

CHAPTER 3. ANALYSIS OF REPORTS SUBMITTED
BY HUD GRANTEES

- 3-1. COMPARISON OF GRANTEES' PROGRESS WITH FINANCIAL PERFORMANCE. A coordinated review shall be made of each grantee's progress toward completion of the work contemplated in the grant agreement in relation to past and future financial requirements from HUD and other sources. This review may occur at the time of processing a requisition for funds. However, when sufficient current information is not then available, it shall be done when the grantee submits required reports to HUD. Whenever there is insufficient manpower to make a review of all reports, a method of setting priorities shall be established to assure examination of the reports from larger grantees or grantees with known problems, and an occasional review of reports from other grantees shall be made. The grantee's financial and progress reports, latest requisitions, and other information available to HUD program personnel should generally provide the reviewer with sufficient data to complete the review work contemplated.
- 3-2. REVIEW OF PROGRESS REPORTS. Progress reports submitted by grantees or reports prepared by HUD inspectors shall be reviewed to assess the current status of project work in contrast with planned progress. The impact of slippage in terms of requirements of additional funds, possible need to revise work completion targets, and the reasonableness of costs incurred in relation to progress achieved shall be considered in the assessment. Where delinquency in performance is found, program managers shall make full adjustment of subsequent progress requisitions, unless sufficient documentary evidence is provided that such an action is not warranted in the circumstances.
- 3-3. COMPARISON OF ACTUAL WITH BUDGETED COSTS. Financial status reports showing actual costs shall be reviewed to ascertain that:
- a. If budgeted amounts are reported, such amounts are in agreement with the approved budget and contract amounts.
 - b. Budget overruns, if any, are within allowable limits.
 - c. The current rate of cost incurred, when coupled with the estimated cost to complete performance, will not in the near future or to the end of the contract result in total costs exceeding budget limits. Any indication to the reviewer that the cost to be incurred will exceed allowable limits shall be brought to the attention of the program manager for appropriate action.

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- d. Reported costs are being shared in accordance with grant formulas, and that the matching shares are being

established on a timely basis.

- e. Amounts reported as requisitioned are reconcilable with the related amounts shown on the latest requisition submitted by the grantee and that they both agree with HUD records of requisitions paid.
- f. Reported costs are in line with known and documented progress.
- g. Non-cash contributions require to be furnished by the grantee are in fact being provided and are in line with amounts reported on the balance sheet and progress reports.

3-4. REVIEW OF STATEMENTS OF FINANCIAL CONDITION. A comparison shall be made of each grantee's current statement of financial condition with the statement previously submitted. Inquiry shall be made into the following items:

- a. Determine whether there is an extraordinary build-up in accounts payable or an extraordinary amount of cash on deposit or on hand. When these conditions exist, the reasons shall be ascertained as they may be indicative of potential problems; for example, grantee's disputes with contractors, failure to pay bills, inflated requests for reimbursements, etc.
- b. The grantee's cash position, liquid assets, and grants earned or to be advanced shall be contrasted with the current liabilities to determine whether the grantee's financial condition is sound.
- c. Accounts receivable due from HUD for grant funds requisitioned shall be verified to HUD records. A check shall also be made as to whether or not the grantee is submitting requisitions to non-Federal sources on a reasonably timely basis. If not, program managers shall be requested to take follow-up action to assure submission of such requisitions on a timely basis. Other accounts receivable shall be checked to determine whether the grantee is inappropriately advancing funds to third parties.
- d. The status of grants earned and/or funds disbursed shall be verified to HUD records and reconciled with financial status reports.

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- e. Local contributions invested in programs shall be compared to HUD contributions to determine whether they are in the required proportions and in the proper time frame.
 - f. Changes in the project cost account shall be checked to determine whether there is an indication of slow work progress. Where slow progress is indicated, the results

shall be compared with related financial statements and progress reports. Any inconsistencies found among the above shall be brought to the attention of the program manager for clarification or further inquiry.

- g. Ascertain that the statements of financial condition give appropriate disclosure to any advance funds obtained from the Department, giving considerations to the following:
- (1) Review cash account balances on statements of financial condition to determine whether the cash position is in line with current requirements. An excessive cash position may indicate that advance payments are being requisitioned in accordance with a predetermined requisitioning schedule rather than to meet short-term requirements.
 - (2) Ascertain that all HUD advances can be accounted for on the statement of financial condition. The total of "unearned grants" and "grants earned" should equal the sum of the HUD record of advances. In transit grant advances should be disclosed as accounts receivable.

3-5. REPORT CONTROLS. A system of report controls shall be operated by the program manager for each grant program to assure receipt of required periodic and special reports from grantees. The report control system shall also be used to (a) monitor regional reviews of the reported information, (b) initiate delinquency notices to grantees who have not submitted reports by due dates, (c) initiate action to discontinue disbursements of requisitioned Federal funds until required reports are submitted by grantees, and (d) monitor inquiries sent to grantees and replies received therefrom as a result of report review. With respect to item (c), when a delay in the disbursement of funds would result in an unwarranted hardship to the grantee, disbursement in the absence of required financial reports may be approved, but only with concurrence of the Regional Administrator (for programs administered in the regions) and of an appropriate Headquarters program official (for programs administered in the Headquarters).

3-6. DISPOSITION OF QUESTIONS RESULTING FROM REVIEW OF REPORTS. If the reviewer finds anything out of order, he shall call the matter to the attention of the responsible program manager with recommendations as to the seriousness of the problem and the action which he considers appropriate. Whenever the program manager requests the grantee to take corrective action, based on the reviewer's findings, such action shall normally be set forth in a letter to the grantee. If the findings are communicated to the grantee in another form, the method of communication and its substance shall be documented in an attachment to the report. Should the program manager

believe any of the finding are of sufficient import to warrant withholding approval of current or future requisitions of funds until the grantee takes remedial action, notification of such findings shall be submitted to the HUD accounting office scheduling program requisitions for funds, so that appropriate measures can be taken to avoid inadvertent disbursement of funds.

Assistant Secretary
for Administration