WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Financial Management of Continuum of Care projects

Financial Management Defined

The critical characteristics of good financial management include:

- Transparency and clear accountability at all levels of operation
- All parties follow all rules and regulations.
- Expenditures are checked against the approved budget
- Costs are reasonable, allowable and appropriately allocated to the correct source
- Funds do not sit idle and are protected from misuse
- Records are clearly understood by any accountant
- Reports generated are useful to agency leadership

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

The Importance of Documentation

Grantees are custodians of federal funds. They must take special care to document how use of these funds complies with applicable federal requirements.

When documentation cannot be produced, grantees must reimburse the federal funds associated with the questioned costs.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

The Importance of Documentation

With an audit generally completed a year or more after the grant funds have been spent, it is often difficult for the grantee and subrecipients to produce documentation after the audit to resolve findings.

In a worst case scenario, the grantee may be required to repay grant funds for completed eligible activities that are not adequately documented.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Rules for documenting spending

Documentation standards described in 2 CFR 200 and 24 CFR 578.

Adequate documentation includes an invoice or receipt that identifies:

- who authorized the expense,
- what it was for,
- the amount and when it was spent;
- which award was charged;
- and a determination that it is allowable, reasonable and allocable per the regulation standards.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Per HUD standards for source documentation:

Accounting records must be supported by source documentation that shows that all costs charged against the relevant HUD program were:

- Incurred during the operating period of grant
- Incurred for eligible items, as outlined in the grant agreement
- Approved by the appropriate official(s) within the organization
- Expended (i.e., have proof of actual payment)
- Not reimbursed by another funding source

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Per HUD standards for source documentation:

Accounting records must be supported by such source documentation as

- cancelled checks,
- paid bills,
- payrolls,
- time and attendance records,
- contract and sub-grant award documents, etc.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

CoC Expenses Must Comply With Federal Cost Principles

Costs are only eligible for federal reimbursement if the costs

- Are associated with an eligible client
- Pay for eligible activities under the funding program
- Are delineated in the budget
- Have adequate source documentation
- Meet OMB standards for being reasonable, allowable and allocable

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

"The most common documentation deficiency found in OIG audits relates to payroll.

Often grantees have an administrative budget that lists, for instance, one full-time and three half-time staff.

They will then charge the grant for the full salary of the one person and half the salaries for the other three, regardless of how their time was actually spent.
This is incorrect.

Instead, grantees should be requiring staff—both full-time and part time—to maintain individual timesheets by funding source, cost objective and grant year.

The time sheets are required to be approved by a supervisor and entered into the payroll system accurately."

Drawing budgeted amounts regardless of actual costs is NOT allowed. Federal reimbursement is only for actual expenses.

While percentages are fine in planning a budget, reimbursement is for what actually occurred once the grant is operational.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Time and Activity Reporting

When an employee works on more than one activity and/or project, OMB's standards require:

- Work must be supported with a time and activity tracking system
- System tracks actual time spent on a HUD-eligible activity
- System tracks activity that took place (who was the eligible client, what was the eligible activity)
- Documentation on the activity be maintained that supports the information in the tracking system

Time and Activity Records Are Based On Fund Accounting

Time and activity records must be an after-the-fact determination of actual activity (therefore, one can not have a pre-printed timesheet).

All time and activity records must be signed by the individual employee who completed the actual work or by a supervisor who can vouch for the actual work.

The signed time and activity records are used to determine actual salary expenses.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Time and Activity Records Are Based On Fund Accounting

SNAPS 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.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Top 10 Timekeeping Mistakes

1. Charging 8 straight hours per day to a grant
(time reported must be actual and therefore one can not charge 8 straight hours as it is probable that there might be other work assignments that occur during a work day).

2. Charging a fixed percentage of time to a grant
(percentages may work to develop a budget but time reporting must be actual and therefore, time must be recorded when it happens).

3. Not using information from the time and activity record to charge the grant.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Top 10 Timekeeping Mistakes

4. Not including sick time and vacation
(if these items are not included on the time and activity record, it is not possible to allocate expenses to the proper accounts).

5. Not linking time to an eligible activity
(If time is not linked to a HUD-eligible activity, it is not reimbursable with federal funds. It may be charged to a non-federal source, but there must be a nexus between time charged and eligibility).

6. Not linking time to an eligible grant (or multiple grants)

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Top 10 Timekeeping Mistakes

7. Not identifying a project and/or client
(time that cannot be linked to an eligible project and/or client is not eligible for federal reimbursement because it cannot be allocated to a grant).

8. Not showing time spent on non-SNAPS activities
(while HUD only reimburses for SNAPS-eligible activities, the time and activity record must show all work done to determine what time is eligible and what time is not).

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Top 10 Timekeeping Mistakes

9. Not having supporting documentation to substantiate time expenses
(without supporting documentation, an employee may have worked but since it cannot be substantiated their time cannot be reimbursed with federal funds).

10. Not getting the timesheet and activity record signed
(A time and activity record is not complete until it is signed by the employee).

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Match Requirements

Match is actual cash or in-kind resources contributed and expended on eligible CoC Program costs for eligible CoC Program populations.

According to the CoC Program interim rule, CoC Program recipients or subrecipients must match all grant funds (except for leasing funds) with no less than 25 percent of funds or in-kind contributions from other sources.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Match Requirements

Simply stated, the total program expenditures less the CoC reimbursement equals the cash match.

Eligible Program Expenditures
<u>- CoC Reimbursement</u>
= Cash Match

Utilizing fund accounting, a CoC grantee can segregate HUD-funded activities from cash match funded activities.

Fund accounting tracks <u>both the sources of cash match and the uses of cash match</u> to show that the match is used on a HUD-eligible activity and that the match commitment has, in fact, be raised and used.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Cash Match Documentation

Cash Match documentation must be kept by each match source and show grant and fiscal year Sources include:

- Canceled checks
- Receipts

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

In-kind Match Documentation

The recipient must enter into a formal Memorandum of Understanding (MOU) with the agency providing the in-kind service and must establish a system to document the actual value of services provided during the term of the grant.

Rates must be consistent with those ordinarily paid for similar work.

For example, if a hospital or other local mental health provider makes counseling available to CoC Program clients as a part of the local match, these services should be valued at the same rate usually used by the provider organization.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Program Income

Sources of CoC Program income include rent and occupancy charges.

- While Federal financial management standards do not require that program income be spent down prior to drawing down grant funds, the CoC Program strongly prefers that recipients ensure that program income is applied toward project costs prior to drawing down additional Federal funds.

Nevertheless, program income must be spent on eligible expenses **before the end of the operating year during which it was earned**.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS

Program Income

Program Income must be retained by the recipient or subrecipient, committed to the project and used to cover any eligible costs in the CoC Program – not just the costs identified in the project budget.

- Recipients may use program income on any eligible costs in accordance with the requirements of the CoC Program, even if the activity was not contained in the approved grant agreement.

However, recipients must document that the program income was expended in accordance with the requirements of the CoC Program.

WESTCHESTER COUNTY CONTINUUM OF CARE PARTNERSHIP FOR THE HOMELESS