



No. 2012-01
January 05, 2012

PROGRAM GUIDANCE

PROGRAM: Indian Housing Block Grant

FOR: Tribal Government Leaders and Tribally Designated Housing Entities

FROM: For Rodger J. Boyd, Deputy Assistant Secretary for Native American Programs

TOPIC: Federal Financial Report – Standard Form 425 for the Indian Housing Block Grant Program

PURPOSE: The purpose of this guidance is to update tribes and tribally designated housing entities (TDHE) on the requirements of the Federal Financial Report (FFR) as they apply to the Indian Housing Block Grant (IHBG) program. For the IHBG program, this guidance replaces Notice PIH 2009-46 and Program Guidance 2010-10.

On October 1, 2009, the FFR replaced the Federal Cash Transactions Report (HUD-272-I and SF-272) and the Financial Status Report (SF-269 and SF-269A). Use of the FFR applies to all Federal grants including the IHBG program.

BACKGROUND: Each recipient of Federal financial assistance must account for the funds received and disbursed, and submit an FFR to its Area Office of Native American Programs (Area ONAP). For the IHBG program, FFRs are required to be submitted quarterly, in accordance with 24 CFR §§ 1000.26 and 85.41. The form must be submitted no later than 30 days after the end of each calendar quarter. Reports must be signed and may be submitted by regular mail, fax or e-mail attachment.

On April 28, 2011, ONAP issued Notice PIH 2011-23 implementing the new Indian Housing Plan/Annual Performance Report (IHP/APR) Form and related changes to the IHP and APR business process. With the publication of this Notice, ONAP initiated a shift from grant-specific to program-year financial tracking. As a result of this change, all current and future IHBGs will be consolidated under a single project number, and the funds will be budgeted and reported on a 12-month program-year basis.

This programmatic change also has an effect on how financial information should be reported using the FFR. Therefore, the following guidance is being provided for the preparation of FFRs under the IHBG program.

TRANSITION PERIOD

Pursuant to Notice PIH 2011-23, use of the new IHP/APR Form will be phased in during Federal Fiscal Year (FFY) 2012 based on the quarter that the grantee’s program year begins. Therefore, this FFR guidance will have a similar transition period. In this case, the new FFR guidance will begin to apply **the first quarter after** initiation of the new IHP/APR Form as indicated in the chart below.

Recipient Program Year Beginning (PYB)	First Quarterly Reporting Period Following PYB	First FFR Due Date Following PYB
October 1, 2011	December 31, 2011	January 30, 2012
January 1, 2012	March 31, 2012	April 30, 2012
April 1, 2012	June 30, 2012	July 30, 2012
July 1, 2012	September 30, 2012	October 30, 2012

INSTRUCTIONS FOR COMPLETING AN FFR: A copy of the FFR and instructions are attached. The form is available for downloading from the following website: <http://www.forms.gov/bgfPortal/docDetails.do?dId=15149> and instructions are available at <http://www.forms.gov/bgfPortal/docDetails.do?dId=15150>.

The FFR instructions attached to this guidance provide a line-by-line description of each component of the FFR. Recipients are expected to follow the instructions closely to ensure data accuracy, consistency, and reliability. All FFRs submitted to the Area ONAP are based on single grant reporting; therefore, only the SF-425 is used. The SF-425A is used for multiple grant reporting, and is not applicable to any of ONAP’s programs at this time.

QUESTION AND ANSWER GUIDANCE: The following questions and answers are intended to address common issues pertaining to an FFR. This information should be used in conjunction with the FFR instructions attached to this guidance.

A. Do I need to submit an FFR for each year’s IHBG?

Answer: No, beginning with the first quarter following the implementation of the new IHP/APR Form and consolidation of existing and current IHBGs under a single (“55”) grant number (see the chart above), grantees will only need to submit one FFR for the IHBG program. For more information about the single “55” grants, see Section 8 in Notice PIH 2011-23 at <http://portal.hud.gov/hudportal/documents/huddoc?id=pih2011-23.pdf>.

B. When filling out the Federal Agency Name, do I enter “Department of Housing and Urban Development” and my Area ONAP? (Line 1)

Answer: Yes (e.g., HUD/Northern Plains ONAP or HUD/Southern Plains ONAP, etc.).

C. What is my recipient account number or identification number? (Line 5)

Answer: This would be an account number or other identifier assigned by you, the grant recipient, not HUD. This is optional and, in most cases, this line will be blank.

D. Will there be a final FFR required for the IHBG program?

Answer: No, once the new IHP/APR Form is fully implemented, there will no longer be closeouts associated with this program. Therefore, a final FFR will no longer be required. The grant-specific FFRs submitted for the quarter immediately preceding the beginning of the grantee's program year for FFY 2012 will be considered "final" for purposes of closing out any open IHBGs.

E. What should I enter for "basis of accounting"? (Line 7)

Answer: Enter which basis of accounting (cash or accrual) that was used to prepare the report. See pages 4 and 5 of this guidance for a definition of cash basis accounting and accrual basis accounting.

F. What is my "Project Grant Period"? (Line 8).

Answer: The "From" date will be the first day of the grantee's current program year and the "To" date will be the last day of that 12-month period. For a grantee whose program year begins in October, the "From" date will be October 1 of that year and the "To" date will be September 30 of the following year (e.g. from October 1, 2011, to September 30, 2012). There will be four quarterly FFRs for each program year, and then the reporting process will start over.

G. What is considered "cash" for purposes of Line 10 a-c?

Answer: For Cash Receipts (Line 10.a), enter the cumulative sum of all LOCCS draw downs received for the subject grant from the "From" date (Line 8) until the end of the reporting period (Line 9). For Cash Disbursements (Line 10.b), enter the cumulative sum of all disbursements of funds drawn down from LOCCS for the subject grant from the "From" date until the end of the reporting period. Cash On Hand (Line 10.c) is the result of subtracting Line 10.b from Line 10.a. The amount on Line 10.c should be either "0" or a positive figure. There should not be any negative cash on hand. See paragraph J below regarding expenditures that exceed the amount drawn down.

H. How should I report cash on hand at the end of the program year?

Answer: If there is cash on hand identified on Line 10.c at the end of a program year, this amount should be added to the LOCCS draw downs (Line 10.a) on the first quarterly report for the next program year, as well as to the "Total Federal Funds Authorized" for the next program year (Line 10.d).

I. What should I enter for “Total Federal Funds Authorized”? (Line 10.d)

Answer: Enter the IHBG amount authorized during the program year. For ease of reporting, grantees should include the balance in LOCCS for the “55 Project” at the beginning of its program year, including any cash on hand from the previous program year (see Paragraph G above). While this amount remained relatively static under the old FFR guidance, under the new business process, grantees should add any grant amounts awarded during the program year. This amount should never be less than the total grant amount reflected in LOCCS as of the first day of the grantee’s current program year; however, it may be more depending on whether there was cash on hand at the end of the previous program year. Grantees should not include formula funding estimates.

J. What should I enter for “Federal Share of Expenditures”? (Line 10.e)

Answer: Enter the cumulative Federal share of expenditures from the “From” date (Line 8) through the end of the reporting period. This amount should not be less than the amount reflected on Line 10.b; however, it may be more if other resources were expended to pay program costs or costs are incurred late in the quarter for which the grantee anticipates drawing down grant funds in the future.

K. How should I report expenditures in excess of funds drawn down at the end of the program year?

If Line 10.e exceeds Line 10.b at the end of the program year, the difference (Line 10.e minus Line 10.b) should be added to the Federal Share of Expenditures (Line 10.e) on the first quarterly FFR for the next program year.

L. Should I complete Lines 10.i – 10.j (Recipient Share)?

A recipient share is not required under the IHBG program. However, these lines may be used to reflect the use of recipient funds for program activities that will not be reimbursed with IHBG (e.g., the use of non-program income that will not be reimbursed from LOCCS). If a recipient uses other funds (e.g., non-program income, other recipient funds, etc.) for grant activities for which it does intend to request a future LOCCS draw down, those amounts should be reflected on Line 10(e), Federal Share of Expenditures.

M. Should I complete Line 10.m?

Answer: No, because IHBG recipients are not required to use earned income to reduce the grant amount.

N. What should I put for remarks? (Line 12)

Answer: The remarks should clarify or explain information contained in the report. Additional pages may be attached. For ONAP programs, explanations should be provided for the following:

- Cash on hand identified on Line 10.c. Explain any cash on hand that exceeds the cash needs of 3 business days. Identify any funds drawn down for investment purposes.
- Amounts entered on Line 10.l. Explain amounts entered here that include, but are not limited to, the amount of interest earned on the investment of IHBG funds.
- Amounts entered on Line 10.n. Describe any new grant activities to be undertaken with these funds, if applicable

DEFINITION OF TERMS: The FFR and its instructions contain several technical terms. The definitions are provided below in alphabetical order.

- *Accrual Accounting:* An accounting method that records revenue and expenses when they are incurred, regardless of when cash is exchanged. In general, economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs, rather than when payment is made (or received). This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of a recipient's current financial condition.
- *Cash Basis Accounting:* An accounting method where income (or revenue) is recognized only when payment is received and expense is recognized only when payment is made. Basically, when cash is received for the sale of property, it is recorded in the accounting records as revenue at the time. This is in contrast with accrual accounting, where the sale would be recorded in the books of account when a contract is executed, rather than when cash is actually received.
- *Cash Disbursements:* Payment for goods or services by cash, check, or electronically.
- *Cash on Hand:* Cash in actual possession; also called cash-in-hand or cash-on-hand.
- *Cash Receipt:* A printed or electronic document that is logged by a recipient each time that cash is received for a good or service.
- *Federal Share of Un-liquidated Obligations:* The amount of Federal funds legally committed that have not been expensed, such as an account payable for items ordered or received, but which has not yet been paid. See below for definition of obligation.
- *Fund Accounting:* A system used by nonprofit and government organizations, including tribal governments and TDHEs. The accounting records take the form of a collection of funds, each fund having a distinct purpose, ranging from operating expenses to funding the various activities of the organization.
- *Obligation:* Any legally binding agreement to pay a particular sum of money for contract labor, supplies, materials, or services. Please refer to Notice PIH 2000-26 (TDHEs) for a description of the different types of funding obligations.
- *Program Income Earned:* Represents income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.

- *Total Federal Funds Authorized:* Represents the total amount of Federal funds awarded for approved activities or projects.

PROGRAM INCOME: Additional information on program income accounting and reporting requirements is detailed in the documents listed below.

<i>Document</i>	<i>Topic</i>
Section 104(a) of Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), as amended	Treatment of program income
24 CFR Part 85 and § 85.21(f)	Effect of program income
24 CFR § 1000.62	Program income and restrictions
24 CFR § 1000.26(a)(8)	Program income and proceeds of sale of equipment
Notice PIH 2000-18(TDHEs)	Accounting for program income under NAHASDA
NAHASDA Guidance 2002-12	Program income requirements
NAHASDA Guidance 2001-03t	Frequently asked questions regarding program income accounting
NAHASDA Guidance 2000-06t	Accounting for program income under NAHASDA

SOURCE DOCUMENTATION RETENTION: Recipients of Federal funds are required to maintain relevant and reliable accounting systems to ensure that the information provided in the FFR is consistent and fairly presented, as required by 24 CFR § 85.20. Furthermore, recipients are required to maintain all source documents and accumulated transactional documents for expenses included in the FFR, as required by 24 CFR §§ 85.42 and 85.20.

SANCTIONS: If HUD determines that a recipient has failed to comply with its financial accounting, documentation, and reporting responsibilities, HUD is authorized to initiate sanctions against the recipient, as stipulated at 24 CFR 85.43; 24 CFR Part 1000, Subpart F; and 24 CFR § 1003.701-703. These sanctions include the suspension, limitation, and/or termination of the recipient's HUD-funded grants.

ADDITIONAL GUIDANCE: Contact your Area ONAP if you have any questions.

Attachments