FISCAL REQUIREMENTS

Community Development Block Grants

CDBG FISCAL ROLES

A. **APPLICATION PROCESS**

B. **CONTRACT / RFR (Request For Reimbursement) PROCESS**

C. **MONITORING PROCESS**

D. **TECHNICAL ASSISTANCE**

A) APPLICATION PROCESS

FINANCIAL STATEMENTS AND TAX FORMS

- Must be included with application for fiscal review.
- Required by HUD for compliance of fiscal stability.
- No advances will be provided.

- Agency must demonstrate financial capability to perform services on a reimbursement basis.
- Maintain project sustainability.

- Federal form 990 is filed yearly to allow charitable tax exemptions by the IRS for your contributors.
- State form 199 is filed to keep your certification active with the State. The state allows the agency to be a non-profit agency.

A) APPLICATION PROCESS

FINANCIAL STATEMENTS

- For all non-profit agencies. (NO EXCEPTIONS)
  - Audited Financial Statements for the most recent year end.
    - UNQUALIFIED opinion is required.
  - By Law 5 months from year end to submit.
  - Example:
    - Calendar Year ending Dec 31 – Due by end of May.
    - Fiscal Year ending June 30th – Due by end of Nov.

A) APPLICATION PROCESS

FINANCIAL STATEMENTS

- For all governmental agencies.
  - Audited Financial Statements for the most recent year end approved by legislative board.
    - UNQUALIFIED opinion
  - By Law 6.5 months from year end to submit.
  - Example:
    - Calendar Year ending Dec 31 – Due by mid July.
    - Fiscal Year ending June 30th – Due by mid January.

A) APPLICATION PROCESS

SINGLE AUDIT (if applicable)

Must be included with application for fiscal review

- Required by the Federal Office of Management and Budget (OMB) who oversees the audit of federal funding.
- OMB Circular A-133 states that all agencies that **expended more than $500,000** in **all** Federal funding for the year are required to submit a Federal Single Audit Package to be completed with the agency's audited financial statements for the most recent year end.
  - UNQUALIFIED opinion is required.

A) APPLICATION PROCESS

SINGLE AUDIT

- Schedule of Expenditure of Federal awards; included as a supplemental report.
- HUD requires separate Single Audit disclosure for CDBG.
  - Catalogue of Federal Domestic Assistance (CFDA)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Community Development:		
Supportive Housing Program	14.235	
Housing Opportunities for Persons with AIDS	14.241	
City of Oceanside:		
Community Development Block Grant	14.218	
City of San Diego:		
Community Development Block Grant	14.218	
City of Chula Vista:		
Community Development Block Grant	14.218	
Total Pass-Through Programs		
Total Expenditures of Federal Awards		

A) APPLICATION PROCESS

TAX DOCUMENTS

- For all non-profit agencies. (NO EXCEPTIONS)
  - Fully signed copy of Federal 990 form.
  - Fully signed copy of State 199 form.
  - By Law 4.5 months from year end to submit.
  - Example:
    - Calendar Year ending Dec 31 – Due by mid May.
    - Fiscal Year ending June 30th – Due by mid Nov.
- For all governmental agencies.
  - N/A.

A) APPLICATION PROCESS

Sarbanes-Oxley (SOX)

- Federal Audit and SEC requirement for publicly traded companies.
- Liability for misstatements and undisclosed financial information is with the CEO or equivalent signatory determined by Agency's Board.
  - Fraud.
  - Ethics violations.
  - Misuse of federal funds.
- The Sarbanes-Oxley Act and Implications for Nonprofit Organizations.
  - Web site http://www.sox-online.com/nonprofits.html

A) APPLICATION PROCESS

Application Budget Review – Cash flow

- The financial documents, single audit and tax forms are used to determine the agency's **cash flow**.
- 3 months of cash or cash equivalents is required.
  - Cash Equivalents in accordance to GAAP (Generally Accepted Accounting Principles) is:
    - Short Term (3 months or less)
    - Highly Liquid Investments
    - Treasury bills, commercial paper, money market funds.

Note: Accounts Receivables/Lines of credit are not considered cash.

A) APPLICATION PROCESS

Application Budget Review – Cash flow

- 3 months of cash required based on the amount of funds requested:
  - 1 month to spend funds.
  - 1 month to prepare reports to submit for reimbursement with supporting documentation.
  - 1-2 weeks for CDBG Fiscal Unit to review and get any other supporting documents needed for request for reimbursement.
  - 1-2 weeks to have check issued through the City of San Diego payment process.

A) APPLICATION PROCESS

Application Budget Review – Cash flow

XXIV. THREE MONTH CASH RULE TEST

The three (3) month rule is used by the CDBG Program Office as a guideline to determine whether an Agency is solvent and has enough available cash to take a CDBG project from beginning to end in the twelve months allowed to complete the project. CDBG projects should not harm the day-to-day operations of the Agency, so enough funds must be available for both purposes. Provide the information requested below to demonstrate that your agency has enough cash on hand to operate the proposed project on a reimbursement basis. The cash amount to be listed must be based on the balance sheet of your agency's financial statement submitted with the FY 2013 CDBG Application. Cash cannot include Long Term Investments or Receivables.

Agency Source Document for Cash Balance Amount	
Agency Cash Balance	
Multiply Agency Cash Balance by 4	

If resulting amount is **greater than** the FY 2013 CDBG funding request, your agency has demonstrated that it can operate the proposed project on a reimbursement basis.

** 3 months = 1 quarter, there are 4 quarters per year

A) APPLICATION PROCESS

Application Budget Review – Cash flow

- Example: Single funding request $133,231.
  - $68,750 x 4 = $275,000
  - Cash rule test: $275,000 > Amt requested: $133,231
  - Cash rule test: Pass

Agency Source Document for Cash Balance Amount	FY11 Audited F/S - Balance sheet
Agency Cash Balance	$68,750.00
Multiply Agency Cash Balance by 4	$275,000.00

If resulting amount is **greater than** the FY 2013 CDBG funding request, your agency has demonstrated that it can operate the proposed project on a reimbursement basis.

A) APPLICATION PROCESS

Application Budget Review – Cash flow

- If your agency is applying for multiple CDBG projects, the three(3) month rule will apply to the total amount requested for all projects.
  - Example: Project A $133,231, Project B $200,000.
  - Total amount requested = $333,231.
  - $68,750 x 4 = $275,000
  - Cash rule test: $275,000 < combined amt requested: $332,231
  - Cash rule test: Fail

Action: Adjust amount requested to coincide with cash rule test.

Agency Source Document for Cash Balance Amount	FY11 Audited F/S - Balance sheet
Agency Cash Balance	$68,750.00
Multiply Agency Cash Balance by 4	$275,000.00

If resulting amount is **greater than** the FY 2013 CDBG funding request, your agency has demonstrated that it can operate the proposed project on a reimbursement basis.

A) APPLICATION PROCESS

Application Budget Review – FY13 Application

VI. FY 2013 CDBG FUNDING REQUEST:

Minimum FY2013 CDBG Funding Request to Implement and Complete the Project Within Required Timelines:	$133,231
Amount of Other Funds Secured for the Project: NOTE: Secured represents non-CDBG funding awarded to Agency that is confirmed/documented at the time of application submittal.	$1,213,447
Amount of Other Funds Unsecured for the Project: NOTE: Unsecured represents funding requests (non-CDBG) submitted by Agency pending award results at the time of application submittal.	$259,056
TOTAL COST TO COMPLETE THE PROJECT:	$1,605,734

XXII. LIST OF FUNDING SOURCES FOR THE PROJECT

	AMOUNT SECURED	AMOUNT UNSECURED	% OF TOT
FY 2013 CDBG Request from City of San Diego		$133,231	8.30%
List Other Sources Below:			
HOME			0.00%
ESG			0.00%
HOPWA			0.00%
CDBG-R			0.00%
NSP			0.00%
HPRP			0.00%
Other Federal Stimulus Funds			0.00%
Other Federal Funds	$559,469		34.84%
San Diego Housing Commission			0.00%
State Funds	$193,425		12.05%
County Funds	$460,553		28.68%
Local Funds			0.00%
Private Funds		$259,056	16.13%
Agency Funds			0.00%
			0.00%
			0.00%
			0.00%
			0.00%
TOTAL PROJECT FUNDING (MUST MATCH SECTION VI. ON PAGE 1)	**$1,213,447**	**$392,287**	**100%**

Min. CDBG funding request

List of funding sources

$1,213,447 + $392,287 = $1,605,734

A) APPLICATION PROCESS

Application Budget Review – FY13 Application

XIV. FY 2013 COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT BUDGET

List the expenses that will be applied to only the CDBG-funded portion of the project's total budget, along with an explanation of how each expense is related to project delivery. **Total budget amount should match Page 1, Section VI, Minimum Funding Request amount.** **NOTE: If funded, this proposed budget may be subject to change per the CDBG Program Office based on eligibility prior to completion of the agreement execution process.**

1. Project Budget Information

LINE ITEM/TYPE OF EXPENDITURE	TOTAL CDBG AMOUNT
Salaries & Wages	$87,500
Fringe Benefits	$13,076
Total Personnel	$100,576
Supplies	$1,500
Postage	
Publications/Printing	$1,655
Transportation	
Rent	$11,000
Equipment Rental	
Equipment Purchases	
Utilities	$2,500
Telephone	
Maintenance/Repair	
Insurance	
Consultant Services	$6,000
Other (specify)	
Other (specify)	
Total Non-Personnel	$22,655
Total Overhead/Indirect Costs	$10,000
Total FY 2013 PROJECT BUDGET (AMOUNT MUST MATCH SECTION VI. ON PAGE 1)	**$133,231**

2. Personnel Salaries & Wage Details

POSITION TITLE	ANNUAL GROSS PAY	CDBG %	TOTAL CDBG AMOUNT
Position B	$75,000.00	50.00%	$37,500
Position G	$50,000.00	100.00%	$50,000
			$0
			$0
			$0
			$0
			$0
			$0
			$0
			$0
Total CDBG Direct Costs Salaries & Wages Budget			**$87,500**

3. Personnel Fringe Benefits Budget Details

POSITION TITLE	FRINGE TITLE	AMOUNT	CDBG %	TOTAL CDBG AMOUNT
Position B	Payroll raxes	$5,737.50	50.00%	$2,869
Position G	Payroll Taxes	$3,825.00	100.00%	$3,825
				$0
Position B	Sharp	$6,000.00	50.00%	$3,000
Position G	Sharp	$5,500.00	50.00%	$2,750
				$0
Position **B**	PMI	$690.00	50.00%	$345
Position G	PMI	$575.00	50.00%	$288
				$0
				$0
Total CDBG Direct Costs Fringe Benefits Budget				**$13,076**

A) APPLICATION PROCESS

Application Budget Review FY13 Application Budget Justification

We are looking for detail; justifying how you will be spending and supporting those future claims.

Detail should flow into your contract.

a. Supplies CDBG Budget: $1,500 CDBG % 3.95%

Justification:
PROVIDE A SPECIFIC LIST OF OFFICE SUPPLIES TO BE PURCHASED WITH THIS FUNDING FOR DIRECT USE ON THE CDBG PROJECT. THESE SUPPLIES SHOULD BE USED UP ON THE PROJECT.
REMINDER- THE AGENCY CANNOT PURCHASE SUPPLIES ALL AT ONE TIME, IN A COUPLE OF LARGE BATCHES OR AS A LARGE PORTION IN THE LAST 3 MONTHS OF THE CONTRACT.

c. Publications/Printing CDBG Budget: $1,655 CDBG % 30.09%

Justification:
WHAT TYPE OF PUBLICATIONS OR PRINTING IS NEEDED FOR THE PROJECT. HOW IS THIS USED IN THE PROJECT TO MEET THE SCOPE. LIST LARGE DISTRIBUTIONS.
REMINDER: ALL PUBLICATIONS MUST HAVE THE CDBG BOILERPLATE LANGUAGE FOR RECOGNITION OF FUNDING SOURCE. SUBMIT COPY OF DOCUMENT FOR REIMBURSEMENT.

e. Rent CDBG Budget: $11,000 CDBG % 20.00%

Justification:
WHO OWNS THE PROPERTY? WHO IS RENT PAID TO? PERCENTAGE OF RENT PAID WITH THIS FUNDING SHOULD TIE TO THE COST ALLOCATION PLAN. HOW IS THE PERCENTAGE CALCULATED; SPACE, FUNDING, ETC. LEASE/RENTAL AGREEMENT MUST BE INCLUDED WITH PACKAGE

A) APPLICATION PROCESS

Application Budget Review FY13 Application

Const/Rehab & Minor Res Rehab Project Management Services

Must be less then or equal to 10% of funding request.

Minor Res Rehab Project Management Personnel Costs

Must be less then or equal to 15% of funding request.

2. Project Management Personnel Costs Calculation - Limited to 15%

Project Management Personnel Costs are limited to 15% of the total CDBG project budget. Sum the total of the Salaries & Wages and Fringe Benefits for Project Management Services and enter the amount in the Total Project Management Personnel Costs Budget field. Complete the calculation below to confirm that your agency has only budgeted the maximum 15% of the FY 2013 CDBG funding request amount for Project Management Personnel Costs.

Total Project Management Personnel Costs Budget	
Divide by FY 2013 Funding Request Amount	
Resulting Percentage	#DIV/0!

A) APPLICATION PROCESS

FY 2013 CDBG PROGRAM APPLICATON PROCESS
COST ALLOCATION PLAN

COST ALLOCATION PLAN CONTINUED - AGENCY **XYZ agency**

(1) FUNDING SOURCE TITLE		City SD-FY13 CDBG		County of SD- xyz		State Grants		Federal Grant		Donations				TOTAL	
(2) TOTAL FUNDNG SOURCE AMOUNT			**133,231**		460,553		193,425		559,469		259,056				**1,605,734**
(3) TOTAL ANTICIPATED PI			-		-		-		-		-				
LINE ITEM	(5) BUDGET	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
SUPPLIES	38,000	3.95%	**1,500**		20,000		3,000		10,000		3,500			100.0%	38,000
POSTAGE	7,500				4,000				3,500					100.0%	7,500
CONSULTANT SERVICES	30,000	20.00%	**6,000**		-		10,000		14,000					100.0%	30,000
MAINTENANCE/REPAIR	30,000				20,000		2,000		5,000		3,000			100.0%	30,000
PUBLICATIONS/PRINTING	5,500	30.09%	**1,655**		1,000		2,645		200					100.0%	5,500
TRANSPORTATION	9,760				5,000		1,000		3,000		760			100.0%	9,760
RENT	55,000	20.00%	**11,000**	30.0%	**16,500**	20.0%	11,000	20.0%	11,000	10.0%	5,500			100.0%	55,000
EQUIPMENT RENTAL	80,000		-		60,000				20,000					100.0%	80,000
INSURANCE	54,000				25,000		4,000		15,000		10,000			100.0%	54,000
UTILITIES	46,800	5.34%	**2,500**		20,000		5,000		16,000		3,300			100.0%	46,800
TELEPHONE	8,200				2,000		2,000		3,000		1,200			100.0%	8,200
EQUIPMENT PURCHASES	28,000				5,000				20,000		3,000			100.0%	28,000
(4) OTHER EXPENSES	List Below														
FOOD	375,000		-		100,000				250,000		25,000			100.0%	375,000
UNIFORMS/CLOTHING	128,129		-		51,725		50,000		20,880		5,524			100.0%	128,129
TOOLS FOR TRAINING	130,000		-		50,000		30,000		50,000					100.0%	130,000
Total Nonpersonnel			**22,655**		**380,225**		**120,645**		**441,580**		**60,784**		-		**1,025,889**
(4) IC/AO	List Below														
Position A oversight of project	90,000		**10,000**		7,000		13,000		10,000		60,000			111.1%	100,000
staff and board															-
															-
															-
	Total IC/AO		**10,000**		**7,000**		**13,000**		**10,000**		**60,000**		-		**100,000**
TOTAL PROJECT COSTS			**133,231**		**460,553**		**193,425**		**559,469**		**259,056**		-		**1,605,734**

CALCULATIONS:

FOR ALL EXPENDITURES SPLIT BASED ON FUNDING LEVEL such as Rent should be calculated using Total funding source amount divided by the total of all funding .

FOR MOST OF THE EXPENDITURES list total budgeted in BUDGET column; then distribute expense to each funding source.

A) APPLICATION PROCESS

Questions at this time?

Overview

Required Document submission

- Audited financial statements
- Single audit
- Fully signed tax documents

Also:

- 3 month cash rule cap
- FY13 project budget/justifications/cost alloc plan
  - Smooth transition from application to contract.

A) APPLICATION PROCESS

EXTENSION DEADLINE

If the agency is not going to meet the Tax Return and/or Financial Statement deadline, the agency must submit the following for:

- Financial Statements
  - A written notice from the agency's legislative body (Board) approving the extension.
- Tax Return
  - A written notice from the agency with explanation for the delay, and
  - Include a copy of the extension notice from the Federal and State Taxing Authority.

****The only acceptable financial statements are:**

- Fiscal year 2011: ending June 30, 2011.
- Calendar year 2010: ending December 31, 2010.

A) APPLICATION PROCESS

FINAL REVIEW

If awarded funding, the contract negotiations cannot commence until the financial documents are submitted and reviewed for 3 month cash rule and agency's fiscal stability.

All Financial Statements and Taxes MUST be submitted by 6/30/2012. If documents are not received by this date, no contract can be executed for FY2013.

A) APPLICATION PROCESS

APPLICATION NON-COMPLIANCE

- No financial statements, no single audit, or no tax documents submitted with application.
- No board approved extension.
- No extension from federal/state taxing authority.
- CDBG not listed on single audit "schedule of expenditure of federal awards" as a separate source.
- Does not pass 3 month rule test.
- Budget calculations incorrect.
- No detail on budget justifications.
- No cost allocation plan.
- Cost allocation plan does not match budget and justification pages.
- Project Mgmt Services is greater than 10% (Const/Rehab & Minor Res Rehab).
- Project Mgmt Personnel Costs is greater than 15% (Minor Res Rehab).

B) CONTRACT/RFR PROCESS

Contract

- Application is accepted and awarded by City Council.
- Application budget sections will be used in contract budget process.

RFR: Request For Reimbursement

- Claims will be reviewed in accordance to contracted budget and justifications.

***NOTE: if chosen for funding, mandatory workshops will be separately held for contract and RFR process.**

C) MONITORING PROCESS

Once your agency is awarded CDBG funding, you will need to comply with Fiscal monitoring

- Fiscal Monitoring IS REQUIRED and can be completed at any time.
  - Playing by the Rules Handbook for CDBG sub-recipients is the basis for review.
  - Concentrate on **<u>Chapter 2 Financial Management.</u>**
    - Once - Every two years **Required.**

- As needed per request by:
  - Agency
  - CDBG Project Manager
  - CDBG Fiscal Unit

C) MONITORING PROCESS

Comprehensive questionnaire in accordance to "playing by the rules hand book" Ch.2 and Fiscal application guidelines (pg 4-5)

1. Accounting Records
2. Budgetary Controls
3. Source Documentation
4. Financial Statements/ Single Audit
5. Tax Forms
6. Inventory, Equipment, Land, Buildings
7. Cash Management
8. Security for records
9. Internal controls
10. Allowable Costs

During the visit, we will also review:

- Requests For Reimbursement (RFR)
- Cost allocation plan
- Spending pattern, timeliness of submission, and other contractual requirements.

C) MONITORING PROCESS

How will monitoring be used for future improvement to CDBG?

- City staff will have monitoring record for HUD review.
- Best practices can be written for non-profits.
- Monitoring reports may be shared with other City staff/City Council staff/Con Plan Advisory Board.
- Areas of Technical Assistance can be determined.

D) TECHNICAL ASSISTANCE

- FY2013 Application Technical Assistance:
  - One-on-one technical assistance is available by appointment only from 11/21/11 -> 12/08/11.
    - Must attend mandatory workshop prior to scheduling appt.
    - Must specify your agency's needs to ensure appropriate staff is available.
      - Example: Discuss financial documents.
- After award of funding, all fiscal technical assistance requests should be coordinated through the CDBG fiscal unit.
- **Application submission deadline: December 12, 2011**

Thank You

Q & A