

GRANTS MANAGEMENT

LEARNING OBJECTIVES:

After completing the module, you will have a working knowledge of the:

- Components of grants management
- Reporting requirements
- Financial regulations
- Administrative and National Policy requirements
- Use of the HUD Logic Model as a management tool
- Importance of grants management to receipt of future grants

Management of the ICDBG grant begins with the signing of the grant agreement and ends after the project has been successfully completed and the final project reports have been submitted and accepted. The purpose of grants management is to ensure that the project goals are met, resources are safeguarded and efficiently used, and that compliance with policies and regulations is guaranteed. Grant recipients should keep in mind that management of existing grants is evaluated as part of the review process for future ICDBG applications.

Grants management includes three interrelated components. The components are:

- **Project Management.** The goal of project management is to ensure that all tasks and activities are completed as planned - effectively and efficiently, producing the desired outcomes.
- **Financial Management.** The goal of financial management is to ensure accountability for use and control of grant funds.
- **Reporting.** Reporting ensures communication of required information to the funder and the integrity of the data provided.

NOTES:

Knowledge of federal guidelines, including government regulations and national policy requirements, is critical to grants management. Regulations and requirements are discussed in Part D and Part E of this section.

A. PROJECT MANAGEMENT

The goal of good project management is to ensure that all tasks and activities are completed as planned, effectively and efficiently producing planned project outcomes. Project management assures that the project is managed according to the plan described in the application and approved by the funder. Additionally, project management is the process by which project standards are upheld in accordance with the ICDBG requirements.

Project management also assures the resolution of issues that inevitably arise in any project. These issues could include staff performance, completion of project tasks, monitoring of activities and the appropriate documentation of these activities.

B. FINANCIAL MANAGEMENT

A good financial management system does more than track financial activities. Financial management includes budget management, cash management, internal controls, procurement, contract management, and reporting.

- **Budget management.** Budget management is the control of costs in relation to the project budget. The goal of budget management is to ensure that obligations do not exceed the planned amount for the line items within each activity. This is done through a comparison of the planned budget line item amounts with the actual expenditures.
- **Cash management.** Cash management regulates the flow of funds into the project and their disbursement for project activities. The requirements include minimizing the time elapsing between the receipt of funds from the U.S. Treasury and the disbursement of funds. This can be done by analyzing both cash on hand and future cash requirements prior to the drawing down of funds. Essential components of cash management include ensuring that funds are available to pay for expenses, approving draw downs prior to the draw, and disbursing funds within three days of receipt of ICDBG funds.

NOTES:

- **Internal controls.** Internal controls establish how assets will be safeguarded, including, but not limited to; how cash will be received and recorded, that cash is disbursed only after proper authorization, and that all revenues and disbursements are properly recorded. Segregation of duties for financial activities is essential to internal controls.
- **Procurement.** Procurement is a function of both project management and financial management. The elements of a procurement system include planning the procurement activities, selecting the appropriate procurement method, providing for full and open competition, and maintaining records that document the history of each procurement activity.
- **Contract management.** Contract management is a function of both project management and financial management. The functions of contract management include the selection of the contract type and contractor, control of payments to the contractor, evaluation of the contractor, records and close-out of the contract.
- **Reporting.** The complete and accurate accounting of all financial transactions is the key to the integrity of internal reports as well as reports to the Area ONAP offices. The internal reports should provide the information needed to manage the budget and make adjustments as appropriate.

C. REPORTING REQUIREMENTS

Federal Cash Transaction Report - SF-272. The SF-272 report accounts for funds received and disbursed by the grantee. The report includes information on cash on hand at the beginning of the report period, cash received, total cash available, gross disbursements, federal share of program income, net disbursements, adjustments for prior periods, and the cash on hand at the end of the period. Information about interest income and advances to sub-grantees or subcontractors is also included in the report.

Annual Status and Evaluation Reports (ASER). Grantees are required to submit the ASER in a narrative format for all open grants annually. The report is due 45 days after the end of the federal fiscal year, and at the time of grant close-out. Each ASER report must address the following:

NOTES:

- **Progress.** The progress made in completing approved activities must be described. This description should include a listing of work remaining, and a revised implementation schedule, if necessary.
- **Expenditure of funds.** A breakdown of funds spent on each major project activity or category must be provided.

Grantee Assessment. An evaluation of the effectiveness of the project in meeting the community development needs of the grantee must be provided.

Contract and Subcontract Activity Report – HUD-2516. This semi-annual report provides information on minority business enterprise contracting and reports the total number and dollar amount of contracts awarded and the number and dollar amount of the contract awarded to minority contractors.

Financial Status Report – SF-269 or SF 269A. The SF-269 or SF269A reports total expenditures for the project. The report is required at the close-out of the grant. The information reported includes total outlays, recipient share of outlays, federal share of outlays, total unliquidated obligations, recipient share of unliquidated obligations, federal share of unliquidated obligations, total federal share, total federal funds authorized, unobligated balance of federal funds, and indirect expense.

The chart below details the reporting requirements and the due dates for the reports.

NOTES:

REPORTING REQUIREMENTS FOR OPEN GRANTS	FOR REPORTING PERIODS ENDING	DATES REPORTS ARE DUE	CITATION NUMBERS
SF-272, Federal Cash Transactions Report	3/31, 6/30 9/30, 12/31	15 Business Days	§ 1003.506 and § 85.41(c)
Status & evaluation report	9/30	45 Calendar Days	§ 1003.506(a)
HUD-2516, Contract & Subcontract Activity	Semiannually 3/31 & 9/30	4/10 & 10/10	§ 1003.506(b)
Close-out reports			
SF-269 or 269A	At completion of grant	Submit within 90 days of project completion	§ 1003.508(b)(1)
Status/evaluation report	Final Report	Submit within 90 days of project completion	§ 1003.508(b)(1)

D. GOVERNMENT REGULATIONS

It is important to have a working knowledge of the following documents that apply to the use of funds under the ICDBG program. Detailed below is a brief description of each of the documents.

The Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments. 24 CFR part 85 establishes uniform administrative requirements for Federal grants and cooperative agreements and subawards to State, local and Indian tribal governments.

NOTES:

Part 85 establishes uniform policies and procedures for the administration of grants. The four major subparts include; Subpart A - General, Subpart B – Pre-award requirements, Subpart C – Post-award requirements, and Subpart D – After-the-grant requirements. Selected key components of Subpart C are as follows.

- **Financial Management Standards.** Financial management systems must meet the following minimum standards. They must:
 - Provide for accurate, current, and complete disclosure of all financial activities.
 - Maintain records that identify the source and application of funds.
 - Maintain effective control and accountability for all grant cash, property, and other assets.
 - Compare actual expenditures with budgeted amounts on a periodic basis.
 - Determine allowable costs by OMB cost principles, program regulations, and grant agreement.
 - Have accounting records supported by source documentation.
 - Have procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the subgrantee.
- **Payment.** All methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee. Recipients must also expend program income, refunds, and audit recoveries before requesting additional federal cash payments.
- **Audit.** If a grantee expends \$500,000 or more of federal funds in any given year, it must obtain an annual audit under OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. The A-133 audit looks for compliance with general and specific government audit requirements, which cover both financial and non-financial factors such as program effectiveness and efficiency with which resources are used. Another key element of the audit is a test of internal control procedures, to make sure that adequate systems are in place for complying with the requirements of the grant.

NOTES:

- **Procurement.** Grantees must meet the following standards:
 - There must be a contract administration system.
 - There must be a written code of standards of conduct governing the grantee or subgrantee's employees.
 - Procedures must be in place to avoid the purchase of unnecessary or duplicative items.
 - Grantees are encouraged to enter into state and local inter-governmental agreements for purchasing common goods and services.
 - Grantees are encouraged to use federal excess and surplus property.
 - Procedures must exist to ensure awards are only given to responsible contractors.
 - Records must detail the significant history of the procurement.
 - Grantees must settle all contractual and administrative issues arising out of the procurement.
 - Grantees will have protest procedures.

All procurement transactions will be conducted in a manner providing full and open competition. There must be written selection procedures.

OMB Cost Principles. The OMB cost principles are contained within OMB A-87, Cost Principles for State, Local and Indian Tribal Governments, and OMB A-122, Non-Profit Organizations. The principles are used to determine the allowable costs of programs under grants, contracts, and cooperative agreements with the federal government.

The cost principles address four major areas: general principles for determining allowable costs, selected items of costs, cost allocation plans, and indirect costs.

1. **General principles for determining allowable costs.** Costs are allowable if they are necessary and reasonable, not prohibited under state or local laws, conform to laws and regulations, given consistent treatment, comply with generally accepted accounting principles, and are not included as a cost under other federal programs.
2. **Selected items of cost.** The selected items of cost provide principles to be applied in establishing the allowability or unallowability of certain items of cost. The principles apply whether a cost is treated as direct or indirect.

NOTES:

- 3. Cost Allocation Plans.** Cost allocation plans are addressed in OMB A-87, and although not specifically addressed, the same basic principle is discussed under direct costing of indirect costs in OMB A-122. A cost allocation plan documents the methods and procedures used to identify, accumulate, and distribute allowable costs in a consistent and equitable manner to services provided. The cost allocation plan should be approved by the designated representative of the agency or the governing body. All costs allocated by the plan must be supported by formal accounting records that substantiate their propriety.
- 4. Indirect Costs.** Indirect costs are those incurred for a common purpose benefiting more than one program and not readily assignable to the program specifically benefited. Indirect cost agreements must be negotiated with a cognizant agency. The cognizant agency is the federal agency responsible for negotiating and approving indirect cost rates on behalf of the federal government.

An indirect cost rate is the percentage of total indirect expenses factored against some direct cost base. The basic rules for indirect costs are:

- Indirect costs are shared costs, to be distributed by an indirect cost rate that must be grouped into one or more equitable cost pools to determine the appropriate rate.
- A formal indirect cost proposal must be submitted and approved. Once approval is granted, charges can then be distributed by means of an indirect cost rate.

To ensure compliance with the regulations, staff should have a working knowledge of allowable expenditures, financial management standards, procurement standards, and project budgets.

NOTES:

E. ADMINISTRATIVE AND NATIONAL POLICY REQUIREMENTS

Equal Treatment to All Program Participants. HUD's requirements on participation in the ICDBG program by religious organizations have recently been clarified. ICDBG faith-based regulations include the following provisions:

- (a) Religious organizations are eligible, on the same basis as any other eligible organization, to participate in the ICDBG program.
- (b) Organizations that receive direct HUD funds under the ICDBG program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded under this part.
- (c) A religious organization that participates in the ICDBG program will retain its independence from federal, state, local, and tribal governments, and may continue to carry out its mission, including the definition, practice, and expression of its religious beliefs, provided that it does not engage in any inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services funded under a program or activity pursuant to this part.
- (d) A religious organization's exemption from the federal prohibition on employment discrimination on the basis of religion, set forth in section 702(a) of the Civil Rights Act of 1964 (42 U.S.C. 2000e-1), is not forfeited when the organization participates in a HUD program. Some HUD programs, however, contain independent statutory provisions that impose certain nondiscrimination requirements on all grantees. Accordingly, grantees should consult with the appropriate HUD program office to determine the scope of applicable requirements.
- (e) An organization that receives direct funds under the ICDBG program shall not, in providing program assistance, discriminate against a program beneficiary or prospective program beneficiary on the basis of religion or religious belief.
- (f) ICDBG funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities.
- (g) If a tribal government voluntarily contributes its own funds to supplement federally funded activities, the tribal government has the option to segregate the federal funds or commingle them. However, if the funds are commingled, this section applies to all of the commingled funds.

NOTES:

Environmental Requirements. As required by 24 CFR 1003.605, ICDBG grantees must perform environmental reviews of ICDBG activities in accordance with 24 CFR part 58 (as amended September 29, 2003). Grantees and other participants in the development process may not commit or expend any ICDBG or nonfederal funds on project activities (other than those listed in 24 CFR 58.22(f), 58.34 or 58.35(b)) until HUD has approved a Request for Release of Funds and environmental certification submitted by the grantee. The expenditure or commitment of ICDBG or nonfederal funds for such activities prior to HUD approval may result in the denial of assistance for the project or activities under consideration.

Indian Preference. The ICDBG program is subject to section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e (b)). The provisions and requirements for implementing this section are in 24 CFR 1003.510.

Anti-discrimination Provisions. Under the authority of section 107(e) (2) of the CDBG statute, HUD waived the requirement that recipients comply with the anti-discrimination provisions in section 109 of the CDBG statute with respect to race, color, and national origin. You must comply with the other prohibitions against discrimination in section 109 (HUD's regulations for section 109 are in 24 CFR part 6) and with the Indian Civil Rights Act.

Conflict of Interest. In addition to the conflict of interest requirements with respect to procurement transactions found in 24 CFR 85.36 and 84.42, as applicable, the provisions of 24 CFR 1003.606 apply to such activities as the provision of assistance by the recipient or subrecipients to businesses, individuals, and other private entities under eligible activities that authorize such assistance.

Economic Opportunities for Low- and Very Low-Income Persons (Section 3). Section 3 requirements apply to the ICDBG Program, but as stated in 24 CFR 135.3(c), the procedures and requirements of 24 CFR part 135 apply to the maximum extent consistent with, but not in derogation of, compliance with Indian Preference.

F. HUD LOGIC MODEL

The form HUD-96010, Logic Model, is a valuable tool for managing tasks, outcomes, reporting, finances, and human resources. It creates a common

NOTES:

language between staff and management. The Logic Model is initially completed prior to the beginning of the project (or it can be submitted to respond to rating factors in your application), and is then used as an evaluation tool.

The seven key components of the Logic Model, when completed, serve as a map for project management.

- **HUD's Strategic Goals.** Indicate the number of the goal(s) that the service or activity is designed to achieve. HUD's strategic goals are:
 1. Increase homeownership opportunities.
 2. Promote decent affordable housing.
 3. Strengthen communities.
 4. Ensure equal opportunity in housing.
 5. Embrace high standards of ethics, management, and accountability.
 6. Promote participation of grass-roots, faith-based, and other community-based organizations.

The goal is linked to all project activities and the outcomes, incorporating the measuring tools and evaluation process for assessing the achievements of the project.

- **Policy Priority.** Indicate the number of HUD Policy Priority(ies), if any, the proposed service or activity promotes. HUD's Policy Priorities are:
 1. Providing increased homeownership and rental opportunities for low- and moderate- income persons, persons with disabilities, the elderly, minorities, and families with limited English proficiency.
 2. Improving our nation's communities.
 3. Encouraging accessible design features.
 4. Providing full and equal access to grass-roots, faith-based and other community-based organizations in HUD program implementation.
 5. Participation of minority-serving institutions in HUD programs.
 6. Ending chronic homelessness within ten years.
 7. Removal of barriers to affordable housing.
 8. Energy Star
- **Problem, Need, or Situation.** A general problem statement that provides the rationale for the proposed service or activity. It is important to keep the problem in the forefront of the project implementation and execution. Use of the logic model makes it easy to identify when change has occurred and progress has been made as a result of the project.

NOTES:

- **Service or Activity.** Identify the activities or services that will be undertaken in the work plan, which are crucial to the success of the program. Services or activities provide an easy reference for the project manager to review the critical elements of the project on a periodic basis.
- **Benchmarks.** The benchmarks are indicators that will be used in measuring the progress of the services or activities. Benchmarks are a tool to use in reviewing activities at established intervals throughout the project and keeping the project on task. They also provide valuable information for reporting.
- **Outcomes.** The outcomes are the ultimate impact you hope to achieve with the proposed project. An outcome is a quantifiable or measurable result that identifies positive change in the community.
- **Measurement Reporting Tools.** Measurement reporting tools are the tools used to track output or outcome information (e.g., survey instruments; attendance logs; case reports; pre-post tests; waiting lists, and the like). Developing effective measurement reporting tools helps ensure correct information is collected initially and eliminates the need for additional information collection tasks.
- **Evaluation Process.** The evaluation process is the methodology that will be used to periodically assess success in meeting benchmarks, outputs, and outcome results of the project. The evaluation process identifies adjustments that might be needed to successfully complete the project.

The Logic Model is a standardized, precise and easy to understand tool for the management of the grant. It can serve as a guiding document not only for the project manager, but also for staff.

NOTES:

G. IMPACT ON FUTURE GRANTS

A grants management system that is regularly reviewed and updated when necessary, and that meets the ICDBG grants management requirements cited under this module is a predictor of successful management capacity. It is important to remember that management of existing grants is evaluated when future ICDBG applications are applied for. The FY 2007 ICDBG NOFA, in Rating Factor 1, Capacity of the Applicant, provided up to 20 points to applicants who had managerial, technical and administrative capacity, and who have successfully managed existing grants. To stress the importance placed on management capacity, for the past few years the ICDBG NOFA has included language that states that applications that receive less than 15 points under Factor 1 will not be funded.

Factor 1 evaluates the following grants management components discussed under this Module:

- Financial Management
 1. Financial management systems/internal control policies or procedures
 2. Current audits and any serious or significant findings related to financial management.
 3. Procurement and contract management policies and procedures, and any serious or significant audit findings related to procurement and contract management.
- Past Performance
 1. Compliance with Implementation Schedule timeframes
 2. Submission of the ASER and financial reports within the required timeframes
 3. Timely submission of close-out documents, according to the required criteria.
 4. Timely submission of annual audits
 5. Resolution of open ICDBG monitoring findings and controlled audit findings in a timely manner.

NOTES:

H. SUMMARY

There are three interrelated components to grants management: project management, financial management, and reporting. Each of these components is critical to the successful implementation, execution, and completion of the projects.

Grants management requires the use of appropriate and approved systems of accountability to ensure that the project meets the ICDBG goal of developing viable Indian and Alaska Native communities.

NOTES:

PARTICIPANT WORK ACTIVITY NINE

Project Selected In Activity 3: _____

- ☐ Housing Rehabilitation
- ☐ Land Acquisition
- ☐ New Housing Construction
- ☐ Homeownership Assistance
- ☐ Public Facility/Improvements
- ☐ Economic Development
- ☐ Microenterprise
- ☐ Other _____

**Prepare the Annual Status and Evaluation Report. This is a final report.
Progress:**

NOTES:

Expenditure of Funds:

Major Project Activity	Amount
Total	

Grantee Assessment:

Complete the SF-269A on the following page

NOTES:

FINANCIAL STATUS REPORT

(Short Form)

(Follow Instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grantor Other Identifying Number Assigned By Federal Agency		OMB Approval No. 0348-0038	Page of
3. Recipient Organization (Name and complete address, including ZIP code)					
4. Employer Identification Number		5. Recipient Account Number or Identifying Number		6. Final Report ☐ Yes ☐ No	7. Basis ☐ Cash ☐ Accrual
8. Funding/Grant Period (See instructions) From: (Month, Day, Year)		To: (Month, Day, Year)		9. Period Covered by this Report From: (Month, Day, Year)	
				To: (Month, Day, Year)	
10. Transactions		I Previously Reported	II This Period	III Cumulative	
a. Total Outlays					
b. Recipient share of outlays					
c. Federal share of outlays					
d. Total unliquidated obligations					
e. Recipient share of unliquidated obligations					
f. Federal share of unliquidated obligations					
g. Total Federal share (Sum of lines c and f)					
h. Total Federal funds authorized for this funding period					
i. Unobligated balance of Federal funds (Line h minus line g)					
11. Indirect Expense	a. Type of Rate (Place "X" in appropriate box)				
	☐ Provisional ☐ Predetermined ☐ Final ☐ Fixed				
	b. Rate	c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title			Telephone (Area code, number and extension)		
Signature of Authorized Certifying Official			Date Report Submitted		