



No. 2012-02  
January 04, 2012

# PROGRAM GUIDANCE

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**PROGRAMS:** Native Hawaiian Housing Block Grant, Indian Community Development Block Grant, Resident Opportunities and Self-Sufficiency, Rural Housing and Economic Development, Rural Innovation Fund, and American Recovery and Reinvestment Act Programs.

**FOR:** Tribal Government Leaders, Tribally Designated Housing Entities, and the Department of Hawaiian Home Lands

*RJB*

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

**TOPIC:** Federal Financial Report – Standard Form 425

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**PURPOSE:** The purpose of this guidance is to update tribes, tribally designated housing entities (TDHE), and the Department of Hawaiian Home Lands (DHHL) on the reporting requirements for the Federal Financial Report (FFR). This guidance replaces Notice PIH 2009-46 and Program Guidance 2010-10.

With this update, references to the Indian Housing Block Grant (IHBG) program are being removed. Another Program Guidance specific to use of the FFR for the IHBG program is issued as **Program Guidance 2012-01**. Also, the Rural Innovation Fund program has been added to this Program Guidance.

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). The FFR applies to all Federal grants; however, this guidance focuses specifically on HUD programs used by tribes, TDHEs, and DHHL.

**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). Recipients of the following grant funds are required to prepare and submit an FFR:

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<i>Program</i>	<i>Financial Reporting Requirement</i>
Native Hawaiian Housing Block Grant (NHHBG)	24 CFR §§ 1006.370 and 85.41
Indian Community Development Block Grant (ICDBG)	24 CFR §§ 1003.501 and 85.41
Resident Opportunities and Self-Sufficiency (ROSS)	Grant Agreement references 24 CFR §§ 84.52 and 85.41
Rural Housing and Economic Development (RHED)	Grant Agreement references 24 CFR §§ 84.52 and 85.41
Rural Innovation Fund (RIF)	Grant Agreement references 24 CFR §§ 84.52 and 85.41
Native American Housing Block Grant (NAHBG) Recovery Act Formula	24 CFR §§ 1000.26 and 85.41
Native American Housing Block Grant (NAHBG) Recovery Act Competitive	24 CFR §§ 1000.26 and 85.41
Native Hawaiian Housing Block Grant (NHHBG) Recovery Act	24 CFR §§ 1006.370 and 85.41
ICDBG Recovery Act Competitive	24 CFR §§ 1003.501 and 85.41

FFRs are required to be submitted quarterly, semi-annually, or annually, depending on the grant type and applicable program requirements. The form must be submitted no later than 30 days after the end of the reporting period. The reporting frequencies are shown in the table below.

<i>Program</i>	<i>Reporting Frequency</i>
NHHBG ICDBG NAHBG Recovery Act Formula NAHBG Recovery Act Competitive ICDBG Recovery Act Competitive NHHBG Recovery Act	Quarterly
RHED and RIF	Semi-annually
ROSS	FY 2009 and later: Annually Pre-FY 2009: Semi-annually

Recipients must submit an FFR for each open grant using the single grant reporting option. The financial data included in the FFR must be cumulative throughout the grant term.

Quarterly and semi-annual FFRs must be submitted to the respective Area ONAP no later than **30 days** after the end of the reporting period. Final FFRs must be submitted no later than **90 days** after the grant period end date. Reports may be submitted by regular mail, fax or e-mail attachment.

**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>. Instructions are available at <http://www.forms.gov/bgfPortal/docDetails.do?dId=15150>.

The FFR instructions attached to this notice 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 notice.

- A. 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.).

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

Answer: This is 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.

- C. 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 page 5 of this notice for a definition of cash basis accounting and accrual basis accounting.

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

Answer: This depends on which grant program you are participating in, as explained below.

- For NHHBG, the "From" date should reflect the date that the grant agreement was signed by the recipient. Since there is no "To" date associated with the NHHBG programs or identified on the grant agreement, this line may remain blank.
- For NAHBG, NHHBG Recovery Act, ICDBG, ICDBG Recovery Act, RHED, ROSS, and RIF the "From" date should reflect the date that the grant agreement was signed by the recipient or the Department, whichever is later, and the "To" date should reflect the date that the grant is expected and/or required to be completed.
  - In the case of ICDBG, this date should coincide with the anticipated completion date identified on the latest Implementation Schedule (HUD 4125).
  - For RHED, ROSS, and RIF, this date should coincide with anticipated completion dates identified in the approved application, but be no later than the grant period end date identified in the grant agreement and/or applicable Notice of Funding Availability (usually 24 to 36 months from grant award).

- E. 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 inception until the end of the identified reporting period.

For Cash Disbursements (Line 10.b), enter the cumulative sum of all disbursements of funds drawn down from LOCCS for the subject grant from inception to the end of the identified 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 G below regarding expenditures that exceed the amount drawn down.

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

Answer: Enter the total Federal funds authorized for the subject grant.

- For NAHBG Recovery Act, this includes any Federal funds budgeted for grant activities identified in the IHP Amendment (formula funding) or the Cost Summary-NAHBG (HUD-4123A) (competitive funding).
- For NHHBG, this includes any amounts identified as HUD resources and other Federal resources on Part 1 of Table 2 of the Native Hawaiian Housing Plan (NHHP).
- For NHHBG Recovery Act, this includes any Federal funds budgeted for grant activities identified in the NHHBG Amendment.
- For ICDBG or ICDBG Recovery Act, this includes any Federal funds budgeted for grant activities on the Cost Summary-ICDBG (HUD-4123).
- For RHED, ROSS, and RIF, this includes any Federal funds reflected in the approved application.

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

Answer: Enter the cumulative Federal share of expenditures through the end of the reporting period. This amount should not be less than the amount reflected on Line 10.b; however, this amount may be more if other resources were expended to pay program costs for which the grantee anticipates drawing down grant funds in the future.

H. Should I complete Line 10.m?

Answer: No, because none of the listed programs requires program income to be used to reduce the grant amount.

I. 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 funds.
- Amounts entered on Line 10.n. Describe any new grant activities to be undertaken with these funds.

**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 in cash or by check.
- *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 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