

RECIPIENT GUIDANCE

PROGRAM: Indian Housing Block Grant

FOR: Tribal Government Leaders and Tribally Designated Housing Entities
TRIBA

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

TOPIC: Federal Financial Report – Standard Form 425
Instructions and Guidance for the IHBG 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 it applies to the Indian Housing Block Grant (IHBG) program. For the IHBG program, this guidance replaces Program Guidance 2012-01 and 2014-04.

BACKGROUND: The FFR applies to all Federal grants including the IHBG program. Each recipient of Federal financial assistance must account for the funds received and disbursed. Reports must be signed and submitted to the Area Office of Native American Programs (Area ONAP).

On April 28, 2011, ONAP issued PIH Notice 2011-23, implementing the new Indian Housing Plan/Annual Performance Report (IHP/APR) Form and related changes to the IHP and APR business process which initiated a shift from grant-specific to program year reporting. As a result of this change, all IHBGs were consolidated under a single grant number with funding budgeted and reported on a 12-month, program-year basis. This guidance provides instruction on how the FFR (SF 425) should be completed.

DUE DATES: Each recipient is required to submit one FFR per quarter for each 12-month program year. The 1st, 2nd and 3rd quarterly reports must be submitted no later than 30 days after the end of the calendar quarter. The 4th quarterly report is due 90 days after the end of the 4th quarter. The 4th quarterly report is the final report for the recipient's 12-month program year. The quarterly reports are due as indicated in the chart below and are based on the recipient's specific program year.

Program Year	Q1 Due Date	Q2 Due Date	Q3 Due Date	Q4 Due Date
Oct 1 – Sept 30	Jan 30	April 30	July 30	Dec 29
Jan 1 – Dec 31	April 30	July 30	Oct 30	Mar 31
Apr 1 – March 31	July 30	Oct 30	Jan 30	Jun 29
July 1 – June 30	Oct 30	Jan 30	April 30	Sept 29

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 incurred, regardless of when cash is exchanged. In general, economic events are recognized by matching revenues to expenses (the matching principle) at the time when 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 expenses are 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 in cash, check or electronic payment.
- *Cash on Hand:* Cash in actual possession; also called cash-in-hand or cash-on-hand.
- *Cash Receipt:* A printed or electronic document recording each time 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 for which the supplier has not 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 PIH Notice 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.

INSTRUCTIONS FOR COMPLETING THE FFR: Generally, procedures for grant programs require recipients to request periodic disbursements concurrent with incurring eligible costs. HUD’s disbursement policy permits grant recipients to request funds to meet immediate cash needs for reimbursement of eligible costs incurred/paid with other funding sources. Grant disbursements are expected to be expended within three (3) business days of receipt. The primary focus of the FFR for the IHBG program is to:

- Record and track the revenue and expenditure of IHBG funds;
- Capture anticipated obligations of IHBG funds (paid expenses that will be reimbursed with IHBG funds); and
- Report on investments, program income and planning and administration reserve amounts.

Recipients are expected to follow the instructions and guidance 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.

The SF 425 form is available for downloading from the following website:
http://www.whitehouse.gov/sites/default/files/omb/assets/grants_forms/SF-425.pdf

LINE-BY-LINE INSTRUCTIONS AND GUIDANCE: The following table outlines the instructions for reporting IHBG program revenue and expenditures:

Form Line Item	ONAP Guidance
1	Enter “Department of Housing and Urban Development ONAP”.
2	Enter the grant number assigned by the Federal agency.
3	Enter the name and complete address of the recipient organization including zip code.
4(a)	Enter the recipient organization’s Data Universal Numbering System (DUNS) number.
4(b)	Enter the recipient organization’s Employer Identification Number (EIN).
5	This is optional. The recipient may enter an account number or other identifier they assign, not HUD, or leave blank.
6	Mark appropriate box.
7	Mark appropriate box Cash or Accrual. Financial data should be presented using the same basis of accounting as the APR and the Schedule of Expenditures of Federal Awards (SEFA). (i.e. financial statements prepared by the recipient in preparation for completion of the A-133 audit process). To ensure that the grant accrual methodology remains reasonable and appropriate, HUD will review the approach each quarter based on receipt of FFR (SF-425) data. It is critical that the methodology of the accrual process is consistently applied.

Form Line Item	ONAP Guidance
8	Indicate the period established in the award. The “From” date will be the first day of the recipient’s current 12-month program year and the “To” date will be the last day of that 12-month program year. For a recipient with a program year that 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., October 1, 2012, to September 30, 2013). There will be four quarterly FFRs submitted for each 12-month program year and then the reporting process will start over.
9	Enter the ending date of the reporting period. Use the following reporting period end dates: 3/31, 6/30, 9/30 or 12/31.
10a	Enter the cumulative amount of actual cash received for the 12-month program year from the Federal agency as of the reporting period end date. This is the amount of all LOCCS draw-downs received for the subject grant from the “From” date until the end of this reporting period. This should include any <u>undisbursed</u> cash on hand at the end of the prior program year. (See definition of <i>Cash Disbursements</i> above).
10b	Enter the cumulative amount of Federal fund disbursements (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to sub-recipients and contractors and the amount of expenses paid from other funds that will be reimbursed by IHBG funds as of the reporting period end date.
10c	Enter the amount of Line 10a minus Line 10b. This amount represents immediate cash needs. Excess cash on hand, for more than three business days, requires an explanation on Line 12, Remarks, explaining why the draw down was made prematurely or other reasons for the excess cash.
10d	Enter the total Federal funds authorized as of the reporting period end date. This will be the IHBG grant amount for the 12-month program year. For ease of reporting, recipients should include the balance in LOCCS for the “55 Project” at the beginning of its program year and any undisbursed IHBG cash on hand from the previous program year. Recipients must add any grant amounts awarded during the program year.
10e	Enter the amount of Federal fund expenditures. This amount will equal or exceed the amount reported on Line 10b. For reports prepared on a cash basis, expenditures are: the sum of cash disbursements for direct charges for property and services; the amount of indirect expense charged; the value of third-party in-kind contributions applied; and the amount of cash advance payments and payments made to sub-recipients. Expenditures are the sum of cash disbursements for direct charges for property and services; the amount of indirect expense incurred; the value of in-kind contributions applied; and the net increase or decrease in the amounts owed by the recipient for (1) goods and other property received; (2) services performed by employees, contractors, sub-recipients, and other payees; and (3) programs for which no current services or performance are required.

Form Line Item	ONAP Guidance
10f	Enter the Federal portion of unliquidated obligations. Unliquidated obligations on a cash basis are obligations incurred, but not yet paid including amounts due to sub-recipients and contractors. On an accrual basis, they are obligations incurred, but for which expenditures have not been recorded. Do not include any amount in Line 10f that has been reported in Line 10e. Do not include any amount in Line 10f for a future commitment of funds (such as a long-term contract) for which an obligation or expense has not been incurred.
10g	Enter the sum of Lines 10e and 10f.
10h	Enter the amount of Line 10d minus Line 10g.
10i	A recipient share is not required under the IHBG program.
10j	Enter recipient funds (e.g., tribal funds, revolving loans, non-program income, rental receipts, etc.) expended for program activities.
10k	Enter sum 10j minus 10i.
10l	Enter the cumulative amount of Federal program income earned during the reporting period, including interest earned on IHBG investments. Include any program income on hand from the previous reporting period (Line 10.o.). See instructions for Line 12, Remarks, for additional reporting requirements related to program income.
10m	Leave blank. IHBG recipients are not required to use earned income to reduce the grant amount.
10n	Enter the cumulative amount of program income expenditures for the reporting period.
10o	Enter the amount of Line 10l minus Line 10n. This amount equals the program income that has been earned but not expended, as of the reporting period end date.
11	This information is optional for the IHBG program.
12	<p>The remarks should clarify or explain information contained in the report. Additional pages may be attached. Explanations should be provided for the following:</p> <p>Cash on Hand: Explain any IHBG cash on hand that exceeds cash needs of 3 business days including: (1) funds drawn down for investment purposes; and (2) funds drawn down to establish or replenish a reserve for planning and administration.</p> <p>Invested IHBG Funds: Include: (a) the amount(s) drawn down; (b) the draw down date(s); (c) the date(s) that the funds were invested in an approved investment instrument; and d) the current balance for all IHBG investments.</p> <p>Planning and Administration Reserves: This must include: (a) the amount(s) drawn down; (b) the draw down date(s); (c) the date(s) that the funds were placed in a separate account established for this purpose; (d) amount of interest earned; and (e) current balance of the Planning and Administration Reserve Account(s).</p> <p>Amounts Entered on Line 10l: Explain amounts entered on 10l that include, but are not limited to, the amount of interest earned on the investment of IHBG funds.</p>
13a	Enter the name and title of the authorized certifying official.
13b	The authorized certifying official must sign here.
13c	Enter the telephone number (including area code and extension) of the individual listed in Line 13a.
13d	Enter the email address of the individual listed in Line 13a.

Form Line Item	ONAP Guidance
13e	Enter the date the FFR is submitted to the Federal agency using the month, day, and year format.

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

SANCTIONS: In the event that 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 Part 1000, Subpart F. These sanctions include the suspension, limitation, and/or termination of the recipient's HUD-funded grants.

Note: The Office of Management and Budget (OMB) published new regulations on Guidance for Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which will supersede previous OMB Circulars. HUD is implementing regulations in accordance with the guidance, and expects the new audit and financial regulations will become effective December 26, 2014, or later. FY 2014 grantees will be required to comply with the HUD implementing regulations when they become effective, but should not use them before the effective date.

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