent is limited to wages and unemployment compensation I have received during period(s) within the last 5 years when I have received assisted housing benefits.)

U.S. Social Security Administration (HUD only) (This consent is limited to the wage and self employment information and payments of retirement income as referenced at Section 6103(l)(7)(A) of the Internal Revenue Code.)

U.S. Internal Revenue Service (HUD only) (This consent is limited to unearned income [i.e., interest and dividends].)

Information may also be obtained directly from: (a) current and former employers concerning salary and wages and (b) financial institutions concerning unearned income (i.e., interest and dividends). I understand that income information obtained from these sources will be used to verify information that I provide in determining eligibility for assisted housing programs and the level of benefits. Therefore, this consent form only authorizes release directly from employers and financial institutions of information regarding any period(s) within the last 5 years when I have received assisted housing benefits.

Consent: I consent to allow HUD or the HA to request and obtain income information from the sources listed on this form for the purpose of verifying my eligibility and level of benefits under HUD's assisted housing programs. I understand that HAs that receive income information under this consent form cannot use it to deny, reduce or terminate assistance without first independently verifying what the amount was, whether I actually had access to the funds and when the funds were received. In addition, I must be given an opportunity to contest those determinations.

This consent form expires 15 months after signed.

Signatures:

Head of Household	Date		
Social Security Number (if any) of Head of Household		Other Family Member over age 18	Date
Spouse	Date	Other Family Member over age 18	Date
Other Family Member over age 18	Date	Other Family Member over age 18	Date
Other Family Member over age 18	Date	Other Family Member over age 18	Date

Privacy Act Notice. Authority: The Department of Housing and Urban Development (HUD) is authorized to collect this information by the U.S. Housing Act of 1937 (42 U.S.C. 1437 et. seq.), Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and by the Fair Housing Act (42 U.S.C. 3601-19). The Housing and Community Development Act of 1987 (42 U.S.C. 3543) requires applicants and participants to submit the Social Security Number of each household member who is six years old or older. Purpose: Your income and other information are being collected by HUD to determine your eligibility, the appropriate bedroom size, and the amount your family will pay toward rent and utilities. Other Uses: HUD uses your family income and other information to assist in managing and monitoring HUD-assisted housing programs, to protect the Government's financial interest, and to verify the accuracy of the information you provide. This information may be released to appropriate Federal, State, and local agencies, when relevant, and to civil, criminal, or regulatory investigators and prosecutors. However, the information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law. Penalty: You must provide all of the information requested by the HA, including all Social Security Numbers you, and all other household members age six years and older, have and use. Giving the Social Security Numbers of all household members six years of age and older is mandatory, and not providing the Social Security Numbers will affect your eligibility. Failure to provide any of the requested information may result in a delay or rejection of your eligibility approval.

Penalties for Misusing this Consent:

HUD, the HA and any owner (or any employee of HUD, the HA or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form.

Use of the information collected based on the form HUD 9886 is restricted to the purposes cited on the form HUD 9886. Any person who knowingly or willfully requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than $5,000.

Any applicant or participant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD, the HA or the owner responsible for the unauthorized disclosure or improper use.

ATTACHMENT 6-2B: SAMPLE DOCUMENT PACKAGE FOR APPLICANT'S/TENANT'S CONSENT TO THE RELEASE OF INFORMATION

U.S. Department of Housing and Urban Development

Document Packagefor Applicant's/Tenant's Consent to the Release Of Information

This Package contains the following documents:

1. **HUD-9887/A Fact Sheet describing the necessary verifications**
2. **Form HUD-9887 (to be signed by the Applicant or Tenant)**
3. **Form HUD-9887-A (to be signed by the Applicant or Tenant and Housing Owner)**
4. **Relevant Verifications (to be signed by the Applicant or Tenant)**

Each household must receive a copy of the 9887/A Fact Sheet, form HUD-9887, and form HUD-9887-A.

Verification of Information Provided by Applicants and Tenants of Assisted Housing

What Verification Involves

To receive housing assistance, applicants and tenants who are at least 18 years of age and each family head, spouse, or co-head regardless of age must provide the owner or management agent (O/A) or public housing agency (PHA) with certain information specified by the U. S. Department of Housing and Urban Development (HUD).

To make sure that the assistance is used properly, Federal laws require that the information you provide be verified. This information is verified in two ways:

1. HUD, O/As, and PHAs may verify the information you provide by checking with the records kept by certain public agencies (e.g., Social Security Administration (SSA), State agency that keeps wage and unemployment compensation claim information, and the Department of Health and Human Services' (HHS) National Directory of New Hires (NDNH) database that stores wage, new hires, and unemployment compensation). HUD (only) may verify information covered in your tax returns from the U.S. Internal Revenue Service (IRS). You give your consent to the release of this information by signing form HUD-9887. Only HUD, O/As, and PHAs can receive information authorized by this form.

2. The O/A must verify the information that is used to determine your eligibility and the amount of rent you pay. You give your consent to the release of this information by signing the form HUD-9887, the form HUD-9887-A, and the individual verification and consent forms that apply to you. Federal laws limit the kinds of information the O/A can receive about you. The amount of income you receive helps to determine the amount of rent you will pay. The O/A will verify all of the sources of income that you report. There are certain allowances that reduce the income used in determining tenant rents.

   Example: Mrs. Anderson is 62 years old. Her age qualifies her for a medical allowance. Her annual income will be adjusted because of this allowance. Because Mrs. Anderson's medical expenses will help determine the amount of rent she pays, the O/A is required to verify any medical expenses that she reports.

   Example: Mr. Harris does not qualify for the medical allowance because he is not at least 62 years of age and he is not handicapped or disabled. Because he is not eligible for the medical allowance, the amount of his medical expenses does not change the amount of rent he pays. Therefore, the O/A cannot ask Mr. Harris anything about his medical expenses and cannot verify with a third party about any medical expenses he has.

Customer Protections

Information received by HUD is protected by the Federal Privacy Act. Information received by the O/A or the PHA is subject to State privacy laws. Employees of HUD, the O/A, and the PHA are subject to penalties for using these consent forms improperly. You do not have to sign the form HUD-9887, the form HUD-9887-A, or the individual verification consent forms when they are given to you at your certification or recertification interview. You may take them home with you to read or to discuss with a third party of your choice. The O/A will give you another date when you can return to sign these forms.

If you cannot read and/or sign a consent form due to a disability, the O/A shall make a reasonable accommodation in accordance with Section 504 of the Rehabilitation Act of 1973. Such accommodations may include: home visits when the applicant's or tenant's disability prevents him/her from coming to the office to complete the forms; the applicant or tenant authorizing another person to sign on his/her behalf; and for persons with visual impairments, accommodations may include providing the forms in large script or braille or providing readers.

If an adult member of your household, due to extenuating circumstances, is unable to sign the form HUD-9887 or the individual verification forms on time, the O/A may document the file as to the reason for the delay and the specific plans to obtain the proper signature as soon as possible.

The O/A must tell you, or a third party which you choose, of the findings made as a result of the O/A verifications authorized by your consent. The O/A must give you the opportunity to contest such findings in accordance with HUD Handbook 4350.3 Rev. 1. However, for information received under the form HUD-9887 or form HUD-9887-A, HUD, the O/A, or the PHA, may inform you of these findings.

O/As must keep tenant files in a location that ensures confidentiality. Any employee of the O/A who fails to keep tenant information confidential is subject to the enforcement provisions of the State Privacy Act and is subject to enforcement actions by HUD. Also, any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages, and seek other relief, as may be appropriate, against the employee.

HUD-9887/A requires the O/A to give each household a copy of the Fact Sheet, and forms HUD-9887, HUD-9887-A along with appropriate individual consent forms. The package you will receive will include the following documents:

1. **HUD-9887/A Fact Sheet**: Describes the requirement to verify information provided by individuals who apply for housing assistance. This fact sheet also describes consumer protections under the verification process.
2. **Form HUD-9887:** Allows the release of information between government agencies.
3. **Form HUD-9887-A:** Describes the requirement of third party verification along with consumer protections.
4. **Individual verification consents:** Used to verify the relevant information provided by applicants/tenants to determine their eligibility and level of benefits.

Consequences for Not Signing the Consent Forms

If you fail to sign the form HUD-9887, the form HUD-9887-A, or the individual verification forms, this may result in your assistance being denied (for applicants) or your assistance being terminated (for tenants). See further explanation on the forms HUD-9887 and 9887-A.

If you are an applicant and are denied assistance for this reason, the O/A must notify you of the reason for your rejection and give you an opportunity to appeal the decision.

If you are a tenant and your assistance is terminated for this reason, the O/A must follow the procedures set out in the Lease. This includes the opportunity for you to meet with the O/A.

Programs Covered by this Fact Sheet

Rental Assistance Program (RAP)

Rent Supplement

Section 8 Housing Assistance Payments Programs (administered by the Office of Housing)

Section 202

Sections 202 and 811 PRAC

Section 202/162 PAC

Section 221(d)(3) Below Market Interest Rate

Section 236

HOPE 2 Home Ownership of Multifamily Units

O/As must give a copy of this HUD Fact Sheet to each household. See the Instructions on form HUD-9887-A.

Notice and Consent for the Release of Information

to the U.S. Department of Housing and Urban Development (HUD) and to an Owner and Management Agent (O/A), and to a Public Housing Agency (PHA)

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

HUD Office requesting release of information (Owner should provide the full address of the HUD Field Office, Attention: Director, Multifamily Division.):	O/A requesting release of information (Owner should provide the full name and address of the Owner.):	PHA requesting release of information (Owner should provide the full name and address of the PHA and the title of the director or administrator. If there is no PHA Owner or PHA contract administrator for this project, mark an X through this entire box.):

Notice To Tenant: Do not sign this form if the space above for organizations requesting release of information is left blank. You do not have to sign this form when it is given to you. You may take the form home with you to read or discuss with a third party of your choice and return to sign the consent on a date you have worked out with the housing owner/manager.

Authority: Section 217 of the Consolidated Appropriations Act of 2004 (Pub L. 108-199). This law is found at 42 U.S.C.653(J). This law authorizes HHS to disclose to the Department of Housing and Urban Development (HUD) information in the NDNH portion of the "Location and Collection System of Records" for the purposes of verifying employment and income of individuals participating in specified programs and, after removal of personal identifiers, to conduct analyses of the employment and income reporting of these individuals. Information may be disclosed by the Secretary of HUD to a private owner, a management agent, and a contract administrator in the administration of rental housing assistance.

Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by section 903 of the Housing and Community Development Act of 1992 and section 3003 of the Omnibus Budget Reconciliation Act of 1993. This law is found at 42 U.S.C. 3544.This law requires you to sign a consent form authorizing: (1) HUD and the PHA to request wage and unemployment compensation claim information from the state agency responsible for keeping that information; and (2) HUD, O/A, and the PHA responsible for determining eligibility to verify salary and wage information pertinent to the applicant's or participant's eligibility or level of benefits; (3) HUD to request certain tax return information from the U.S. Social Security Administration (SSA) and the U.S. Internal Revenue Service (IRS).

Purpose: In signing this consent form, you are authorizing HUD, the above-named O/A, and the PHA to request income information from the government agencies listed on the form. HUD, the O/A, and the PHA need this information to verify your household's income to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct level. HUD, the O/A, and the PHA may participate in computer matching programs with these sources to verify your eligibility and level of benefits. This form also authorizes HUD, the O/A, and the PHA to seek wage, new hire (W-4), and unemployment claim information from current or former employers to verify information obtained through computer matching.

Uses of Information to be Obtained: HUD is required to protect the income information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. 552a. The O/A and the PHA is also required to protect the income information it obtains in accordance with any applicable State privacy law. After receiving the information covered by this notice of consent, HUD, the O/A, and the PHA may inform you that your eligibility for, or level of, assistance is uncertain and needs to be verified and nothing else.

HUD, O/A, and PHA employees may be subject to penalties for unauthorized disclosures or improper uses of the income information that is obtained based on the consent form.

Who Must Sign the Consent Form: Each member of your household who is at least 18 years of age and each family head, spouse or co-head, regardless of age, must sign the consent form at the initial certification and at each recertification. Additional signatures must be obtained from new adult members when they join the household or when members of the household become 18 years of age.

Persons who apply for or receive assistance under the following programs are required to sign this consent form:

Rental Assistance Program (RAP)

Rent Supplement

Section 8 Housing Assistance Payments Programs (administered by the Office of Housing)

Section 202; Sections 202 and 811 PRAC; Section 202/162 PAC Section 221(d)(3) Below Market Interest Rate

Section 236

HOPE 2 Homeownership of Multifamily Units

Failure to Sign Consent Form: Your failure to sign the consent form may result in the denial of assistance or termination of assisted housing benefits. If an applicant is denied assistance for this reason, the owner must follow the notification procedures in Handbook 4350. 3 Rev. 1. If a tenant is denied assistance for this reason, the owner or managing agent must follow the procedures set out in the lease.

Consent: I consent to allow HUD, the O/A, or the PHA to request and obtain income information from the federal and state agencies listed on the back of this form for the purpose of verifying my eligibility and level of benefits under HUD's assisted housing programs.

Signatures: Additional Signatures, if needed:

Head of Household	Date	Other Family Members 18 and Over	Date
Spouse	Date	Other Family Members 18 and Over	Date
Other Family Members 18 and Over	Date	Other Family Members 18 and Over	Date
Other Family Members 18 and Over	Date	Other Family Members 18 and Over	Date

Agencies To Provide Information

State Wage Information Collection Agencies. (HUD and PHA). This consent is limited to wages and unemployment compensation you have received during period(s) within the last 5 years when you have received assisted housing benefits.

U.S. Social Security Administration (HUD only). This consent is limited to the wage and self employment information from your current form W-2.

National Directory of New Hires contained in the Department of Health and Human Services' system of records. This consent is limited to wages and unemployment compensation you have received during period(s) within the last 5 years when you have received assisted housing benefits.

U.S. Internal Revenue Service (HUD only). This consent is limited to information covered in your current tax return.

This consent is limited to the following information that may appear on your current tax return:

1099-S Statement for Recipients of Proceeds from Real Estate Transactions

1099-B Statement for Recipients of Proceeds from Real Estate Brokers and Barters Exchange Transactions

1099-A Information Return for Acquisition or Abandonment of Secured Property

1099-G Statement for Recipients of Certain Government Payments

1099-DIV Statement for Recipients of Dividends and Distributions

1099 INT Statement for Recipients of Interest Income

1099-MISC Statement for Recipients of Miscellaneous Income

1099-OID Statement for Recipients of Original Issue Discount

1099-PATR Statement for Recipients of Taxable Distributions Received from Cooperatives

1099-R Statement for Recipients of Retirement Plans W2-G

Statement of Gambling Winnings

1065-K1 Partners Share of Income, Credits, Deductions, etc.

1041-K1 Beneficiary's Share of Income, Credits, Deductions, etc.

1120S-K1 Shareholder's Share of Undistributed Taxable Income, Credits, Deductions, etc.

I understand that income information obtained from these sources will be used to verify information that I provide in determining initial or continued eligibility for assisted housing programs and the level of benefits.

No action can be taken to terminate, deny, suspend, or reduce the assistance your household receives based on information obtained about you under this consent until the HUD Office, Office of Inspector General (OIG) or the PHA (whichever is applicable) and the O/A have independently verified: 1) the amount of the income, wages, or unemployment compensation involved, 2) whether you actually have (or had) access to such income, wages, or benefits for your own use, and 3) the period or periods when, or with respect to which you actually received such income, wages, or benefits. A photocopy of the signed consent may be used to request a third party to verify any information received under this consent (e.g., employer).

HUD, the O/A, or the PHA shall inform you, or a third party which you designate, of the findings made on the basis of information verified under this consent and shall give you an opportunity to contest such findings in accordance with Handbook 4350.3 Rev. 1.

If a member of the household who is required to sign the consent form is unable to sign the form on time due to extenuating circumstances, the O/A may document the file as to the reason for the delay and the specific plans to obtain the proper signature as soon as possible.

This consent form expires 15 months after signed.

Privacy Act Statement. The Department of Housing and Urban Development (HUD) is authorized to collect this information by the U.S. Housing Act of 1937, as amended (42 U.S.C. 1437 et. seq.); the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181); the Housing and Community Development Technical Amendments of 1984 (P.L. 98-479); and by the Housing and Community Development Act of 1987 (42 U.S.C. 3543). The information is being collected by HUD to determine an applicant's eligibility, the recommended unit size, and the amount the tenant(s) must pay toward rent and utilities. HUD uses this information to assist in managing certain HUD properties, to protect the Government's financial interest, and to verify the accuracy of the information furnished. HUD, the owner or management agent (O/A), or a public housing agency (PHA) may conduct a computer match to verify the information you provide. This information may be released to appropriate Federal, State, and local agencies, when relevant, and to civil, criminal, or regulatory investigators and prosecutors. However, the information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law. You must provide all of the information requested. Failure to provide any information may result in a delay or rejection of your eligibility approval.

Penalties for Misusing this Consent:
HUD, the O/A, and any PHA (or any employee of HUD, the O/A, or the PHA) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form.

Use of the information collected based on the form HUD 9887 is restricted to the purposes cited on the form HUD 9887. Any person who knowingly or willfully requests, obtains, or discloses any information under false pretenses concerning an applicant or tenant may be subject to a misdemeanor and fined not more than $5,000.

Any applicant or tenant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD, the Owner or the PHA responsible for the unauthorized disclosure or improper use.

Applicant's/Tenant's Consent to the Release of Information

Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

Instructions to Owners

1. Give the documents listed below to the applicants/tenants to sign. Staple or clip them together in one package in the order listed.
   a. The HUD-9887/A Fact Sheet.
   b. Form HUD-9887.
   c. Form HUD-9887-A.
   d. Relevant verifications (HUD Handbook 4350.3 Rev. 1).
2. Verbally inform applicants and tenants that
   a. They may take these forms home with them to read or to discuss with a third party of their choice and to return to sign them on a date they have worked out with you, and
   b. If they have a disability that prevents them from reading and/or signing any consent, that you, the Owner, are required to provide reasonable accommodations.
3. Owners are required to give each household a copy of the HUD9887/A Fact Sheet, form HUD-9887, and form HUD-9887-A after obtaining the required applicants/tenants signature(s). Also, owners must give the applicants/tenants a copy of the signed individual verification forms upon their request.

Instructions to Applicants and Tenants

This Form HUD-9887-A contains customer information and protections concerning the HUD-required verifications that Owners must perform.

1. Read this material which explains:
   - HUD's requirements concerning the release of information, and
   - Other customer protections.
2. Sign on the last page that:
   - you have read this form, or
   - the Owner or a third party of your choice has explained it to you, and
   - you consent to the release of information for the purposes and uses described.

Authority for Requiring Applicant's/Tenant's Consent to the Release of Information

Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by section 903 of the Housing and Community Development Act of 1992. This law is found at 42 U.S.C. 3544.

In part, this law requires you to sign a consent form authorizing the Owner to request current or previous employers to verify salary and wage information pertinent to your eligibility or level of benefits.

In addition, HUD regulations (24 CFR 5.659, Family Information and Verification) require as a condition of receiving housing assistance that you must sign a HUD-approved release and consent authorizing any depository or private source of income to furnish such information that is necessary in determining your eligibility or level of benefits. This includes information that you have provided which will affect the amount of rent you pay. The information includes income and assets, such as salary, welfare benefits, and interest earned on savings accounts. They also include certain adjustments to your income, such as the allowances for dependents and for households whose heads or spouses are elderly handicapped, or disabled; and allowances for child care expenses, medical expenses, and handicap assistance expenses.

Purpose of Requiring Consent to the Release of Information

In signing this consent form, you are authorizing the Owner of the housing project to which you are applying for assistance to request information from a third party about you. HUD requires the housing owner to verify all of the information you provide that affects your eligibility and level of benefits to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct levels. Upon the request of the HUD office or the PHA (as Contract Administrator), the housing Owner may provide HUD or the PHA with the information you have submitted and the information the Owner receives under this consent.

Uses of Information to be Obtained

The individual listed on the verification form may request and receive the information requested by the verification, subject to the limitations of this form. HUD is required to protect the income information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. 552a. The Owner and the PHA are also required to protect the income information they obtain in accordance with any applicable state privacy law. Should the Owner receive information from a third party that is inconsistent with the information you have provided, the Owner is required to notify you in writing identifying the information believed to be incorrect. If this should occur, you will have the opportunity to meet with the Owner to discuss any discrepancies.

Who Must Sign the Consent Form

Each member of your household who is at least 18 years of age, and each family head, spouse or co-head, regardless of age must sign the relevant consent forms at the initial certification, at each recertification and at each interim certification, if applicable. In addition, when new adult members join the household and when members of the household become 18 years of age they must also sign the relevant consent forms.

Persons who apply for or receive assistance under the following programs must sign the relevant consent forms:

Rental Assistance Program (RAP)
Rent Supplement
Section 8 Housing Assistance Payments Programs (administered by the Office of Housing)
Section 202
Sections 202 and 811 PRAC
Section 202/162 PAC
Section 221(d)(3) Below Market Interest Rate
Section 236
HOPE 2 Home Ownership of Multifamily Units

Failure to Sign the Consent Form

Failure to sign any required consent form may result in the denial of assistance or termination of assisted housing benefits. If an applicant is denied assistance for this reason, the O/A must follow the notification procedures in Handbook 4350.3 Rev. 1. If a tenant is denied assistance for this reason, the O/A must follow the procedures set out in the lease.

Conditions

No action can be taken to terminate, deny, suspend or reduce the assistance your household receives based on information obtained about you under this consent until the O/A has independently 1) verified the information you have provided with respect to your eligibility and level of benefits and 2) with respect to income (including both earned and unearned income), the O/A has verified whether you actually have (or had) access to such income for your own use, and verified the period or periods when, or with respect to which you actually received such income, wages, or benefits.

A photocopy of the signed consent may be used to request the information authorized by your signature on the individual consent forms. This would occur if the O/A does not have another individual verification consent with an original signature and the O/A is required to send out another request for verification (for example, the third party fails to respond). If this happens, the O/A may attach a photocopy of this consent to a photocopy of the individual verification form that you sign. To avoid the use of photocopies, the O/A and the individual may agree to sign more than one consent for each type of verification that is needed. The O/A shall inform you, or a third party which you designate, of the findings made on the basis of information verified under this consent and shall give you an opportunity to contest such findings in accordance with Handbook 4350.3 Rev. 1.

The O/A must provide you with information obtained under this consent in accordance with State privacy laws.

If a member of the household who is required to sign the consent forms is unable to sign the required forms on time, due to extenuating circumstances, the O/A may document the file as to the reason for the delay and the specific plans to obtain the proper signature as soon as possible.

Individual consents to the release of information expire 15 months after they are signed. The O/A may use these individual consent forms during the 120 days preceding the certification period. The O/A may also use these forms during the certification period, but only in cases where the O/A receives information indicating that the information you have provided may be incorrect. Other uses are prohibited.

The O/A may not make inquiries into information that is older than 12 months unless he/she has received inconsistent information and has reason to believe that the information that you have supplied is incorrect. If this occurs, the O/A may obtain information within the last 5 years when you have received assistance.

I have read and understand this information on the purposes and uses of information that is verified and consent to the release of information for these purposes and uses.

____

Name of Applicant or Tenant (Print)

____

Signature of Applicant or Tenant & Date

I have read and understand the purpose of this consent and its uses and I understand that misuse of this consent can lead to personal penalties to me.

____

Name of Project Owner or his/her representative

____

Title

____

Signature & Date
cc:Applicant/Tenant
Owner file

Penalties for Misusing this Consent:

HUD, the O/A, and any PHA (or any employee of HUD, the O/A, or the PHA) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form.

Use of the information collected based on the form HUD 9887-A is restricted to the purposes cited on the form HUD 9887-A. Any person who knowingly or willfully requests, obtains or discloses any information under false pretenses concerning an applicant or tenant may be subject to a misdemeanor and fined not more than $5,000.

Any applicant or tenant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD, the O/A or the PHA responsible for the unauthorized disclosure or improper use.

ATTACHMENT 6-3:
SAMPLE INCOME LIMITS SCHEDULE

ATTACHMENT 6-3:
SAMPLE INCOME LIMITS SCHEDULE

Sample Income Limits Schedule (FY 2010) – Baltimore, MD *

	1 PER	**2 PER**	**3 PER**	**4 PER**	**5 PER**	**6 PER**
Extremely Low Income (30% Limits)	$17,300	$19,750	$22,200	$24,650	$26,650	$28,600
Very Low Income (50% Limits)	$28,800	$32,900	$37,000	$41,100	$44,400	$47,700
Low Income (80% Limits)	$45,100	$51,550	$58,000	$64,400	$69,600	$74,750

*Income limits are published on the HUD User website at http://www.huduser.org/portal/.

Note that published income limits also include seven and eight person households.

ATTACHMENT 6-4:
SAMPLE INCOME AND RESIDENT RENT CALCULATION WORKSHEET

INCOME & RESIDENT RENT CALCULATION WORKSHEET

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

This worksheet will determine the Tenant Rent Payment based on the greater of 10% of Monthly Gross Income or 30% of Monthly Adjusted Income. For income exclusions, see pages 5 and 6.

HOPWA regulations 24CFR574.310d(1)(2)(3) state: "Resident rent payment. Except for persons in short-term supported housing, each person receiving rental assistance under this program or residing in any rental housing assisted under this program must pay as rent, including utilities, an amount which is the higher of: (1) 30 percent of the family's monthly adjusted income (adjustment factors include the age of the individual, medical expenses, size of family and child care expenses and are described in detail in 24CFR5.609); (2) 10 percent of the family's monthly gross income; or (3) If the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the family's housing costs, the portion of the payment that is designated for housing costs." Documentation and Verification of Income: As a condition of participation in the program, each client must agree to supply such certification, release, information, or documentation as the agency determines to verify the client's income.

*The total income of the household (Annual Gross Income) is from all sources anticipated to be received in the 12-month period following the effective date of the income certification. Therefore, income must be ANNUALIZED, e.g. payment amount X number of payment periods/yr. for all income sources.

1.	The full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, other compensation for personal services prior to payroll deductions. (Applies to client and **all** household members 18 and older. For full-time students 18 and over, only $480 of annual earned income should be included here.)	$ 17,472
2.	Periodic payments from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, excluding lump sum payments for the delayed start of a periodic payment (Except as provided in (c)(14)).	$ 7,200_
3.	Payments in lieu of earnings, such as unemployment, disability, worker's compensation, and severance pay (Except as provided in (c)(3)).	$ _0__
4.	WELFARE ASSISTANCE, including payments made under other programs funded, separately or jointly, by federal, state, or local governments which are not excluded by Federal Statutes (see Income Exclusions).	$ _0__
5.	Periodic allowances including alimony and child support payments, and regular contributions or gifts received from organizations or persons not residing in the residence.	$ __0__
6.	Net income from operation of a business or profession.	$ _0__
7.	Interest, dividends, and other net income of any kind from real or personal property. Where net family assets are less than $5000, include the actual income from asset; where net family assets are in excess of $5,000, annual income shall include the greater of actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.	$ ____0_
8.	All regular pay, special pay and allowances of a member of the Armed Forces (Except Hostile Fire Pay).	$ ____0_
9.	**ANNUAL GROSS INCOME* TOTAL OF LINES 1-8** **Note:** Annual income must be reassessed at least annually. However, if there is substantial change in the household's income during the year, an adjustment must be made to the resident rent to reflect the change in income.	$ 24,672_
10.	MONTHLY GROSS INCOME (Line # 9 divided by 12.)	$ 2,056_

11. 10% of MONTHLY GROSS INCOME (Line #10 multiplied by .10.) $ ___206_

Per HUD regulations 24CFR5.611(a) the annual adjusted income is determined by deducting the following allowances from the annual gross income (see pages 5 and 6 for more info).

12. ENTER ANNUAL GROSS INCOME FROM LINE # 9. $ 24,672_

13. $480.00 FOR EACH DEPENDENT Dependents, including household members under the age of 18, elderly dependents, handicapped, disabled, or full-time students, but not the family head, spouse or foster children. - $ __480__

14. $400 FOR ANY ELDERLY OR DISABLED FAMILY MEMBER. This allowance is provided to any family whose head, spouse, or sole member is at least 62 years of age **OR** is handicapped/disabled. This deduction **always** applies to households with persons with HIV or AIDS if they are the head, spouse, or sole member at least 62 years of age. (ONLY ONE DEDUCTION PER FAMILY/HOUSEHOLD PER YEAR.) - $ __400__

15. ANY REASONABLE CHILDCARE EXPENSES These are expenses anticipated during the year for children 12 years of age and under that enable a household member to work, seek employment, or to further education. Deductible expenses for childcare to enable a person to work shall not exceed the amount of income received from such work. Childcare cannot be paid to another member of the household. (ONLY EXPENSES NOT REIMBURSED FROM ANY OTHER SOURCES ARE ALLOWED.) - $ ____0_

16. THE SUM OF THE FOLLOWING (i. ii.), TO THE EXTENT THE SUM EXCEEDS 3% OF ANNUAL GROSS INCOME: (If deductions are taken on line i. or ii. below for medical expenses, the deduction on line 14 must also be taken.) - $ __0_____

    i. EXPENSES FOR DISABLED FAMILY MEMBERS. Reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed. This deduction may not exceed the earned income received by family members who are 18 years of age or older and who are able to work because of such attendant care or auxiliary apparatus. (ONLY EXPENSES NOT REIMBURSED FROM ANY OTHER SOURCES ARE ALLOWED.)
    Enter total out of pocket expense here: $ __0______

    ii. MEDICAL EXPENSES FOR ANY ELDERLY OR DISABLED FAMILY. (ONLY EXPENSES NOT REIMBURSED FROM ANY OTHER SOURCES ARE ALLOWED.)
    Enter total out of pocket expense here: $ ___0_____

    a. ENTER TOTAL non-reimbursed expenses from i. and ii. here: $ __0_____
    b. Enter Annual Gross Income X .03 here: $ __740__
    c. Subtract **b.** from **a.** and enter difference here: $ __(740)_

    NOTE: If Line a. is less than line b. and results in a negative # for line c., no deduction can be taken. ONLY out of pocket expenses greater than .03 of the Annual Gross Income may be deducted.

17. EARNED INCOME DISREGARD/SELF-SUFFICIENCY INCENTIVES FOR PERSONS WITH DISABILITIES. In addition to deductions mandated in **24CFR5.611(a)**, HUD requires disregard for income to previously unemployed persons with disabilities who have earned income as described in **24CFR5.617(a)(b)(c)(d)**.

    If applicable enter amount of Disregard from line E or F of the worksheet on page 4. - $ __NA_

18. ANNUAL ADJUSTED INCOME. (Subtract line #'s 13 through 17 from the ANNUAL GROSS INCOME on line 12.) $ _23,792

19. MONTHLY ADJUSTED INCOME. (Line #18 divided by 12.) $ _1983_

20. 30% of MONTHLY ADJUSTED INCOME (Multiply Line #19 by .30.) $ _595___

21. **RESIDENT RENT PAYMENT**
Compare Line # 10 on Page 2 to Line #20 and enter the higher number here. $ _595______
THIS IS THE RESIDENT RENT PAYMENT.

NOTE: After the 10% and 30% calculations have been determined, the client must pay the higher of the two amounts. If either the 10% gross or 30% adjusted income amounts are greater than the Fair Market Rent (FMR- or rent standard) or the resident's actual rent, the applicant is not eligible for long-term HOPWA rental assistance.

When determining the resident's payment portion when utilities are NOT included in the rent but need to be paid out-of-pocket by the resident, follow steps 22-24.

22. RESIDENT RENT PAYMENT (Enter the amount from line #21.) $ __595__

23. UTILITY ALLOWANCE per HUD Guidelines
Copies of HUD-approved utility allowance charts may be obtained from local Public Housing Authority offices, and are updated on a periodic basis. Allowances may vary by community. - $ ___85__

24. **TOTAL RESIDENT RENT/UTILITY PAYMENT.** (Subtract Line #23 from Line #22.) $ __510__

If line #24 is a negative number, this is the amount to be reimbursed to the resident or utility company, based on the resident having paid utilities out-of-pocket.

Earned Income Disregard
Worksheet

STEP 1: Determine Eligibility (The Earned Income Disregard does not apply for purposes of admission to these programs)

A. A disabled family must be receiving assistance through one of the following programs:

- HOPWA (Housing Opportunities for Persons with AIDS)
- HOME (Housing Opportunities Made Equal)
- SHP (Supportive Housing Program)
- Housing Choice Voucher (Section 8)

And at least ONE of the following must apply

B. Whose annual income increases as a result of employment of a family member who is a person with disabilities and who was previously unemployed for one or more years prior to employment; **OR**

C. Whose annual income increases as a result of increased earnings by a family member who is a person with disabilities during participation in any economic self-sufficiency or other job training program; **OR**

D. Whose annual income increases, as a result of new employment or increased earnings of a family member who is a person with disabilities, during or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the responsible entity in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least $500.

- If eligible proceed to Step 2 -

STEP 2: Calculate Amount of Earned Income Disregard

A. Current earned income (gross annualized) of EID family member $ _______

B. Other current income (gross annualized) of EID family member $ _______

C. Total current annual income of EID family member (A+B) $ _______

D. Pre-Qualifying income $ _______
Total gross annual income at last review (earned and unearned) for this member

E. Full exclusion (C-D, but no more than A) $ _______
First 12-month exclusion period

F. 50% exclusion, if applicable (E x 0.050) $ _______
Second 12-month exclusion period

The amount on Line E. or Line F. (whichever is applicable) is the amount of deduction entered on Page 2, number 16.

Full Text of 24 CFR 5.609
Income Inclusions and Exclusions

Sec.5.609 Annual income

(a) Annual income means all amounts, monetary or not, which:

(1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or

(2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and

(3) Which are not specifically excluded in paragraph (c) of this section.

(4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) Annual income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);

(6) Welfare assistance payments. (i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:

(A) Qualify as assistance under the TANF program definition at 45 CFR 260.31; and

(B) Are not otherwise excluded under paragraph (c) of this section.

(ii) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities,
the amount of welfare assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(B) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(c) Annual income does not include the following:

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide, as defined in Sec. 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution;

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(8)(i) Amounts received under training programs funded by HUD;

(ii) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;

(v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(9) Temporary, nonrecurring or sporadic income (including gifts);

(10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(11) Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) [Reserved]

(14) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

(d) Annualization of income. If it is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income), or the PHA believes that past income is the best available indicator of expected

future income, the PHA may annualize the income anticipated for a shorter period, subject to a redetermination at the
end of the shorter period.

Full Text of 24 CFR 5.611
Mandatory Deductions

Sec. 5.611 Adjusted income

Adjusted income means annual income (as determined by the responsible entity, defined in Sec. 5.100 and Sec. 5.603) of the members of the family residing or intending to reside in the dwelling unit, after making the following deductions:

(a) Mandatory deductions. In determining adjusted income, the responsible entity must deduct the following amounts from annual income:

(1) $480 for each dependent;

(2) $400 for any elderly family or disabled family;

(3) The sum of the following, to the extent the sum exceeds three percent of annual income:

(i) Unreimbursed medical expenses of any elderly family or disabled family; and

(ii) Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed. This deduction may not exceed the earned income received by family members who are 18 years of age or older and who are able to work because of such attendant care or auxiliary apparatus; and

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

(b) Additional deductions. (1) For public housing, a PHA may adopt additional deductions from annual income. The PHA must establish a written policy for such deductions.

(2) For the HUD programs listed in Sec. 5.601(d), the responsible entity shall calculate such other deductions as required and permitted by the applicable program regulations.

ATTACHMENT 6-5:
SAMPLE ZERO INCOME CERTIFICATION FORM

ZERO INCOME AFFIDAVIT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

I, ________________________________, have applied for emergency or rental assistance through the HUD Housing Opportunities for Persons with AIDS (HOPWA) program. Program regulations require verification of all income from participating households.

Income includes but is not limited to:

- Gross wages, salaries, overtime pay, commissions, fees, tips and bonuses
- Net income from operation of a business or from rental or real personal property
- Interest, dividends and other net income of any kind for real personal property
- Periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of period receipts
- Lump sum payment(s) for the delayed start of a periodic payment (except as provided in 24 CFR 5.609 (b)(5))
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay
- Public assistance
- Alimony and child support payments (whether through the court system or not)
- Regular pay, special pay and allowances of a head of household or spouse who is a member of the Armed Forces (whether or not living in the dwelling)
- Regular monetary gifts from family and/or friends

I have stated during this verification process that I have no income at this time.

I have not received income since ____

I do not expect to receive any income until ____

I applied for ____
(other financial assistance)
on ____(date).

I understand that any misrepresentation of information or failure to disclose information requested on this form may disqualify me from participation in the HOPWA program, and may be grounds for termination of assistance. WARNING: It is unlawful to provide false information to the government when applying for federal public benefit programs per the Program Fraud Civil Remedies Act of 1986, 31 U.S.C. §§ 3801-3812.

I certify that the above information is true and correct. I also understand that it is my responsibility to report all changes to my household composition or income in writing to within ten (10) business days of such change.

Signature: ________________________________ Date: ____________________

Witness: _________________________________ Date: ____________________

Case Manager/Care Coordinator's Notes:

ATTACHMENT 6-6:
DISALLOWANCE OF INCREASE IN ANNUAL INCOME
(EARNED INCOME DISREGARD)

Disallowance of Increase in Annual Income
(Earned Income Disregard)

In February 2001 HUD finalized regulations that require housing providers in certain HUD programs to disregard some or all of the earned income for tenants with disabilities. The Earned Income Disregard, as it is commonly called, allows qualified individuals and families receiving housing assistance to keep more of their earned income for a period of up to two years following an increase in employment income. The purpose is to assist persons with disabilities in obtaining and retaining employment, as an important step toward economic self-sufficiency.

Who qualifies for the earned income disregard?

1. A disabled family receiving assistance through one of the following programs:

- HOPWA (Housing Opportunities for Persons with AIDS)
- HOME (HOME Investment Partnership Act)
- SHP (Supportive Housing Program)
- Housing Choice Voucher (Section 8)

The Earned Income Disregard does not apply for purposes of admission to these programs.

AND at least one of the following:

2. Whose annual income increases as a result of employment of a family member who is a person with disabilities and who was previously unemployed for one or more years prior to employment; OR

3. Whose annual income increases as a result of increased earnings by a family member who is a person with disabilities during participation in any economic self-sufficiency or other job training program; OR

4. Whose annual income increases, as a result of new employment or increased earnings of a family member who is a person with disabilities, during or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the responsible entity in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least $500.

Definitions

Previously Unemployed: Includes a person with disabilities who has earned, in the twelve months previous to employment, no more than would be received for 10 hours of work per week for 50 weeks at the established minimum wage.

Minimum Wage: The prevailing minimum wage in the state or locality. Go to this web link to verify the minimum wage in your state: http://www.dol.gov/esa/minwage/america.htm**.** The established minimum wage means the federal minimum wage unless there is a higher state or local minimum wage.

Economic Self-Sufficiency Program: Any program designed to encourage, assist, train or facilitate economic independence of assisted families or to provide work for such families. Such programs may include job training, employment counseling, work placement, basic skills training, education, English proficiency, workfare, financial or household management, apprenticeship, or any other program necessary to ready a participant to work (such as substance abuse or mental health treatment)

Initial and Phase-In Exclusion Periods

Initial 12-Month Exclusion: 100% Exclusion of income over the amount of prior income (if any). This cumulative period begins on the date a member who is a person with disabilities of a qualified family is first employed OR the date the family first experiences an increase in annual income attributable to employment. The responsible entity must exclude from annual income of a qualified family any increase in income of the family member who is a person with disabilities as a result of employment over the prior income of that family member. If the period of increased income does not last for 12 consecutive months, the disallowance period may be resumed at any time within the 48-month period, and continued until the disallowance has been applied for a total of 12 months.

Second 12-Month Exclusion/Phase-In: 50% Exclusion of income over the amount of income prior to the beginning of the initial exclusion (if any).
The second 12-month cumulative period after the date a member who is a person with disabilities of a qualified family is first employed OR the date the family first experiences an increase in annual income attributable to employment. The responsible entity must exclude from annual income of a qualified family fifty percent (50%) of any increase in income of the family member who is a person with disabilities as a result of employment over the prior income of that family member. If the period of increased income does not last for 12 consecutive months, the disallowance period may be resumed at any time within the 48-month period, and continued until the disallowance has been applied for a total of 12 months

Maximum 48-Month Disallowance: There is a 48-month (four year) lifetime maximum time frame for each qualifying family member to utilize the Earned Income Disregard. The 48-month period is *consecutive* and begins at the initial exclusion, either the date that a qualified family member is first employed or the date when the family first experienced an increase in annual income. The exclusion ends when the qualifying family member uses both 12-month exclusions (initial 12-month 100% and second 12-month 50%) or until the 48-month lifetime maximum is reached, whichever comes first. No disallowance will be applied after the 48-month period following the initial date the exclusion was applied.

Documentation and Tracking

Documentation should be maintained and may include the following:

1. Date the increase in earned income was reported by the family.
2. Name of the family member whose earned income increased.
3. Reason (new employment, participation in job training program, within six months after receiving TANF) for increase in earned income.
4. Verification of income.
5. Amount of the increase in income (amount to be excluded).
6. Date the increase in income is first excluded from annual income.
7. Date(s) earned income ended and resumed during the initial cumulative 12-month period of exclusion (if applicable).
8. Date the family member received a total of 12 months of the initial exclusion.
9. Date the second 12-month (phase-in) exclusion period began.
10. Date(s) earned income ended and resumed during the second cumulative 12-month period of exclusion (if applicable).
11. Date the family member received a total of 12 months of phase-in exclusion.
12. Ending date of the maximum 48-month disallowance period OR full utilization of both 12-month periods, whichever comes first. If all months in both the initial and phase-in periods occur consecutively, this date may be as soon as 24 months from the date the exclusion was first applied.

EID Calculation

A. Current earned income (gross annualized) of EID family member $ _______

B. Other current income (gross annualized) of EID family member $ _______

C. Total current annual income of EID family member (A+B) $ _______

D. Pre-Qualifying income $ _______
Total gross annual income at last review (earned and unearned) for this member

E. Full exclusion (C-D, but no more than A) $ _______
First 12-month exclusion period

F. 50% exclusion, if applicable (E x 0.050) $ _______
Second 12-month exclusion period

Question & Answer
Obtained from the HUD website: www.hud.gov/offices/pih/phr/about/ao_faq_eid.cfm

Q1: Does the new disregard apply to a tenant who has income from both TANF and employment, beginning prior to October 1, 2002, but then experiences an increase in earnings from work after October 1, 2002?

A1: The new income disregard applies; tenants whose earnings increase while on TANF are eligible for a disregard of their *increased income due to earnings.*

Example:

A tenant has a 20-hour/week job for which she earns $550 per month (she did not receive the 18-month disregard) and receives $200/month in TANF benefits. Beginning November 1, 2002 the employer increases her hours to 35 per week with a slight pay increase for a total of $1000 per month and she stops receiving the TANF benefits. The new disregard applies to her *increase* in income due to earnings. Under the regulations, $250/month of the increase in earnings is excluded from her annual income to determine her rent, because that is her increase in income (as opposed to the increase in earnings). The annual income used to determine her rent is 12 times the previous $750/month of income. Her rent would remain what it was in October 2002 (assuming no other changes in income or family composition), because the October and prior rent was based on the previous gross income of $750/month.

Q2: At a family's last reexamination effective 1/1/2001, the family is receiving welfare assistance. When the family is reexamined for 1/1/2002, a member of the family has earnings after being previously unemployed for twelve months. This change occurred on 6/15/2001, but the family was not required to report it. Now it is being reported for the reexamination effective 1/1/2002. How is the earned income exclusion benefit processed?

A2: By not reporting the increase, the family has received the benefit for the 6 months prior to the reexamination. The family is entitled to 100 percent of the disregard of any incremental increase for the remaining six months. At the end of that six months, the family is then entitled to the 12 month 50% disregard of the incremental increase.

Q4. Does the $500 minimum dollar requirement apply only when a family is seeking to qualify for the disregard on the basis of receipt of one-time TANF benefits or ancillary benefits such as transportation assistance, (and not to the receipt of monthly TANF income maintenance benefits?

A4: Yes, the $500 minimum dollar requirement applies only to one-time benefits, wage subsidies, and transportation. A person receiving regular monthly income benefits in the previous six months is eligible for the disallowance even if the amount received is less than $500.

Q5: An individual who was never previously employed obtains his or her first job, but is still receiving a regular monthly income benefit from welfare. Is this individual entitled to the income disregard?

A5: Yes, the individual is eligible for the earned income disregard based on the following criteria: "Whose annual income increases as a result of new employment or increased earnings of a family member, during or within six months after receiving assistance, benefits or services under any state program for Temporary Assistance to Needy Families **funded under Part A of title IV of the Social Security Act,** as determined by the PHA in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare to Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least $500."

Q6: An individual is working but also receiving TANF benefits. If the individual's income increases, and as a result, the individual loses the TANF benefits, does the individual qualify for the income disallowance?

A6: Yes, the individual is eligible for the income disregard based on an increase in income as a result of new employment within six months of receiving TANF.

Q7: Does a family receive the benefit of the income disregard if the family experiences an increase in earnings within six months of receiving a non-cash TANF benefit, such as a $600 payment to an auto shop for repairs to the tenant's car so she could start a new job?

A7: Yes, receipt of at least $500 in TANF benefits is sufficient to trigger the disregard. To verify which benefits are funded under of the state's TANF program, contact your state or local welfare office.

Q8: In determining a family's eligibility for the income disregard, must the member of a household who gets a job or increased earnings be the same member of the household who received TANF benefits?

A8: Yes. Only members of a qualified family who are also TANF recipients can receive the disregard based on the qualifying factor related to new employment or an increase in income during or within six months of receipt of TANF.

Q9: At reexamination, if some members of a household have increases in their income, and those household members are not entitled to the disregard, how does this affect the rent at the second twelve-month exclusion and phase-in period?

A9: Any increases in income of family members who are not eligible for the earned income disregard will be considered in determining the family's rent.

Q10: Is a tenant eligible for the income disregard if she obtains a job 2 months after completion of the coursework portion of a vocational school program while she is receiving job search and counseling assistance from the program?

A10: Yes. Because she is still receiving services from the training program, she has started a job during the program and is entitled to the disregard.

Q11: If a tenant who qualifies for the disregard gets a job after paying a zero rent, does her rent remain at zero for another 12 months (and then increase to half of what the rent obligation would have been if all her earnings were considered?

A11: Yes. For example, if a tenant had no income for 12 months prior to getting a job she would meet the eligibility for the disregard as "previously unemployed." Her rent would remain zero for 12 months after her job began. In months 13 - 24 after her employment began, her rent would be based on half her earnings.

Q12: If a PHA does not perform interim reexaminations and increases rents only at the family's annual reexamination, why does EID begin on the first day of the month following the increase in earnings?

A12: According to the regulation, the exclusion actually begins on the date the family is first employed or first experiences an increase in income attributable to employment. However, for administrative and tracking purposes, the PHA can begin the exclusion on the first of the month following the employment or increase in income. Note: If a person who qualifies for EID begins employment or experiences an increase in income and fails to report this change, the PHA will count this time against the family member's exclusion period.

Q13: A tenant received TANF benefits of $500 per month from March 2004 - August 2004, and at this point the tenant reached the state's TANF time limit and benefits were terminated. The tenant got a job making $600/month for September through November 2004. At the end of November, the person quit that job and during the week before Christmas started a new job paying $1200/month. Is the tenant eligible for the disregard when she reports her new earnings in January 2005?

A13: Yes. The tenant qualifies for the income disregard because the individual received TANF benefits within the 6-month period prior to January 2005. In addition, in the 12 months prior to beginning her new job, she earned only $1,800, which is less than 500 hours at the federal minimum wage (currently $2,575) so she is considered to be "previously unemployed."

Q14: How many times in a 48-month period can a family qualify for the earned income exclusion?

A14: A family member can only receive a total of 12 months for 100% of the incremental increase disregard, and 12 months of the 50% disregard in his or her lifetime. The disregard only applies for a maximum of 4 years from the time it is first applied.

Q15: If a tenant is eligible for the earned income disregard, can the disregarded amounts be used in determining the cap for the childcare expense deduction?

A15: In the case of childcare necessary to permit employment, the amount deducted shall not exceed the amount of employment income that is included in annual income; therefore, the disregarded amounts can not be used in determining the cap for the childcare expense deduction. (See definition of childcare expenses at 24 CFR 5.603.)

Example:

A resident is receiving the benefit of the new earned income disregard. Her salary is $9,000/year, however, only $3,000 of this amount is being included in annual income. The remaining $6,000 is being disregarded. Childcare expenses for her four-year-old daughter total $3,640/year. The resident's childcare deduction is capped at $3,000, because this is the amount that is included in annual income.

Full Text of 24 CFR 5.617
Earned Income Disregard

Sec. 5.617 Self-sufficiency incentives for persons with disabilities--Disallowance of increase in annual income.

(a) Applicable programs. The disallowance of increase in annual income provided by this section is applicable only to the following programs: HOME Investment Partnerships Program (24 CFR part 92); Housing Opportunities for Persons with AIDS (24 CFR part 574); Supportive Housing Program (24 CFR part 583); and the Housing Choice Voucher Program (24 CFR part 982).

(b) Definitions. The following definitions apply for purposes of this section. Disallowance. Exclusion from annual income. Previously unemployed includes a person with disabilities who has earned, in the twelve months previous to employment, no more than would be received for 10 hours of work per week for 50 weeks at the established minimum wage. Qualified family. A family residing in housing assisted under one of the programs listed in paragraph (a) of this section or receiving tenant-based rental assistance under one of the programs listed in paragraph (a) of this section.

(1) Whose annual income increases as a result of employment of a family member who is a person with disabilities and who was previously unemployed for one or more years prior to employment;

(2) Whose annual income increases as a result of increased earnings by a family member who is a person with disabilities during participation in any economic self-sufficiency or other job training program; or

(3) Whose annual income increases, as a result of new employment or increased earnings of a family member who is a person with disabilities, during or within six months after receiving assistance, benefits or services under any state program for temporary assistance for needy families funded under Part A of Title IV of the Social Security Act, as determined by the responsible entity in consultation with the local agencies administering temporary assistance for needy families (TANF) and Welfare-to-Work (WTW) programs. The TANF program is not limited to monthly income maintenance, but also includes such benefits and services as one-time payments, wage subsidies and transportation assistance--provided that the total amount over a six-month period is at least $500.

(c) Disallowance of increase in annual income--(1) Initial twelve month exclusion. During the cumulative twelve month period beginning on the date a member who is a person with disabilities of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment, the responsible entity must exclude from annual income (as defined in the regulations governing the applicable program listed in paragraph (a) of this section) of a qualified family any increase in income of the family member who is a person with disabilities as a result of employment over prior income of that family member.

(2) Second twelve month exclusion and phase-in. During the second cumulative twelve month period after the date a member who is a person with disabilities of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment, the responsible entity must exclude from annual income of a qualified family fifty percent of any increase in income of such family member as a result of employment over income of that family member prior to the beginning of such employment.

(3) Maximum four year disallowance. The disallowance of increased income of an individual family member who is a person with disabilities as provided in paragraph (c)(1) or (c)(2) is limited to a lifetime 48 month period. The disallowance only applies for a maximum of twelve months for disallowance under paragraph (c)(1) and a maximum of twelve months for disallowance under paragraph (c)(2), during the 48 month period starting from the initial exclusion under paragraph (c)(1) of this section.

(d) Inapplicability to admission. The disallowance of increases in income as a result of employment of persons with disabilities under this section does not apply for purposes of admission to the program (including the determination of income eligibility or any income targeting that may be applicable).

MODULE 7: HOPWA FINANCIAL REPORTING

WHAT THE MODULE IS ABOUT

In this Module

- Financial Reporting for Housing Activities
- Financial Reporting for Other Typical HOPWA Activities
- Reporting on Leveraging and Program Income

HUD requires each HOPWA grantee to provide an annual report describing progress in carrying out the activities in its application. The report format for formula HOPWA grantees is the HOPWA part of the Consolidated Annual Performance and Evaluation Report (CAPER). For competitive HOPWA grantees, the report is known as the Annual Progress Report (APR). Reports are due within 90 days of the end of the formula grantee's program year, or 90 days after the end of the competitive grantee's operating year. This module focuses on the financial elements of these reports and the scope and structure of data needed to provide the required information specified in them.

To complete the HOPWA part of the CAPER or the APR, grantees and project sponsors need to have access to financial records as well as the amounts specified in the Action Plan/Application. In particular, the CAPER, Part 3, Chart 1. calls for budget (column e) and actual (column f) amounts. (See **Attachment 7-1** for a list of financial reporting data elements.) Keeping detailed financial information throughout the year will help make completing the report go more smoothly.

By comparing the information requirements described in this module to existing financial and record-keeping systems, grantees and project sponsors will be able to identify what changes, if any, they have to make to provide complete and accurate financial reports. The goal is for the HOPWA grantee to have financial management systems and records such that completing the HOPWA report becomes a routine process of direct retrieval and summary of existing records.

Resources

Resources are available when completing the CAPER (for formula grantees) and APR (for competitive grantees). Among them are the current versions of the CAPER and APR and the latest reporting updates. These resources are located in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

These items include annotated versions of the reports that highlight key changes and issues. Once complete, the report may be saved in electronic format and printed out in hard copy for record keeping purposes.

HOW THIS MODULE IS ORGANIZED

This module begins with a review of the financial reporting requirements for Tenant-Based Rental Assistance as covered in Module 6 and continues with financial reporting of other housing activities and several other typical (non-housing) HOPWA activities. Within these sections, consideration is given to personnel and non-personnel costs, as covered in Modules 4 and 5. This module also provides guidance for reporting on leverage and program income. For reference, the Attachments to this module provide a comprehensive listing of the data elements needed for a complete report.

There are some differences between the CAPER and APR. Information in this module is organized based on CAPER requirements because there are many more formula grantees than competitive grantees. To assist competitive grantees, there is a notation of the equivalent part of the APR, as well as mention of items that are different or unique to APR financial data.

Capturing Financial Data for Reporting

To minimize the time needed to collect financial data for the CAPER or APR, grantees and project sponsors should set up their financial systems to categorize costs by activity as they are incurred (for example, by TBRA, STRMU, and permanent housing placement).

Hard costs such as rental subsidies and short-term mortgage payments are readily identifiable with a reported activity, but other costs, such as personnel time spent on specific activities, may be more difficult to capture.

Module 4 discussed how a time and activity reporting system needs to be able to distinguish personnel costs associated with different grants and funding sources to be reimbursed. For reporting purposes, the system should also capture the time spent on different activities under the HOPWA grant.

Grantees and project sponsors that develop and carefully implement a time and activity reporting system should see the benefits of that effort when completing their report. A well designed system should ensure that the data needed to complete the CAPER and APR is accurate and readily available.

FINANCIAL REPORTING FOR HOUSING ACTIVITIES

This section provides guidance on effective approaches to financial reporting for the following categories of HOPWA housing activities:

- Tenant Based Rental Assistance (TBRA)
- Facility-Based Housing
- Short-Term Rent, Mortgage and Utility (STRMU) Assistance
- Permanent Housing Placement

Tenant Based Rental Assistance (TBRA)

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
Line 1. TBRA

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type,
Column [2]. Outputs: Amount of HOPWA Funds Expended
Line 1. TBRA

APR, Part 5: B.
Chart 1. HOPWA Housing Subsidy Assistance Category: Rental Assistance
Column [2] Output: Total HOPWA Funds Expended during Operating Year by Project Sponsor/Subrecipient
Line a. TBRA,
Line b. Other Rental Assistance Programs
Line c. Direct program delivery costs

The expenditure data entered for TBRA is the total rental subsidy, staffing, and non-personnel costs.

- **Rental subsidy costs.** This amount is the sum of monthly rental subsidy payments for all TBRA units during the program year.
- **Personnel costs.** Staff costs for TBRA activities include staff handling client intake, housing inspections, income re-certifications, and other time devoted specifically to TBRA activities. Grantees and project sponsors need time and activity records that clearly record and support TBRA-related staff costs that are included on this line of the report.
- **Non-personnel costs.** Any additional non-personnel costs related to TBRA activities would be included in this amount as well.

Facility-Based Housing

This type of housing is defined as:

> All HOPWA housing expenditures which provide support to facilities, including community residences, SRO dwellings, short-term facilities, project-based rental units, master leased units, and other housing facilities approved by HUD.[10]

[10] CAPER HUD 40110-D Definitions

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Lines 2a., 2b., 3a., 3b., and 8, column f. HOPWA Actual

CAPER Part 7: B.
Chart 2a. Project Site Information for HOPWA Capital Development of Projects
Columns: HOPWA Funds Expended this operating year and Non-HOPWA funds Expended:

- New construction
- Rehabilitation
- Acquisition
- Operating

CAPER, Part 7: B.
Chart 4. Households and Housing Expenditures
Column: Output: Total HOPWA Funds Expended during Operating Year by Project Sponsor/Subrecipient

- Line a. Leasing Costs
- Line b. Operating Costs
- Line c. PBRA or other
- Line d. Other Activity

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type,
Column [2]. Outputs: Amount of HOPWA Funds Expended

- Lines 2a., 2b., 3a., 3b., and 8.

APR, Part 5: C.
Chart 1a. Project Site Information for HOPWA Capital Development of Projects Only
Columns: HOPWA Funds Expended this operating year and Non-HOPWA funds Expended:

- New construction
- Rehabilitation
- Acquisition
- Operating

APR, Part 5: C.
Chart 3. Households and Housing Expenditures
Column: Output: Total HOPWA Funds Expended during Operating Year by Project Sponsor/Subrecipient

- Line a. Leasing Costs,
- Line b. Operating Costs
- Line c. PBRA or other
- Line d. Other Activity

- Reporting on this category of housing activity requires division of data into several specific categories, as follows:
  - ♦ Households in permanent housing facilities that receive operating subsidies/leased units

  - ♦ Households in transitional/short-term housing facilities that receive operating subsidies/leased units
  - ♦ Households in permanent housing facilities developed with capital funds and placed in service during the program year
  - ♦ Households in transitional/short-term housing facilities developed with capital funds and placed in service during the program year
  - ♦ Facility-based units being developed with capital funding but not opened (show units of housing planned)

- **Personnel and non-personnel costs.** Complete time and activity reporting by staff will ensure accurate reporting. Even though the majority of HOPWA expenditures for these activities may be direct non-personnel costs (e.g. capital costs and operating subsidies used for items such as utilities or insurance), each category may also include personnel costs related to operating facility-based housing.

Short-Term Rent, Mortgage and Utility (STRMU) Assistance

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
Line 4. STRMU Assistance

CAPER, Part 3.
Chart 3. STRMU Summary Housing Subsidy Assistance Categories
Column: [2] Output: Total HOPWA Funds Expended on STRMU during Operating Year
Lines a. – g

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type,
Column: [2]. Outputs: Amount of HOPWA Funds Expended
Line 4. STRMU Assistance

APR, Part 5: B.
Chart 2. Housing Subsidy Assistance Categories: STRMU
Column: [2] Output: Total HOPWA Funds Expended on STRMU during Operating Year
Lines a. – g.

The expenditure data entered for STRMU is the total STRMU payment, staffing, and non-personnel costs.

- **STRMU payment costs.** This amount is the sum of monthly subsidy payments for all STRMU cases during the program year. Given the limitations on STRMU assistance, the monthly amount is likely to vary somewhat as clients reach their limits.

  Note particularly the breakdown of STRMU costs (listed as Lines a. – g.) that are described in Attachment 7-1. These breakout categories necessitate careful organization of records and maintenance of data to complete accurately.

- **Personnel costs.** Staff costs for STRMU are similar to those involved in TBRA activities. Again, time and activity records that clearly record and support STRMU-related staff costs (separate from time spent on TBRA and other activities) are essential to provide accurate financial data for this entry.
- **Non-personnel costs.** Any additional non-personnel costs related to STRMU activities would be included in this amount as well.

Permanent Housing Placement

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
Line 5. Permanent Housing Placement Services

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type
Column: [2]. Outputs: Amount of HOPWA Funds Expended.
Line 5. Permanent Housing Placement Services

APR, Part 5: B.
Chart 3. HOPWA Housing Subsidy Assistance Category: Permanent Housing Placement Assistance
Column [2] Output: Total HOPWA Funds Expended during Operating Year by Project Sponsor/Subrecipient
Line a. Permanent Housing Placement Services
Line b. Direct program delivery costs

Permanent Housing Placement is a supportive housing service that helps establish the household in the housing unit, including but not limited to reasonable costs for security deposits not to exceed two months of rental costs. Even though the eligibility category of this activity is supportive services, it is reported along with other Housing Subsidy Assistance in the CAPER.

FINANCIAL REPORTING FOR OTHER TYPICAL HOPWA ACTIVITIES

This section highlights the financial reporting requirements for the following HOPWA activities:

- Supportive Services
- Housing Information Services
- Resource Identification
- Technical Assistance (if approved in the grant agreement)
- Administration

Supportive Services

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
Lines 11a., 11b.

CAPER, Part 3.
Chart 2. Listing of Supportive Services
Column: [2] Output: Amount of HOPWA Funds Expended
Lines 1. – 14.

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type
Column: [2]. Outputs: Amount of HOPWA Funds Expended
Lines 11a., 11b.

APR, Part 5: D.
Chart 2. Listing of Supportive Services provided by Project Sponsor/Subrecipient Agency
Column: [2] Output: Amount of HOPWA Funds Expended
Lines 1. – 14.

Grantees and project sponsors need to maintain records of funds expended for Supportive Services in 14 categories to complete the CAPER Part 3, Chart 2 (see **Attachment 7-2**; the categories are the same for the APR Part 5, D, Chart 2).

- **Personnel costs.** A significant portion of supportive services costs come from the direct charge of personnel who provide the case management, mental health, and other services to HOPWA clients. Accurate reporting requires time and activity record systems that record time separately for each category. Such systems not only facilitate efficient, accurate reporting, but also ensure that such costs are validated in any financial review or audit.
- **Non-personnel costs.** Effective upfront planning and record-keeping will ensure that appropriate non-personnel costs that have been adequately documented are included in the report. In many cases these costs may be shared with other programs, such as the Ryan White HIV/AIDS Program, but allocated to HOPWA on a reasonable basis.[11]

One approach to resolve this record-keeping and reporting challenge has been to designate HOPWA supportive services staff as “case managers.” This broad category permits HOPWA-funded staff to address a wide spectrum of client needs, including referring clients to agencies where specific services can be provided. Using this approach, staff need to record time (and resulting expenditures) for a single line item on their timesheet for use in completing the report (line 3 on the Supportive Services chart).

Where individual staff members have assignments involving numerous categories, staff and management may need to make special efforts to minimize the potential burden and ensure the accuracy of timekeeping records.

The CAPER and APR require separate summary information for supportive services provided by project sponsors that do and do not provide housing assistance (CAPER, Part 3, Chart 1, Lines 11a. and 11b.

[11] Refer back to Module 3 for a review of what constitutes a reasonable cost and of the process of allocating costs.

APR, Part 3: C. Chart 1, Lines 11a. and 11b.). In the APR, whether the project sponsor does or does not provide housing assistance is indicated in Part 5, D, Chart 1, Lines 1a. and 1b.

Also in the APR, each individual Project Sponsor or Subrecipient completes the Listing of Supportive Services paid for with HOPWA funds provided by Project Sponsor/Subrecipient Agency (APR Part 5 D., Chart 2.). Then aggregate the individual entries in Part 3: C. of the APR.

Housing Information Services

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
    Line 14. Housing Information Services

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type, column
Column: [2]. Outputs: Amount of HOPWA Funds Expended
    Line 14. Housing Information Services

APR, Part 5: D.
Chart 3. Listing of Housing Information Services, Grant Administration, and Other Activities paid for with HOPWA funds
Column [2]. Output: Amount of HOPWA Funds Expended
    Line 18. Housing Information Services

Housing Information Services includes housing counseling, housing advocacy, information and referral services, fair housing information, and housing search and assistance.

In the APR, data from each Project Sponsor and Subrecipient Agency is entered in Part 5 D., Line 18 and aggregated in Part 3 C. as noted.

Resource Identification

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
    Line 16. Resources Identification to establish, coordinate, and develop housing assistance resources

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type
Column [2]. Outputs: Amount of HOPWA Funds Expended
    Line 16. Resource Identification to establish, coordinate, and develop housing assistance resources

APR, Part 5: D.
Chart 3. Listing of Housing Information Services, Grant Administration, and Other Activities paid for with HOPWA funds
Column [2]. Output: Amount of HOPWA Funds Expended
    Line 20. Resource Identification to establish, coordinate, and develop housing assistance resources

Resource Identification includes costs to develop housing assistance resources, outreach and relationship-building with landlords, costs involved in creating brochures, web resources, and time to locate and identify affordable housing vacancies.

In the APR, data from each Project Sponsor and Subrecipient Agency is entered in Part 5 D., Line 20 and aggregated in Part 3 C. as noted.

Technical Assistance

The expenditure data is entered on the following:

CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column f. HOPWA Actual
Line 17. Technical Assistance (if approved in grant agreement)

APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type
Column: [2]. Outputs: Amount of HOPWA Funds Expended
Line 17. Technical Assistance

APR, Part 5: D.
Chart 3. Listing of Housing Information Services, Grant Administration, and Other Activities paid for with HOPWA funds
Column [2] Output: Amount of HOPWA Funds Expended
Line 21. Technical Assistance to Community Residences

On this line, grantees will report on HOPWA funding used to pay for technical assistance. This line-item is not used very frequently, and grantees should refer to the grant agreement to determine if they were budgeted for this type of technical assistance.

If so, the amount entered on this line would reflect costs to establish and operate a community residence, including planning and other predevelopment or pre-construction expenses. These expenses may include, but are not limited to, costs relating to community outreach and educational activities regarding HIV/AIDS for persons residing in proximity to the community residence.

Administration

The expenditure data is entered on the following:
 	
CAPER, Part 3.
Chart 1. HOPWA Performance Planned Goal and Actual Outputs,
Column: f. HOPWA Actual
    Line 18. Grantee Administration
    Line 19. Project Sponsor Administration
 	
APR, Part 3: C.
Chart 1. Performance and Expenditure Information by Activity Type
Column: [2] Outputs: Amount of HOPWA Funds Expended
    Line 19. Grantee Administration
    Line 20. Project Sponsor Administration
 	
APR, Part 5: D.
Chart 3. Listing of Housing Information Services, Grant Administration, and Other Activities paid for with HOPWA funds
Column: [2] Output: Amount of HOPWA Funds Expended
    Line 20. Project Sponsor Administration

The CAPER (and APR) requires separate reporting of expenditures on administration by the grantee and by the project sponsor(s). As noted on the reporting form, grantee administration is limited to 3% of the grant; project sponsor administration is limited to 7% of the funds awarded to the sponsor.

REPORTING ON LEVERAGING AND PROGRAM INCOME

The HOPWA CAPER Instructions provides the following guidance on leveraged funds/resources:

> "**Leveraged Funds:** The amount of funds expended during the operating year from non-HOPWA Federal, State, local, and private sources by grantees or sponsors in dedicating assistance to this client population."
>
> "**In-kind Leveraged Resources:** These involve additional types of support provided to assist HOPWA beneficiaries such as volunteer services, materials, use of equipment and building space."…"The value of any donated material, equipment, building, or lease should be based on the fair market value at time of donation."

Essentially, leveraged funds are non-HOPWA dollars provided by the grantee, project sponsor, or other organizations used to pay for housing and services to HOPWA households. Examples of leveraged funds include money spent for HOPWA households from the following sources: Emergency Solutions Grant; Shelter Plus Care; Ryan White HIV/AIDS Program; State and local funds; and private philanthropy.

Annual Action Plans (and competitive HOPWA applications) include information on the anticipated amount of leveraged funds. Grantees and project sponsors can compare this information with the CAPER/APR information on leveraged funds actually secured. (See **Attachment 7-3** for a list of financial reporting data elements for leveraging.)

Formula grantees should provide additional information in the CAPER when there is a significant deviation between the planned and actual leveraged funds. Competitive grantees are expected to fulfill and report on the HUD approved list of commitments to obtain leveraged resources as codified in the HOPWA grant agreement. For these competitive grants, leveraged resources are an essential resource for serving clients and an integral part of the HOPWA program approved for funding.

Competitive grantees are expected to fulfill and report on the HUD approved list of commitments to obtain leveraged resources as codified in the HOPWA grant agreement. For these competitive grants, leveraged resources are an essential resource for serving clients and an integral part of the HOPWA program approved for funding.

Note on APR reporting: Refer to the HOWA APR instructions for similar definition of Leveraged Resources and In-Kind Leveraged Resources used for competitive grantees.

The expenditure data is entered on the following: CAPER, Part 2 Sources of Leveraging and Program Income Chart 1. A. Source of Leveraging Chart APR, Part 3 Summary Overview of Grant Activities B. Sources of Leveraging and Program Income Chart 1.a. Source of Leveraging Chart

The need to leverage funds is often mistaken as the need to match funds. The terms are often used interchangeably, but a “match” is associated with a requirement to provide a specific percentage or dollar amount of funds to be eligible to receive grant funds, while leveraging funds refers only to the addition generally of other funds or in-kind resources that benefit the client population. To qualify for funding, the HOPWA program does not require applicants to *match* Federal funding.

As a practical matter, an organization will need to leverage non-HOPWA sources of funding in order to cover expenditures that are not allowable or readily charged to HOPWA, such as some types of indirect costs that are discussed in Modules 4 and 5 on personnel and non-personnel costs.

The CAPER and APR now provide for a separate chart to report program income, rather than a Program Income line within the Leveraging Chart. Program income is defined as “Gross income directly generated from the use of HOPWA funds, including repayments.” Grantees report the receipt and expenditure of program income, as well as resident rent payments collected or paid directly to the HOPWA program, in the CAPER, Part 2. Sources of Leveraging and Program Income and in the APR, Part 3. Sources for Leveraging and Program Income.

The receipt and expenditure data is entered on the following:

- CAPER, Part 2. Sources of Leveraging and Program Income, 2. Program Income and Resident Rent Payments, Charts A and B.
- APR, Part 3. Summary Overview of Grant Activities, B. Sources for Leveraging and Program Income, 2. Program Income and Resident Rent Payments, Charts A and B.

REPORTING AND IDIS

HUD has notified HOPWA grantees that 2012 will be a year of transition to the increased use of IDIS for HOPWA reporting. HUD is continuing to work on creating the ability to submit all required annual reporting data, including financial data, using IDIS. The financial data described in this Module is expected to remain unchanged as the format for reporting migrates from the CAPER and APR to IDIS. Grantees will continue to use and submit the new CAPER and APR report forms until HUD provides official notice of new reporting procedures. Grantees can expect to find information on specific training, implementation guidance, and other details of the transition to IDIS on the OneCPD Resource Exchange at https://www.onecpd.info/, HOPWA Listserv issuances, and other available means.

ATTACHMENTS

Attachment 7-1: HOPWA Financial Reporting Data Elements

Attachment 7-2: HOPWA Financial Reporting Data Elements for Other Typical Activities — Supportive Services

Attachment 7-3: HOPWA Financial Reporting Data Elements for Leveraging and Program Income

ATTACHMENT 7-1: HOPWA FINANCIAL REPORTING DATA ELEMENTS

CAPER Part 3: Accomplishment Data - Planned Goal and Actual Outputs
Chart 1. HOPWA Performance Planned Goal and Actual Outputs

APR Part 3: Summary Overview of Grant Activities
C. Performance and Expenditure Information

Financial reporting is required for funds expended on the following activities:

Housing Subsidy Assistance

- Tenant-Based Rental Assistance

  The APR requires competitive grantees to report separately on TBRA costs and also list costs for:

  Other Rental Assistance Programs

  Direct program delivery costs (of Rental Assistance)

- Permanent Housing Facilities: Received Operating Subsidies/Leased units
- Transitional/Short-term Facilities: Received Operating Subsidies/Leased units
- Permanent Housing Facilities: Capital Development Projects placed in service during the operating year
- Transitional/Short-term Facilities: Capital Development Projects placed in service during the operating year
- Other facility-based housing expenditures:

  Leasing Costs
  Operating Costs
  Project-Based Rental Assistance
  Other Activity

- Short-Term Rent, Mortgage and Utility Assistance

  STRMU assistance also requires specific data on the following:

  Mortgage costs ONLY
  Mortgage and utility costs
  Rental costs ONLY
  Rental and utility costs
  Utility costs ONLY
  Direct program delivery costs (e.g., program operations staff time)

- Permanent Housing Placement Services

  The APR requires competitive grantees to report separately on Permanent Housing Placement Services expenditures and Direct program delivery costs.

Housing Development (facility-based housing)

- Facility-based units: Capital Development Projects not yet opened

  HOPWA and non-HOPWA funding for:

  New construction

Rehabilitation
Acquisition
Operating

Supportive Services

- Supportive Services provided by project sponsors/subrecipients that also delivered HOPWA housing subsidy assistance
- Supportive Services provided by project sponsors/subrecipients that only provided supportive services
- Supportive Services activity by type

  The CAPER/APR chart for Supportive Services lists 13 activity types, plus “other.” The activity types listed in the CAPER are included in Attachment 7-2.)

Housing Information Services

- Housing Information Services

Grant Administration and Other Activities

- Resource Identification to establish, coordinate, and develop housing assistance resources
- Technical Assistance (if approved in grant agreement)
- Grantee Administration (maximum 3% of total HOPWA grant)
- Project Sponsor Administration (maximum 7% of its portion of HOPWA grant awarded)
- Project Outcomes/Program Evaluation [APR (competitive), if approved in grant agreement]
- Other Activity [APR (competitive), if approved in grant agreement]

Leveraging and Program Income

Details on financial data for reporting leveraging and program income are included in Attachment 7-3.

ATTACHMENT 7-2: HOPWA FINANCIAL REPORTING DATA ELEMENTS FOR SUPPORTIVE SERVICES

CAPER Part 3: Accomplishment Data - Planned Goal and Actual Outputs, Chart 2. Listing of Supportive Services

APR Part 5: Summary of Project Sponsor Information
D. Supportive Services and Other Activities
Chart 2. Listing of Supportive Services paid for with HOPWA funds provided by Project Sponsor/Subrecipient Agency

Financial reporting is required for funds expended on the supportive services:

1. Adult day care and personal assistance
2. Alcohol and drug abuse services
3. Case management
4. Child care and other child services
5. Education
6. Employment assistance and training
7. Health/medical/intensive care services, if approved
   Note: Client records must conform with 24 CFR 574.310
8. Legal services
9. Life skills management (outside of case management)
10. Meals/nutritional services
11. Mental health services
12. Outreach
13. Transportation
14. Other

ATTACHMENT 7-3: HOPWA FINANCIAL REPORTING DATA ELEMENTS FOR LEVERAGING AND PROGRAM INCOME

CAPER Part 2: Sources of Leveraging and Program Income
1. A. Source of Leveraging

APR Part 3: B. Sources of Leveraging and Program Income
Chart 1. a. Sources of Leveraging

Financial reporting is required for the following:

Public Funding:

- Ryan White-Housing Assistance
- Ryan White-Other
- Housing Choice Voucher Program
- Low Income Housing Tax Credit
- HOME
- Shelter Plus Care
- Emergency Solutions Grant
- Other Public

Private Funding

- Grants
- In-kind Resources
- Other Private

Other Funding

- Grantee/Project Sponsor/Subrecipient (Agency) Cash
- Resident Rent Payments by Client to Private Landlord

Note: Leveraged funds are listed separately for funds used for Housing Subsidy Assistance and those for Other Support costs.

CAPER Part 2: Sources of Leveraging and Program Income
2. Program Income and Resident Rent Payments

APR Part 3: B. Sources of Leveraging and Program Income
2. Program Income and Resident Rent Payments

Financial reporting is required for the following:

- Program Income (e.g., repayments)
- Resident Rent Payments made directly by the HOPWA Program

Consolidated Plan Regulation – 24 CFR 91.220(b) Resources

While not a requirement for the HOPWA formula program, the leveraging of funds generally is a requirement in a community's Consolidated Plan, and is stated as follows:

(1) Federal resources. The consolidated plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with Sec. 91.215. These resources include grant funds and program income.

(2) Other resources. The consolidated plan must indicate resources from private and non-Federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. Where the jurisdiction deems it appropriate, it may indicate publicly owned land or property located within the jurisdiction that may be used to carry out the purposes stated in Sec. 91.1.

For competitive grantees, leverage reported in the APR is expected to indicate whether the leveraged resources have been provided as codified in the HUD-approved list of commitments for the use of other leveraged resources included in the grant award package.

MODULE 8: AUDITING

WHAT THE MODULE IS ABOUT

In this Module

- Audit Standards
- Who Is Required to Have an Audit?
- Who Can Perform an Audit?
- Audit Content and Findings
- Clearance of Findings

An audit is a review by an independent third party of an organization's financial system and internal controls. Typically, an audit consists of a series of selective tests conducted by the auditor that assesses the effectiveness of the organization's financial management policies and procedures.

Audits serve numerous purposes. Overall, an audit is meant to verify that the grantee or sponsor is complying with applicable laws, regulations, and the grant agreement. The audit also benefits the grantee or sponsor by providing information, generally, on whether financial records are reliable and, more specifically, on whether there is proper accounting and disbursing of funds. Without reliable records, grantees and sponsors cannot generate accurate financial reports used by people within an organization (staff and boards) and by people outside the organization (e.g., regulators, contributors, stakeholders).

This module provides a general overview of the audit requirements for grantees and project sponsors. Included are:

- Standards that the audit must meet
- The threshold that determines who needs an audit
- The requirements for who can perform an audit
- The general content of the audit and what could constitute a "finding"
- The response needed to resolve audit findings

AUDIT STANDARDS

Audit standards are outlined in:

- Generally Accepted Auditing Standards (GAAS), issued by The American Institute of Certified Public Accountants (AICPA) Auditing Standards Board
- Generally Accepted Government Auditing Standards (GAGAS), issued by GAO
- Circular A-133 standards, also referred to as a "single audit," issued by OMB

A "single audit" refers to an organization-wide audit, as opposed to a program-specific audit. The focus of an audit is on the financial statements, internal controls, and compliance with applicable laws, regulations, and provisions of awards.

The principal compliance requirements and suggested audit procedures for specific Federal programs are included in the OMB Circular A-133 Compliance Supplement.[12] The Supplement includes information

[12] http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011

such as program objectives and program procedures, sources of governing requirements, compliance requirements, audit objectives, and recommended audit procedures.

WHO IS REQUIRED TO HAVE AN AUDIT?

The Federal government sets a monetary threshold to determine when an organization is required to have an audit that meets the A-133 standards. Project sponsors not meeting the Federal government's threshold, however, may still be required to have an audit if required under State audit standards or as a contractual agreement between a HOPWA grantee and a project sponsor. Also, organizations not meeting any standards may still be subject to a review of their financial management systems by HUD.

The Federal government requires audits only for organizations that have expended more than $500,000 in Federal funds within their accounting year, whether such funds were received directly from Federal agencies or indirectly through pass-through agencies. A pass-through agency is any organization that is a recipient of Federal funds, such as a HUD grantee, who in turn grants the funds to another organization, such as a project sponsor. Therefore, both grantees and project sponsors may be subject to a Federally-required single-audit.

For the purpose of determining the $500,000 threshold, Federal awards include:

- Grants, loans, and loan guarantees
- Direct assistance or appropriations
- Property insurance or interest subsidies
- Property, food commodities
- Cooperative agreements or contracts

The $500,000 threshold is measured by counting funds when a grant funded activity occurs, that is, when funds are spent for an activity and all compliance requirements apply.

Grantees need to determine which, if any, of its sponsors meet the audit threshold. If a project sponsor has not had an audit performed and if it does not meet Federal or State thresholds that require an audit, the grantee may decide that a limited audit will be required. Under the terms of its agreement with the project sponsor, the grantee can monitor the soundness of the sponsor's financial systems and internal controls. This type of monitoring is covered more in Module 9.

WHO CAN PERFORM AN AUDIT?

The hiring of the auditor should be conducted carefully, as there are regulatory and industry standards.

24 CFR Parts 85 and 84 outlines numerous Federal requirements for the procurement of professional services such as the engagement of an auditor. While price is one component of the decision, the review and selection must include factors such as the availability of staff with professional qualifications and technical abilities as well as the results of external quality control reviews. In addition, grantees and sponsors must take steps towards procuring an auditor from a disadvantaged business.[13]

If the sponsor does not meet the Federal audit threshold ($500,000), Federal monies cannot be used for audit expenses. A grantee may charge the costs of a limited scope audit for these sponsors to its HOPWA grant, as an alternative to a full audit.

Only an independent certified public accountant (CPA) with a current license issued by the State in which the CPA practices should perform an audit. To meet the requirements of the Generally Accepted Government Auditing Standards, the auditor must meet minimum continuing education requirements in

[13] Disadvantaged businesses include those that are veteran-owned, woman-owned, minority-owned, and owned by a person with disabilities. For more information, see the U.S. Small Business Administration website at: http://www.sba.gov/.

related accounting and auditing subjects. The Government Auditing Standards also contains more rigid independence requirements compared to the Generally Accepted Auditing Standards.

OMB Circular A-133 requires that audit reports be submitted to the Federal Audit Clearinghouse.[14] In addition, the sponsor must submit the audit report to the grantee within 30 days of receipt of the audit report. This should be no longer than 9 months after the time period that the audit covered.

AUDIT CONTENT AND FINDINGS

An audit answers some basic questions about how well an organization is managing its financial resources. The audit should include opinions on whether the sponsor's financial statements are presented fairly in all material aspects in conformity with the Generally Accepted Accounting Principles (GAAP) and address several aspects of the sponsor's financial management systems:

- Schedule of expenditures (e.g., is it accurate?)
- Contracts or grant agreements provisions that may have a direct and material effect on each of its major programs (e.g., do they comply with laws and regulations?)
- Financial records (e.g., do they accurately reflect the sponsor's financial position?)
- Controls and systems (e.g., are they adequate?)

An "audit finding," as defined in Circular A-133, is essentially any issue found with regard to reportable conditions and material weaknesses (which could include insufficient internal controls, inadequate financial management systems, etc.), compliance, and questioned costs.

Among HOPWA organizations that have had audit findings, some common problems include the following:

- Expenditures are poorly documented.
- There is a lack of adequate documentation for client eligibility.
- Reported and charged costs do not agree with accounting records.
- The allocation of indirect costs such as office space lacks sufficient documentation.
- There is a lack of internal controls.
- Salaries and wages are based on estimates or prorated ratios, rather than by timesheets.
- Costs are double-billed (the same activities are charged to two different grants).

> Personnel costs often represent the majority of a program's operating expenses. The handling of personnel costs also represents one of the main areas of financial management shortcomings for organizations that receive Federal funds. Audits performed by HUD's Office of Inspector General also consistently find problems with the way recipients of Federal funds, especially nonprofit organizations, allocate and treat personnel costs. Such negative findings and the repayment of unsupported charges will be the final responsibility of the grantee.

[14] For more information, see the Clearinghouse's website, at http://harvester.census.gov/sac/

CLEARANCE OF FINDINGS

At the completion of the audit, OMB Circular A-133 requires the grantee or project sponsor to prepare a corrective action plan to address each audit finding included in the current year auditor's report.

The corrective action plan needs to include several items: the name(s) of the contact person(s) responsible for corrective action(s); the corrective action(s) planned; and the anticipated completion date. If the grantee or project sponsor does not agree with the audit findings or thinks corrective action is not required, then the corrective action plan must include an explanation and specific reasons. The organization is responsible for follow-up and corrective action on all audit findings.

At the time of the next required audit, OMB Circular A-133 requires that the organization prepare a summary schedule of prior audit findings. This document provides the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards.

- When audit findings were fully corrected and addressed, the summary need only list the audit findings and state that corrective action was taken.
- When audit findings were not corrected or were only partially corrected, the summary should describe the planned corrective action as well as any partial corrective action taken.
- When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or grantee's monitoring report or management decision, the summary schedule should provide an explanation.

When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position should be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

- Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse
- The Federal agency or the grantee is not currently following up with the organization on the audit finding
- A management decision was not issued in the audit opinion regarding a particular finding

Essential elements of sound financial management include regular audits, where required, and careful attention to follow up action on audit findings. The information also has an important role in the training and oversight of project sponsors as discussed in Module 9.

MODULE 9: TRAINING AND OVERSIGHT OF PROJECT SPONSORS

WHAT THE MODULE IS ABOUT

In this Module

- Where Oversight Starts: Project Planning and Development
- Monitoring: Remote and On-site Approaches

This module discusses the monitoring and oversight responsibilities of the grantees in working with their project sponsors. It draws heavily from the Housing Opportunities for Persons with AIDS (HOPWA) Grantee Oversight Resource Guide.[15] The Oversight Guide provides formula and competitive grantees guidance on overseeing project sponsor activities, with the intent of helping grantees develop partnerships with their project sponsors to successfully achieve program goals together, while also staying in compliance of Federal requirements. Chapter 9 of the Oversight Guide focuses on financial management and documentation and is the primary source for this Module 9.

When using the term "oversight" many focus on monitoring, both remote and on-site. As presented here, the concept of oversight is a more comprehensive, proactive process to promote effective management and compliance. Grantees need to consider financial management (and other compliance issues) in the very process and criteria for selecting sponsors. Ensuring sound financial management continues through sponsor orientation and training, the negotiation of written agreements, and the ongoing contacts between grantee and sponsor. This module will address all of these topics.

WHERE OVERSIGHT STARTS: PROJECT PLANNING AND DEVELOPMENT

Oversight is an ongoing, multi-step process that includes planning, implementation, communication, and follow-up. The grantee should build oversight into the grant making, evaluation, performance assessment, and oversight processes, so that it becomes a part of their regular interactions with the sponsor.

Oversight can be most effective when it is integrated into the earliest stages of program planning and design. Grantees must be prepared to communicate expectations and provide training and guidance before programs get underway. Effective oversight occurs when grantees are proactive, recognizing and addressing potential problems even before they arise.

Project Sponsor Selection

Financial management compliance can be an integral part of the process for selecting project sponsors. The following are basic qualifying criteria for project sponsors:

- **Eligibility.** A project sponsor must be either a governmental housing agency or a nonprofit organization, meaning that it meets State nonprofit status requirements; the sponsor should also have 501(c)3 status with the IRS. The full definition may be found at 24 CFR 574.3.

[15] The HOPWA Grantee Oversight Resource Guide is located in the OneCPD Resource Exchange Resource Library at https://www.onecpd.info/.

- **EPLS.** Check to see whether the organization seeking HOPWA funds is listed in the Excluded Parties List System. The updated list is available at https://www.sam.gov/portal/public/SAM/. Organizations on this list are barred from receiving Federal funds. The organizations on this list have been debarred, suspended, proposed for debarment, excluded or disqualified from receiving Federal contracts. Organizations are not necessarily excluded forever; the EPLS will indicate how long an organization is suspended for. Please ensure that proposed sponsors are not on this list.
- **Tax and DUNS Numbers.** Another thing to check is whether the sponsor has the proper identification numbers, which are used as unique identifiers as well as for tax purposes.
  - ♦ A sponsor should have a Tax Identification Number or an Employer Identification Number.
  - ♦ A sponsor should have a Dun and Bradstreet Number (DUNS Number), which is used as a unique identifier and also asked for on HUD applications. If the sponsor does not have a DUNS Number, they need to go to the Dun and Bradstreet website, http://www.dnb.com/, where they can register for a number.
- **CCR.** A sponsor must register in the Central Contractor Registration (CCR) system. Instructions for CCR are at http://www.hud.gov/offices/cpo/ccr.cfm. The CCR website is located at located at https://www.sam.gov/portal/public/SAM/. Note that to register in CCR, an organization must have a DUNS Number.

IRS Form 990 and Tax-exempt Status

Most tax-exempt organizations must file a yearly return or notice with the IRS. If an organization does not file annually for three consecutive years, it loses its tax-exempt status.

For tax information for nonprofits, see: http://www.irs.gov/Charities-&-Non-Profits

For information on how organizations retain their tax-exempt status, see: http://www.stayexempt.org/

For more information on IRS Form 990, visit the IRS website at: http://www.irs.gov/instructions/i990/index.html. For an informational fact sheet on IRS Form 990, see the IRS publication 4741: The NEW Form 990 What Tax-Exempt Organizations Need to Know.

There is no assurance that organizations meeting these thresholds have sound financial management. Similarly, organizations that initially do not meet these requirements need not be permanently disqualified, since many of these types of problems can be corrected. Grantees can use the information about meeting thresholds as one indicator of financial management capacity.

In addition to threshold requirements, the selection criteria for project sponsors can include qualitative factors providing an indication of financial management soundness. Some factors to consider from the financial perspective are as follows:

- Experience with the administration of federal grant programs
- Qualifications of financial management staff
- Adequacy of existing financial management systems
- Audit and other financial oversight reports

For organizations seeking to continue as project sponsors, much of the information needed to evaluate how well they meet these criteria should already be available to the grantee. Organizations applying to be HOPWA project sponsors for the first time can be required to submit information to show how well they meet these selection factors.

Recognizing when a project sponsor can demonstrate sound financial management, along with early recognition of potential weaknesses that need to be addressed, will go a long way towards successful financial management.

Grantees will, of course, use other non-financial criteria in the selection process such as experience with and focus on serving persons with HIV/AIDS, qualifications of staff to provide proposed services, cultural competency to work with target population, and success in managing similar programs.

Post Award Orientation and Training

Promoting sound financial management involves providing project sponsors with a combination of general training and sponsor-specific guidance during a kickoff meeting or post award workshop. These post award workshop should be held on an annual basis, ideally before the grantee's program year begins (or just after the announcement of competitive awards). These grant kick-off meetings are an opportunity to go over financial management requirements with project sponsors. This information will be new to some, but will be a useful refresher for others.

Sponsors and grantees should go over their financial management systems so that both parties have a clear understanding of the record-keeping and invoice processing requirements, etc.

Formula grantees need to provide project sponsors with the requirements for the Integrated Disbursement and Information System (IDIS). The specifics of IDIS procedures are handled by grantee staff, so the scope of training for project sponsors is limited to understanding the scope and timing of the financial data they must provide to the grantee to meet IDIS requirements.

Competitive grantees should discuss HUD's Line of Credit Control System (LOCCS) and the Voice Response System (VRS) the grantees use to enter their monetary draws.[16] Grantees can discuss several topics:

- The requirement that draws must be made by grantees on a timely basis, at a minimum on a quarterly basis
- The purpose and use of the different budget line items, including acquisition, rehab, operation costs, rental assistance, and administrative costs
- The need for sponsors to submit a detailed line-item budget to grantees (in conjunction with the limits on administrative costs — up to 7% of the grant for a sponsor)

At the post award workshop, grantees could also review the project sponsor's leveraging of funds. Although not a requirement under the HOPWA program, several forms, such as Part 6 of the CAPER and Part 5E of the APR have questions that ask grantees to report on leveraging. [Note that "leverage" and "match" are sometimes used interchangeably, but they are not the same; a match requirement generally has a specific percentage or dollar figure associated with it. The HOPWA program also does not have match requirements.]

- Leveraging can be cash or in-kind resources.
- Leveraging must be documented. Refer to Module 7 for more information on leveraging and data required for reporting leveraging.

[16] In 2012, HUD expects that competitive grantees will begin the transition from using VRS to IDIS to draw funds. This will require revised training and orientation material for competitive grantees and their project sponsors.

Submission of Financial Policies and Procedures

In addition to the training at the kick-off meeting, grantees can request that their project sponsors submit copies of their financial policies and procedures. The grantees should review the sponsor's policies in regards to internal controls:

- Does the sponsor have written procedures that detail how financial transactions are approved and recorded?
- Are there written policies and procedures that describe who has the authority to approve financial transactions, how transactions are tracked, and a chart of the accounts that enables tracking of project income and expenses?
- Are duties separated effectively, in order to safeguard against fraud? Are there policies to ensure that no one person has control over an entire financial transaction?
- Are there policies to ensure controlled access to records, forms, and assets?
- Does the sponsor have a system in place to reconcile the organization's finances on a regular basis? (This includes comparing reported actual assets and liabilities.)

The discussion on internal controls in Module 2 is directed more towards project sponsors and provides a list of items that will help the project sponsor respond to these questions.

Grantees should consider several other items for review:

- **Cash Controls.** Does the sponsor have procedures in place to manage the disbursement of cash? What procedures are used to properly document the disbursement of funds?
- **Procurement.** Does the sponsor have written procurement policies and procedures that meet applicable standards (24 CFR Part 84)?
- **Communication of Noncompliance.** Are personnel aware of their responsibility to report problems and potential noncompliance to their managers? Instances of fraud and mismanagement must be reported to managers, who are ultimately responsible.
- **Fidelity Bond Coverage.** Does the sponsor have coverage should there be an issue with employee dishonesty, if required by the grant? OMB Circular A-110, Subpart C, Section 21(d) notes that a nonprofit organization will only be required to have fidelity bond coverage if required to by HUD in connection with a Federal grant.

Grantees should review these policies to ensure that they are sound. For example, the person signing checks should not be the same person balancing the checkbook. Additionally, timekeeping should be performed daily and should not reflect a percentage of a grant set-aside for a particular activity, but instead should reflect the actual hours worked.

The initial training given to sponsors should be followed up with occasional workshops and on-site visits.

Sponsor Agreements as a Financial Management Compliance Tool

A jointly signed written agreement between the grantee and the project sponsor must be in place before the sponsor undertakes any grant activities. The agreement sets the terms and conditions for the receipt and use of HOPWA monies from the grantee for the sponsor. The grant agreement should express all of the grantee's expectations for the sponsor. The agreement should contain the following financial related items:

- A detailed scope of work, including objectives and benchmarks related to specific eligible HOPWA activities that are consistent with implementing the terms and conditions established in the grant or cooperative agreement between the grantee and HUD
- A detailed line-item budget

- Copy of the HOPWA regulations 24 CFR Part 574
- Related income calculation regulations 24 CFR 5.609, 5.611 and 5.617
- For a nonprofit sponsor
  - ♦ Regulations on grant administrative requirements 24 CFR Part 84
  - ♦ Copies of OMB Circulars:
    - o A-122 on cost principles (now at 2 CFR Part 230)
    - o A-133 on audits
- For a governmental agency
  - ♦ Regulations on grant administrative requirements 24 CFR Part 85
  - ♦ Copies of OMB Circulars:
    - o A-87 on cost principles (now at 2 CFR Part 225)
    - o A-133 on audits
- The schedule and format for data collection and performance reporting
- The schedule and format for invoicing procedures

The sponsor agreement should include expectations for **procurement and contracting**, as well as property control. This agreement sets the standard for what the sponsor can expect from the monitoring. Procurement must adhere to applicable provisions for proactive efforts to hire minority-owned and women-owned businesses.

As noted above, the agreement should also include the grantee’s **standards on the reports and invoices** the sponsor is required to submit. The agreement should lay out a schedule for reports, such as the annual reporting and any inventory reports, as well as monthly or quarterly invoicing. The grantee should clearly indicate the types of documentation required to be included with any invoices that are submitted. Documentation can include signed leases, timesheets, receipts, and any other items that can show that costs were properly incurred.

Sponsors need to know up front the scope and format of **financial and other data** required for reports. In particular, grantees will want to establish the data elements for which it wants to collect information, the format and/or forms that sponsors should use to submit information, and the process for collecting the information (e.g., monthly, quarterly).

Access to Client Records

In accordance with OMB Circular A-110, all award recipients must allow HUD (and other Federal awarding agencies) access to their records. Under the HOPWA regulations at 24 CFR 574.500 and 574.550, grantees must ensure that projects sponsors comply with all applicable requirements, including those related to maintaining financial records. This should be explicitly clear in the written agreement between grantees and project sponsors.

As part of the project sponsor's written agreement, it should also be clear that the grantee must be able to access the sponsor's client records, the purpose of which is to enable the grantee to monitor the accuracy of financial expenditures.

Client records are one source for confirming client eligibility and verifying whether requests for reimbursement for HOPWA personnel costs accurately reflect the time and activities recorded for serving HOPWA clients.

In summary, a clear, comprehensive written agreement helps ensure common understanding of expectations and helps promote sound financial management.

MONITORING: REMOTE AND ON-SITE APPROACHES

Once the effort has been completed to select competent project sponsors, provide training and guidance on financial management and other requirements, and execute a clear, comprehensive written agreement, grantees need to develop and execute a post award monitoring plan that makes the best use of limited staff and other resources.

Keep in mind the differences between monitoring and auditing. An audit of the organization will have reviewed items such as the organization's policies and procedures, basic accounting practices, and compliance with laws and regulations. However, the aim of the grantee's monitoring of the sponsor is not the same as the auditor's examination of the organization as a whole. Though audits may test HOPWA-related records and generally check compliance with federal regulations, it may not examine compliance with HOPWA-specific requirements, since most audits look at a whole organization and not just a single program. An audit does not relieve the grantee from responsibility for a sponsor's finances. Even if the sponsor has completed a full audit monitoring remains essential. The monitor can use the audit as a guide and starting point in examining the sponsor's finances.

In addition to the HOPWA Oversight Guide, a grantee may find it useful to refer to the Community Planning and Development Monitoring Handbook. Grantees should review both Chapter 2 on Management of Monitoring Activities and Chapter 10 on HOPWA. The Handbook is on the web at: http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm.

Developing a Monitoring Plan

The plan developed by the grantee outlines the interaction with the grantee during the course of the grant. It describes monitoring activities, both remote and onsite. In addition to the overall plan and schedule, a specific plan should be developed for each project sponsor. In developing the plan, the grantee should be aware of the strengths and weaknesses of each project sponsor; thus, if a particular sponsor is known to have weak record-keeping systems, then the monitoring plan should address this area. The monitoring plan should also be focused on the activities of the particular project sponsor; for example, plans for sponsors who construct units should differ from the plans of sponsors who provide supportive services.

Operational Plans: Risk Analysis

Risk analysis is the foundation of a Monitoring Plan. Risk analysis is a method to assess the potential risks that a sponsor might have in managing their project. It applies a number of factors to the basic information found in grant agreements, ongoing monitoring, reporting tools, client reports, and interactions with a sponsor. With risk analysis, a grantee is trying to decide what the likelihood is that a sponsor is running into problems with their grant. Doing a risk analysis can help the grantee to develop a reasonable schedule for where and when to do a site visit. It can also help a grantee know when a sponsor is running into problems, in order to intervene and better support the sponsor. Risk analysis focuses on key program areas, including the soundness of a sponsor's financial system and its ability to perform basic HOPWA activities.

The following are some factors that might indicate risk:

- Is billing late or poorly documented?
- Is the grant complex, especially compared to other grants held by the sponsor?
- Has the sponsor taken on new activities?
- Have past audits or monitoring found problems which remain unresolved?
- Does the program have high unit vacancy rates?
- Are reports submitted on time?
- Are reports complete and accurate?
- Has the sponsor recently lost key staff persons?
- Is the sponsor spending at a rate slower or faster than anticipated?

A formal risk analysis process, such as the format in the Oversight Guide, provides a consistent approach to evaluating and documenting risk for all project sponsors. The result should be a plan that supports the grantees decisions about the following:

- Which sponsors will be monitored on-site (generally, not every sponsor will be monitored on-site monitoring every year)
- The timing of on-site review
- The scope and areas of special emphasis for each review
- Allocation of staff and other resources required to complete the on-site reviews

Remote Monitoring

All project sponsors will be monitored remotely. This is an inherent part of the ongoing interactions between the grantee and project sponsor as they process payment requests, report financial and program data, and generally interact in the implementation of the HOPWA project.

The grantee can review the documents and reports they have received from the sponsor, and pinpoint any areas of concern. On a routine basis, the grantee can review the following remotely:

- **Receipt of Billing.** Were invoices received in a timely manner, per grant agreement?
- **Receipt of Documentation.** Did invoices include adequate documentation?
- **Line Item Review: Approved Costs.** Were the costs invoiced for activities approved in the grant agreement?
- **Line Item Review: Budget.** Were the costs invoiced within the planned budget for each line item?
- **Pace of Draw-Down.** Is the overall current pace of spending in line with planned pace?
- **Receipt of Performance Data.** Was performance data submitted in a timely manner, per grant agreement?

- **Review of Performance Data: Adequacy.** Was performance data adequate — complete and in the proper format?
- **Review of Performance Data: Indicators.** Does the performance data indicate any significant variation from planned outputs and outcomes?
- **Community Feedback.** Has any negative information been received from the community regarding the project?

Grantees need to be prepared to take additional steps based on the results of remote reviews. A high risk project sponsor may demonstrate improved performance leading to a decision to delay a scheduled on-site review. A low risk project sponsor may show indications of substandard performance leading to requests for submission of additional documents for remote review, contact with staff, or altering the on-site monitoring plan to add an on-site review in the near future.

On-Site Monitoring

The on-site visit gives the grantee the opportunity to conduct a thorough review of the sponsor's financial systems. Whereas the grantee was able to review selected items of documentation off-site through remote monitoring, the grantee can review project participant files and observe while on-site with the sponsor. During an on-site review, grantee monitors can directly evaluate whether financial policies and procedures are in place, the policies and procedures are being followed consistently, records are complete and accurate, and data submitted in reports accurately reflect source documentation.

On-site monitoring includes the following general sequence of actions:

- **Preparation.** Review of available records and information including information from reports, past monitoring, audits, and remote monitoring.
- **Notification.** The grantee should provide advanced notice to the project sponsor of the on-site monitoring visit.
- **Entrance Conference.** Onsite monitoring affords an opportunity to meet with the Chief Financial Officer and other staff responsible for carrying out internal controls, recording financial transactions, and performing related functions, such as reviewing timesheets.
- **Review.** Reviewers follow structured review format for examination of documents and interviews with staff.
- **Exit Conference.** Reviewers meet with project sponsor management (both program and financial) to provide a summary of the results of the review and any pending issues.
- **Written Report.** The grantee provides a timely written report indicating the scope and conclusions, both positive and negative, of the review.
- **Follow up.** If there are any monitoring findings, they need to be discussed with the project sponsor and a corrective action date must be established. There must be a clearly documented trail that verifies the final resolution of each finding.

Preparing Documentation for the On-site Visit

The following resources provide information and data that can be used to prepare for the on-site review:

- Billing invoices and related documentation submitted by the sponsor
- Regular performance and outcome reports submitted per grant agreement
- Community and participant feedback regarding the project
- Information obtained from program participant records (i.e. participant files') through a confidential oversight process
- Written policies and procedures
- Activity records
- Financial records (especially time accounting records related to HOPWA program payroll costs)
- Third-party project evaluations

The on-site review seeks to verify that key financial management systems are in place and operating properly. A detailed examination of a sample of files and transactions can also indicate whether charges for personnel, non-personnel, rental assistance, and other approved HOPWA activity costs follow the procedures outlined in this manual and are properly supported and documented.

Grantees can refer to the Oversight Guide and the CPD Monitoring Handbook for specific financial management review guidance. Regardless of the specific format, on-site financial management review should include coverage of the following topics:

- Financial procedures and policies
- Cash controls
- Communication with management of problems and noncompliance
- Fidelity bond coverage
- Grant-based tracking and accuracy of records
- Tracking of pass-through funds
- Tracking and use of project income
- Treatment and approval of salary and wage charges
- Direct and indirect costs
- Administrative costs
- Records reflect eligible costs
- Source documentation of expenditures
- Spot check of selected items - travel, entertainment, contributions, fines and penalties, and political costs.

IRS Form 990 as a Monitoring Resource

As part of the financial documents reviewed during an onsite monitoring visit, the grantee should obtain the project sponsor's IRS Form 990 Return of Organization Exempt From Income Tax. The grantee should verify that the organization is filing the IRS form as legally required and remaining in good standing.

In addition, by reviewing the form, the grantee will gain an overall sense of the financial standings of the organization, such as its revenue, expenditures, and functional expenses.

IRS Form 990 has other sections addressing topics such as program accomplishments; governance, management, and disclosure; and financial statements and reporting. Reviewing the different sections of the form will help pinpoint issues that warrant further review and discussion with the sponsor. For example, a grantee should assess the sponsor's ability to meet its fiduciary responsibility to prepare financial statements and financial reports, even if the sponsor hires an independent accountant to actually do so.

Grant-based Tracking

Grant-based tracking, which is a non-accounting term for essentially the same concept as fund accounting (see Module 2), is used to analyze the costs associated with each grant the sponsor receives. It can uncover whether the sponsor is tracking expenses by funding source and whether unexpended funds are being tracked by budget line item. This approach should be emphasized for organizations operating multiple HOPWA programs at the same time. Proper tracking can ensure that costs are being applied to the appropriate grant. Grant-based tracking uses the chart of accounts that the sponsor should maintain as part of their internal control system. This tracking is important, because it enables the sponsor to do the following:

- Generate accurate invoices for the grantee
- Monitor the pace of grant spending
- Generate accurate performance reports for the grantee
- Maintain a complete record of documentation supporting expenditures and invoices

Detailed financial tracking will ensure the sponsor's financial records for the HOPWA project match the records from the corresponding invoice(s) and annual performance report.

Grant expenditures must be for eligible costs and provided in connection HOPWA-eligible persons. Thus, a cost must be both allowed for the HOPWA program and approved under the sponsor agreement. The RADAR concept introduced in Modules 4 and 5 provides a convenient reminder of the essential financial management requirements for costs. When costs are Reasonable, Allowable, Documented, and Allocable, they are Reimbursable.

SUMMARY

Oversight should be viewed as a comprehensive, systematic approach to promoting effective program results in the delivery of decent, affordable housing and related services to eligible HOPWA clients. Additionally, productive oversight facilitates financial management compliance and compliance with other program requirements. Emphasis on upfront preparation and training combined with ongoing remote tracking and monitoring will allow grantees to focus staff reviews where most appropriate and productive.